



COURT FILE NUMBER S-198317

COURT SUPREME COURT OF BRITISH COLUMBIA

REGISTRY VANCOUVER

PETITIONER HSBC BANK CANADA

RESPONDENT BELLAVITA TILE INC.

DOCUMENT **FIRST AND FINAL REPORT OF THE COURT APPOINTED
RECEIVER AND MANAGER OF BELLAVITA TILE INC.
DATED NOVEMBER 9, 2020**

PREPARED BY DELOITTE RESTRUCTURING INC.

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INTRODUCTION AND BACKGROUND

1. Pursuant to an Order (the "**Receivership Order**") granted by the Supreme Court of British Columbia (the "**Court**") on July 31, 2019 (the "**Date of Receivership**" and the "**Receivership Proceedings**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as receiver and manager (the "**Receiver**") of all assets, undertakings and properties of Bellavita Tile Inc. ("**Bellavita Canada**" or the "**Company**").
2. The Receivership Order was granted as a result of an application by the HSBC Bank Canada ("**HSBC**"), who holds registered security over all of the present and after-acquired personal property of Bellavita Canada (the "**HSBC Bellavita Canada Security**") and with consent of Bellavita Canada. HSBC also holds a general security agreement ("**GSA**") over Bellavita Tile USA Inc. ("**Bellavita USA**", together with Bellavita Canada, the "**Companies**") along with an unlimited guaranty of Bellavita Canada's debt with HSBC by Bellavita USA (the "**HSBC Bellavita USA Security**"). HSBC was owed approximately \$2.4 million at the Date of Receivership.
3. HSBC's legal counsel, Lawson Lundell LLP, ("**Lawson**") has been assisting the Receiver on various receivership matters. The Receiver retained Borden Ladner Gervais LLP ("**BLG**") as its independent legal counsel and instructed BLG to complete an independent review (the "**Security Review**") of the HSBC Bellavita Canada Security. Pursuant to the Security Review, BLG has advised that HSBC has a perfected and enforceable security interest against the personal property of Bellavita Canada that ranks in priority to the unsecured creditors of the Company.
4. Bellavita Canada is a privately held tile wholesaler and distributor that was incorporated in British Columbia in September 2004 and the sole director and officer of the Company at the Date of Receivership was Duigan Mitchell. The Company is wholly owned by 0950104 B.C. Ltd. ("**095**") and was in the business of manufacturing and supplying ceramic and glass tiles sourced from China and India (the "**Tile Inventory**"). The Tile Inventory was sold in Canada and the United States of America ("**USA**") through office and warehouse locations leased by Bellavita Canada in Delta, British Columbia (the "**Canadian Warehouse**") and Dallas, Texas (the "**USA Warehouse**").
5. The Receiver understands that Bellavita Canada is part of the following group of related companies (collectively, the "**Group**"):
 - 5.1 095 which is the parent holding company owned 67% by Mr. Mitchell and 33% by the Mitchell Family Trust. 095 owns 100% of the voting shares of Bellavita Canada and all other companies listed below, except for Beilitai (Tianjin) Tile Co. Ltd ("**Beilitai**") wherein 095 only holds 25% of the voting shares;
 - 5.2 Bellavita USA which was the company used for all sales in the USA and had its own employees working out of the USA Warehouse that was leased by Bellavita Canada;
 - 5.3 Bellavita Tile (Hong Kong) Limited which is a dormant company;
 - 5.4 Bellavita Tile (Guangzhou) Company Limited, also known as Bellavita Foshan ("**Foshan**"), is located in China and supervised and coordinated the China tile production and performed quality assurance reviews for Bellavita Canada;

- 5.5 0950109 BC Ltd. which is the company that formerly owned the British Columbia head office property occupied by Bellavita Canada that was sold before the Date of Receivership; and
- 5.6 Beilitai which is the company that owns the tile factory in Tianjin, China that 095 acquired 25% ownership in through approximately USD \$500,000 in equity payments. Bellavita Canada has an ongoing dispute with the majority owner of Beilitai, Belite Ceramics Company Ltd. ("**Belite**"), over approximately USD \$3.0 million in alleged tile sales commissions owing to Bellavita Canada (the "**Commission Dispute**").
6. As a result of the Commission Dispute, a significant decrease in sales and margins as a result of the anti-dumping duties imposed on Chinese tile imports by the USA, a build up of significant Tile Inventory, and a lack of liquidity, the Companies were in default with HSBC who made an application to appoint a Receiver over Bellavita Canada.
7. A copy of the Receivership Order and other information regarding the Receivership Proceedings of the Company is available on Deloitte's website at <http://www.insolvencies.deloitte.ca/en-ca/Pages/Bellavita-Tile-Inc.aspx> (the "**Deloitte Website**").

PURPOSE

8. This is the first and final report of the Receiver to the Court (this "**First Report**" or this "**Report**"). The purpose of this First Report is to:
 - 8.1 Provide the Court with an update of the Receiver's actions since the Date of the Receivership;
 - 8.2 Provide the Court with an update on the remaining actions required by the Receiver to complete the Receivership Proceedings; and
 - 8.3 Respectfully request that the Court:
 - 8.3.1 Approve the actions of the Receiver as outlined in this First Report;
 - 8.3.2 Approve the Receiver's Statement of Receipts and Disbursements for the period from July 31, 2019 to November 9, 2020 (the "**November 9 SRD**"), a copy of which is attached hereto as **Appendix A**;
 - 8.3.3 Approve the professional fees and disbursements of the Receiver and its counsel, BLG, a copy of which is attached hereto as **Appendix B**;
 - 8.3.4 Approve the HSBC Distribution to partially satisfy the Current HSBC Indebtedness (as both terms are hereinafter defined) and any subsequent distributions up to the Current HSBC Indebtedness;
 - 8.3.5 Approve the discharge of the Receiver after all available funds are disbursed to HSBC, and all administrative matters are concluded; and
 - 8.3.6 Discharge the Receiver and release Deloitte from any and all liability that Deloitte may have by reason of the acts or omissions of Deloitte while acting in its capacity as Receiver, save and except any claim

or liability arising out of fraud, willful misconduct or gross negligence on the part of Deloitte.

NOTICE TO READER

9. In preparing this First Report, the Receiver has relied on unaudited financial and other information, the books and records of the Companies and others and discussions with management ("**Management**"), employees, contractors, interested parties and the Company's stakeholders. The financial information of the Companies and others has not been audited, reviewed or otherwise verified by the Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about the Companies. Additionally, none of the Receiver's procedures were intended to disclose defalcations or other irregularities. If the Receiver were 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 the Receiver's attention. Accordingly, the Receiver does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this Report.
10. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this First Report. Any use which any party makes of this Report, or any reliance or decision to be made based on this Report, is the sole responsibility of such party.
11. All dollar amounts in this First Report are in Canadian dollars, unless otherwise indicated, and have been rounded to the closest \$500. All USA currency amounts have been converted to Canadian funds using a foreign exchange rate of 1.32, unless otherwise indicated.

ACTIVITIES OF THE RECEIVER

12. The Receiver has undertaken the following more significant activities since the Date of the Receivership:
 - 12.1 Prepared the necessary documents and notices to meet the statutory and operating requirements of the Receivership Proceedings;
 - 12.2 Attended at the Canadian Warehouse and USA Warehouse to take possession and control of the assets, change locks and alarm codes, and terminate and re-hire certain of the employees;
 - 12.3 Supervised and directed the Canadian and USA employees retained to assist with the administrative duties, financial reporting, and liquidating of the remaining Tile Inventory and other assets (as further detailed hereinafter in this First Report);
 - 12.4 Reviewed and analyzed Bellavita Canada's pending orders and oversaw shipping and completion where economical to complete;
 - 12.5 Reviewed the tile shipments in process and oversaw the delivery and related shipping and duty payments required;

- 12.6 Corresponded with retained employees, creditors and other stakeholders who were critical to the operations of the Companies;
- 12.7 Corresponded with the landlords and oversaw the clean-up of the Canadian Warehouse and the USA Warehouse and disclaimed the related leases;
- 12.8 Coordinated final payroll calculations up to the Date of Receivership and the delivery of records of employment and T4 slips for the purposes of identifying amounts due to the employees under the Wage Earner Protection Program Act ("**WEPPA**") and completing the WEPPA requirements;
- 12.9 Secured the manual and electronic books and records of the Company and arranged for electronic backups before and during the Receivership Proceedings;
- 12.10 Arranged continued insurance coverage over the Company's assets and added the Receiver as named insured and loss payee on the existing insurance policies;
- 12.11 Arranged for continued service of critical utilities and leased equipment;
- 12.12 Informed the Canada Revenue Agency (the "**CRA**") of the Receivership Proceedings, requested new tax accounts for the post-receivership period, and co-ordinated trust audits for the pre-receivership GST and payroll accounts;
- 12.13 Informed the Company's customers of the Receivership Proceedings, issued collection letters for the outstanding accounts receivable, and sent certain accounts to a collection agency;
- 12.14 Retained Meyers Norris Penny LLP ("**MNP**") to complete the preparation of the 2018 and 2019 income tax returns for the Company in order to claim certain income tax refunds;
- 12.15 Oversaw the completion of a duty refund claim with the Canada Border Services Agency ("**CBSA**");
- 12.16 Corresponded with counsel on various legal matters relating to the Receivership Proceedings;
- 12.17 Corresponded with creditors, employees, and other of the Company's stakeholders;
- 12.18 Opened new trust accounts in USD (the "**Receiver's USD Trust Account**") and CAD currencies (the "**Receiver's CAD Trust Account**", collectively the "**Receiver's Trust Accounts**") in the name of the receivership estate to facilitate future receipts and disbursements and processed subsequent transactions through the accounts;
- 12.19 Reviewed disbursements and arranged for payment, including payment of payroll for the retained employees;
- 12.20 Provided HSBC with updates on the Receivership Proceedings; and

12.21 Addressed additional matters as they arose from time to time.

OPERATIONS

Bellavita Canada

13. Bellavita Canada had 10 active employees at the Date of Receivership who formed part of the head office for the Group and completed the accounting for the Companies, including billings and collections of accounts receivable and managing and paying suppliers and employees. Bellavita Canada also managed the tile programs in China and India and coordinated the related purchases and logistics, managed sales, provided customer service and support, and oversaw the Canadian Warehouse.
14. The Receiver understands that Bellavita Canada purchased all of the Tile Inventory from suppliers on behalf of both Bellavita Canada and Bellavita USA regardless of whether it was being shipped directly to a Canadian or USA customer or to the Canadian Warehouse or USA Warehouse. As a result, Bellavita Canada owned all of the Tile Inventory, regardless of its location, until an invoice was produced by Bellavita USA for a Bellavita USA customer and title would then pass to Bellavita USA or the Bellavita USA customer depending on the shipment terms. After the Date of Receivership, the Receiver changed this process to have the Tile Inventory sales invoiced under Bellavita Canada regardless of where the customer was located.
15. Bellavita Canada held two bank accounts with HSBC (the "**HSBC Canada Accounts**") as at the Date of Receivership, an operating line of credit in Canadian dollars (the "**HSBC LOC**") and a chequing account in USA dollars (the "**HSBC USD Account**"). The HSBC LOC had a negative balance of approximately \$2.8 million owing to HSBC at the Date of Receivership and the HSBC USD Account had a positive balance of approximately USD \$280,000 at the Date of Receivership.
16. The Receiver terminated all of the 10 Bellavita Canada employees at the Date of Receivership and re-hired six of them to assist the Receiver in collecting accounts receivable of the Companies, sell the remaining inventory in Canada and the USA, complete the required accounting, and wrap up the operations and exit the Canadian Warehouse.
17. There are no remaining employees of Bellavita Canada, and the Receiver has paid all post-receivership amounts owing to these employees, coordinated the issuance of the 2019 T4 slips by ADP Canada, and completed all related statutory filings. The Receiver is currently working with ADP Canada to issue the 2020 T4 slips.

Bellavita USA

18. Bellavita USA had eight active employees at the Date of Receivership who were responsible for the USA operations, sales, and the USA Warehouse with support from the Bellavita Canada employees.
19. Mr. Mitchell terminated all of the eight Bellavita USA employees at the Date of Receivership and the Receiver re-hired three of them to assist the Receiver to sell and coordinate the shipment of the remaining inventory in Canada and the USA, collect accounts receivable, and wrap up the operations and exit the USA Warehouse.
20. Bellavita USA has a USD bank account with HSBC along with a USD chequing account with Wells Fargo (the "**WF Account**"). The WF Account was used as the primary bank account for Bellavita USA to collect accounts receivable, process payroll (and other

employee related benefits and expenses) and make various payments to USA creditors. The USA creditors were limited to various States for employee, employer and sales taxes, utility companies, and leasing companies. As the Receiver was not appointed over Bellavita USA, Management continued to manage and administer the WF Account and make various payments and transfers out of the account after the Date of Receivership. The Receiver was provided with read-only access to the WF Account and notes that total payments of USD \$760,000 were made from the WF Account to the Receiver's trust account, pursuant to the HSBC Bellavita USA Security, from the collection of USD \$724,000 in accounts receivable and inventory sales after the Date of Receivership, along with USD \$94,500 cash-on-hand at the Date of Receivership, less \$58,500 in various disbursements related to the operations of Bellavita USA.

21. The USA Warehouse lease was disclaimed by the Receiver after the Tile Inventory was sold and removed and the premises were cleaned and handed back to the landlord.
22. There are no remaining employees of Bellavita USA and the Receiver has paid all post-receivership amounts owing to these employees, coordinated the issuance of the employee tax slips by ADP USA, retained MNP to complete the September 2019 income tax return, and completed all known related statutory filings for fiscal 2019.

ASSET REALIZATIONS

23. Paragraph 2(l) of the Receivership Order outlines the Receiver's power to sell, convey, transfer, lease, assign or otherwise dispose of the Company's assets and various limits and conditions are set out therein (the "**Asset Sale Conditions**"). The Receiver complied with the Asset Sale Conditions and did not require separate Court approval for the asset realizations due to not exceeding the limits on the fixed equipment and asset realizations (excluding the Tile Inventory) and by obtaining the Company's consent on all of the Tile Inventory sales.

Cash

24. The HSBC Canada Accounts were frozen at the Date of Receivership with the HSBC USD Account being left open only to accept subsequent deposits which totalled approximately USD \$69,500 in accounts receivable collections and USD \$4,500 in inventory sales and miscellaneous refunds. The balance in the HSBC USD Account of approximately USD \$356,500 (the "**HSBC USD Account Transfer Amount**"), after the deduction of approximately USD \$1,500 in bank charges, was transferred into and offset against the balance outstanding in the HSBC LOC after the Date of Receivership.
25. The HSBC LOC was frozen at the Date of Receivership and the only subsequent transactions included the HSBC USD Account Transfer Amount, a payment of approximately \$38,500 by HSBC to pay off the HSBC Mastercard accounts of the former Bellavita employees, and the payment of bank charges and accrued interest on the account for approximately \$28,500. The balance on the HSBC LOC as of October 7, 2020 was approximately \$2,331,500 (the "**Current HSBC Indebtedness**").

Accounts Receivable

26. The Companies reported total accounts receivable of approximately \$842,000 as at the Date of Receivership, of which \$340,500 were aged over 60 days and \$200,000 were deemed uncollectable by Management.

27. The Receiver worked closely with Management and customers and has collected \$474,000 of the accounts receivable to date. These collections include CAD \$324,000 through the Receiver's Trust Accounts, USD \$44,500 collected through the WF Account and USD \$69,500 collected through the HSBC USD Account.
28. Many customers have claimed deficiencies and other issues with tiles received or have claimed to have suffered losses as a result of having to source other tiles. One account, with an outstanding balance of USD \$21,000 (the "**Remaining AR**"), remains with a collection agency and payments are being made slowly as funds become available to the customer. The Receiver will pay the Remaining AR to HSBC when payments are collected to be offset against the Current HSBC Indebtedness.
29. The Company also reported several amounts owing from related parties as at the Date of Receivership, including the following:
 - 29.1 An amount of \$300,000 owing from Beilitai that is part of the Commission Dispute. The Receiver reviewed the various documents relating to the Commission Dispute and discussed the matter with Mr. Mitchell and Lawson. After this review, Lawson sent demand letters to Belite in December 2019 and February 2020 but received no response. The Receiver is reluctant to pursue this litigation due to the complexities of the claims and counterclaims, the long history and various verbal and written agreements between the parties, and the fact that Chinese counsel would have to be engaged in this challenging litigation. The Receiver and Lawson's view was that significant funds would have to be spent on the Commission Dispute with no certainty of little, if any, recovery. The Receiver offered to assign the lawsuit to Mr. Duigan who has not expressed any interest in doing so to date.
 - 29.2 An amount of \$589,000 owing from 095 from various loans over the years. The Receiver understands that 095 has no assets or ability to repay this debt.
 - 29.3 An amount of \$190,00 owing from Foshan. Foshan had no assets at the Date of Receivership and was subsequently wound-up by Management.

Tile Inventory

30. The Company reported total Tile Inventory with a cost of approximately \$3,658,000 as at the Date of Receivership, of which approximately 20% was stored in the Canadian Warehouse, 70% was stored in the USA Warehouse and 10% was on consignment in the USA with USA vendors.
31. The Receiver worked with the employees retained in Canada and the USA to sell the remaining Tile Inventory to existing or new customers at discounted amounts through the normal and online sales channels. The inventory that was more difficult to sell was sold at higher discounted rates and some of the existing inventory on consignment with vendors was sold to them en-bloc at discounted values.
32. The Receiver also reviewed the pending and in-transit customer orders and completed the sales that made economic sense. The total Tile Inventory sales were \$1,154,500 of which \$256,000 were collected through the Receiver's Trust Accounts, USD \$679,000 were collected through the WF Account, and USD \$500 were collected through the HSBC USD Account.

33. All of the Tile Inventory was eventually sold or disposed of and no unsold inventory remains at either the Canadian Warehouse, USA Warehouse, or with any vendors.
34. HSBC, as part of its indebtedness with the Company, obtained a guarantee from the Export Development Corporation of up to \$1.0 million on any loss of any finished goods inventory of Bellavita Canada located outside of Canada (the "**EDC Guarantee**"). The Receiver understands that HSBC is pursuing the EDC Guarantee, but it does not know how much, if any, will be paid out by EDC.

Prepaid expenses and deposits

35. The Company reported total prepaid expenses and deposits with a book value of approximately \$598,000 as at March 31, 2019. These amounts were comprised of property lease deposits, prepaid equipment leases and deposits, prepaid tradeshow and service contract deposits, and tile production deposits.
36. The Receiver attempted to pursue the various deposits, but the counterparties had offsetting claims and the cost to litigate was likely going to outweigh any potential recoveries.

Capital assets

37. The Company reported total capital assets with a net book value of approximately \$383,000 as at March 31, 2019. These amounts were comprised of office and warehouse equipment and furniture, computer hardware and software, equipment under capital lease, production moulds and drums, intangible assets, and leasehold improvements.
38. The Receiver sold the office and warehouse equipment and furniture to various parties at estimated liquidation values, with the Company's consent, and realized approximately \$16,000 in proceeds. The unsold office and warehouse equipment and furniture was sent to auction for minimal net proceeds and no capital assets remain.
39. The trademark "Bellavita Tile" for Canada, the USA and India was determined to have minimal value with no interest from any other parties and was sold to Mr. Mitchell for \$2,000.

Other assets

40. The Receiver pursued an income tax refund with the Canada Revenue Agency ("**CRA**") by carrying back losses in 2018 and 2019 against taxes paid by the Company in 2015 and 2016. The tax returns have been filed with and assessed by CRA and, after offsetting outstanding balances for \$23,000, a net refund of \$116,500 (the "**Income Tax Refund**") has been collected in the Receivership Proceedings.
41. The Receiver worked with the retained employees to pursue certain tile duties that were double paid to the CBSA by the Company for inventory that was shipped to the USA Warehouse from the Canadian Warehouse. A claim was filed with the CBSA and a refund for approximately \$36,000 (the "**Duty Refund**") has been collected in the Receivership Proceedings.
42. The Receiver is not aware of any other unrealized assets of the Company.

CREDITOR CLAIMS

43. The Receiver is aware of the following creditors of the Company and the status of these claims are as follows:
- 43.1 HSBC is a secured creditor and the Current HSBC Indebtedness is \$2,331,500.
 - 43.2 CRA has completed trust audits on the pre and post-receivership payroll source deduction and GST accounts for the Company and the Receiver and offset approximately \$23,000 in pre-receivership CRA debts against the Income Tax Refund. The Receiver is not aware of any other amounts owing to CRA and has made all post-receivership payments to the employees retained in the administration along with all related CRA amounts. The post-receivership T4's for 2019 have also been provided to the former employees retained by the Receiver and the Receiver is currently working with ADP to have the 2020 T4s issued (the "**Outstanding 2020 T4s**").
 - 43.3 The Receiver has filed all of the required pre and post-receivership GST returns with CRA and will likely receive a GST refund for a maximum of approximately \$5,000 (the "**GST Refund**") after the final GST return is filed with CRA.
 - 43.4 The Company had 10 employees at the Date of Receivership. The Receiver paid approximately \$7,000 in outstanding pre-receivership payroll amounts to the employees (not including any vacation or severance payments). The Receiver has administered the WEPPA process and has paid a limited super priority claim to Service Canada for approximately \$13,000 (the "**WEPPA Payment**"). No further amounts are outstanding.
 - 43.5 The Company reported approximately \$3.4 million in unsecured creditors as at the Date of Receivership.
 - 43.6 Aside from the filing of the final GST returns and the Outstanding 2020 T4s, the Receiver has completed all aspects concerning the administration of the receivership and is not aware of any other statutory obligations it is required to fulfill.

STATEMENTS OF RECEIPTS AND DISBURSEMENTS

44. The Receiver has prepared the November 9 SRD for the receivership that is attached hereto as Appendix "**A**".
45. As outlined in the November 9 SRD, the Receiver's realizations have totalled approximately \$1.8 million. The more significant receipts since the Date of the Receivership through the Receiver's Trust Accounts are as follows:
- 45.1 \$324,000 in AR collections;
 - 45.2 \$256,000 in Tile Inventory sales;
 - 45.3 \$116,500 for the Income Tax Refund;
 - 45.4 \$36,000 for the Duty Refund;
 - 45.5 \$16,000 in capital asset sales; and

- 45.6 \$1,041,500 in transfers from the WF Account to the Receiver's USD Trust Account from AR and inventory collections.
46. As outlined in the November 9 SRD, the Receiver's disbursements have totalled approximately \$1.1 million. The more significant disbursements over \$10,000 since the Date of the Receivership through the Receiver's Trust Accounts are as follows:
- 46.1 \$275,500 in post-receivership payroll for the employees retained by the Receiver in Canada and the USA;
 - 46.2 \$189,500 in Receiver's fees and costs;
 - 46.3 \$143,000 in inventory purchases;
 - 46.4 \$111,000 in freight and courier costs;
 - 46.5 \$100,500 in occupation rent for the CAD Warehouse and USA Warehouse;
 - 46.6 \$73,500 in post-receivership payroll source deduction payments to CRA;
 - 46.7 \$44,500 in custom and duties payments;
 - 46.8 \$22,500 in third party accounting fees in order to file the tax returns related to the Income Tax Refund;
 - 46.9 \$19,500 in GST and PST payments;
 - 46.10 \$19,000 in computer equipment leases and support;
 - 46.11 \$17,000 in garbage removal and maintenance costs;
 - 46.12 \$13,000 for the WEPPA Payment; and
 - 46.13 \$46 in net transfers (after foreign exchange differences) from the Receiver's USD Trust Account to the Receiver's CAD Trust Account to cover CAD expenses in the Receivership Proceedings.
47. The Receiver is currently holding approximately \$158,500 and USD \$417,500 in the Receiver's Trust Accounts (the "**Current Funds on Hand**").
48. The final potential realizations in the Receivership Proceedings include the Remaining AR and the GST Refund and are estimated to total no more than \$30,000 (the "**Remaining Potential Receipts**").
49. Based on the Current Funds on Hand, the Remaining Potential Receipts, and the EDC Guarantee being pursued by HSBC, there will not be enough funds available to cover the Current HSBC Indebtedness. As a result, there will not be any funds available to any unsecured creditors of the Company and HSBC is expected to suffer a shortfall of at least \$500,000 before any additional interest, professional fees (not including the fees already paid by HSBC directly to Lawson) and costs to wind-up the Receivership Proceedings.
50. Based on the HSBC Security Opinion, the Receiver proposes to distribute the Current Funds on Hand, less the Remaining Disbursements (as that term is hereinafter defined)

to HSBC (the "**HSBC Distribution**"). The Receiver will then make further distributions to HSBC, only in total up to the Current HSBC Indebtedness, if and when funds become available from the Remaining Potential Receipts.

FEES AND DISBURSEMENTS OF THE RECEIVER AND ITS COUNSEL

51. The Receiver's fees and costs paid in relation to the Receivership Proceedings total approximately \$189,500 to October 31, 2020 (excluding taxes). The Receiver estimates that an additional \$10,000 in fees (excluding taxes) will be required to pursue the Remaining Potential Receipts, complete its administration of the Receivership Proceedings, and obtain its discharge (the "**Remaining Receiver Fees**").
52. Lawson has provided legal assistance to the Receiver throughout the Receivership Proceedings when independent counsel was not required. Lawson's fees and costs to date have been paid by HSBC directly to Lawson and any additional legal fees related to this discharge application and to complete the Receivership Proceedings will also be paid by HSBC.
53. The Receiver's legal fees and disbursements paid to BLG in regards to the Receivership Proceedings total approximately \$3,800 (excluding taxes) to February 28, 2020 and BLG estimates that an additional \$1,500 in fees will be required to complete the Receivership Proceedings (the "**Remaining Legal Fees**", collectively with the Remaining Receiver Fees and any other incidental costs, the "**Remaining Disbursements**").
54. The professional fees and disbursements of the Receiver and BLG are summarized in the Summary of Professional Fees and Disbursements, which is attached hereto as Appendix "**B**".
55. In the Receiver's opinion, the services rendered in respect of these fees and disbursements have been duly rendered in response to the required and necessary duties of the Receiver hereunder, and are reasonable in the circumstances. Detailed time records supporting the invoices are available in the offices of the Receiver and BLG.

CONCLUSIONS AND RECOMMENDATIONS

56. Based on the foregoing, the Receiver respectfully requests that the Court approve the relief requested in paragraph 8.3 of this First Report.

All of which is respectfully submitted at Vancouver, British Columbia this 9th day of November, 2020.

DELOITTE RESTRUCTURING INC.

In its capacity as Court appointed Receiver and Manager
Bellavita Tile Inc. and not in its personal capacity



Jeff Keeble, CA, CIRP, LIT, CBV
Senior Vice-President

Appendix A – Receiver’s Statement of Receipts and Disbursements from July 31, 2019 to November 9, 2020

Bellavita Tile Inc.
Receiver's Statement of Receipts and Disbursements
For the period July 31, 2019 to November 9, 2020
(USD converted to CAD at 1.32)

	Receiver's USD Trust Account - USD	Receiver's CAD Trust Account - CAD	Total Receiver's Trust Accounts - CAD
RECEIPTS			
Intercompany transfers	\$ 788,878	\$ -	\$ 1,041,319
Accounts receivable collections	219,693	34,101	324,095
Sale of inventory	149,871	58,140	255,970
Income tax refund, net	-	116,589	116,589
Duty refund	-	36,101	36,101
Sale of capital assets	380	15,256	15,757
GST refunds	-	9,783	9,783
GST and PST collected on sale of inventory	-	6,367	6,367
Interest	830	2	1,098
Miscellaneous refunds	538	368	1,077
TOTAL RECEIPTS	1,160,190	276,706	1,808,156
DISBURSEMENTS			
Post-receivership payroll	116,666	121,480	275,479
Receiver's fees and costs	-	189,680	189,680
Inventory purchases	108,268	-	142,914
Freight and courier costs	82,752	1,703	110,935
Occupation rent	54,401	28,859	100,669
Source deductions on Receiver's payroll	29,400	34,860	73,667
Customs and duties	28,807	6,295	44,320
3rd party accounting fees	-	22,694	22,694
GST/HST/PST paid on disbursements	19	19,515	19,540
Computer equipment leases and support	1,260	17,569	19,232
Garbage removal and maintenance	10,662	2,863	16,936
Wage Earner Protection Program priority claim	-	12,958	12,958
Lease payments	4,712	1,720	7,940
Utilities	2,300	4,263	7,299
Pre-receivership payroll	-	7,178	7,178
Employee expenses	-	7,068	7,068
Other operating expenses and supplies	4,240	1,763	7,360
Bank and payroll processing charges	2,759	2,968	6,610
Employee benefits	-	6,482	6,482
Accounts receivable collection commissions	3,918	-	5,171
WorkSafe BC payments	-	4,579	4,579
Receiver's legal fees and costs	-	3,804	3,804
Insurance	-	2,729	2,729
Contract labour	-	1,225	1,225
Texas state/city taxes	895	-	1,182
Mail redirection costs	-	498	498
Work place insurance	182	-	240
Receiver trust account transfers	291,577	(384,836)	46
Filing fees with OSB	-	70	70
TOTAL DISBURSEMENTS	742,818	117,987	1,098,506
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ 417,372	\$ 158,719	\$ 709,650

Appendix B – Summary of Professional Fees and Disbursements

**Bellavita Tile Inc. Receivership
Professional Fee and Cost Summary
As at November 9, 2020**

Invoice Date	Invoice No.	Period		Fees	Travel Costs	Subtotal	Other Costs	Subtotal	Taxes	Total
		From	To							
1. Receiver - Deloitte Restructuring Inc.										
9/23/2019	8000783126	7/29/2019	8/31/2019	\$ 83,795.00	\$ 2,389.97	\$ 86,184.97	\$ -	\$ 86,184.97	\$ 4,309.25	\$ 90,494.22
11/22/2019	8000883963	9/1/2019	10/31/2019	39,057.50		39,057.50		39,058	1,952.88	41,010.38
12/11/2019	8000918982	11/1/2019	11/30/2019	15,410.00		15,410.00		15,410	770.50	16,180.50
1/27/2020	8000978063	12/1/2019	12/31/2019	4,232.50		4,232.50		4,233	211.63	4,444.13
2/14/2020	8001012552	1/1/2020	1/31/2020	7,905.00		7,905.00		7,905	395.25	8,300.25
3/11/2020	8001059303	2/1/2020	2/29/2020	5,827.50		5,827.50		5,828	291.38	6,118.88
5/13/2020	8001176389	3/1/2020	4/30/2020	9,617.50		9,617.50	380.11	9,998	499.88	10,497.49
6/24/2020	8001247779	5/1/2020	5/31/2020	3,490.00		3,490.00		3,490	174.50	3,664.50
8/1/2020	8001302430	6/1/2020	6/30/2020	4,045.00		4,045.00		4,045	202.25	4,247.25
8/18/2020	8001325352	7/1/2020	7/31/2020	2,075.00		2,075.00		2,075	103.75	2,178.75
9/14/2020	8001360379	8/1/2020	8/31/2020	2,050.00		2,050.00		2,050	102.50	2,152.50
11/4/2020	8001438695	9/1/2020	10/31/2020	9,785.00		9,785.00		9,785	489.25	10,274.25
Total Receiver				\$ 187,290.00	\$ 2,389.97	\$ 189,679.97	\$ 380.11	\$ 190,060.08	\$ 9,503.00	\$ 199,563.08
2. Receiver's Counsel - Borden Ladner Gervais LLP										
12/31/2019	697798241	12/1/2019	12/31/2019	\$ 100.00	\$ -	\$ 100.00	\$ -	\$ 100.00	\$ 12.00	\$ 112.00
3/6/2020	697817929	2/24/2020	2/28/2020	3,661.00	-	3,661.00	42.95	3,703.95	441.47	4,145.42
Total Receiver's Counsel				\$ 3,761.00	\$ -	\$ 3,761.00	\$ 42.95	\$ 3,803.95	\$ 453.47	\$ 4,257.42