

SUPERIOR COURT OF JUSTICE
Commercial List
Bankruptcy and Insolvency Act

Interim Report of Receiver
(Subsection 246(2) of the *Bankruptcy and Insolvency Act*)

In the Matter of the Receivership of
Davids Footwear Ltd.
of the City of Toronto
in the Province of Ontario

Introduction

1. This first interim report, for the period ending February 2, 2020, is filed by Richter Advisory Group Inc. ("**Richter**") in its capacity as receiver and manager (in such capacity, the "**Receiver**") of Davids Footwear Ltd. (the "**Company**").
2. On August 2, 2019 (the "**Date of Appointment**"), by order (the "**Receivership Order**") of the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), Richter was appointed as Receiver, without security, of all of the assets, undertakings and properties (the "**Property**") of the Company pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Court of Justice Act*, R.S.O. 1990, c. C.43, as amended.
3. The Receivership Order was granted pursuant to an application made by Rosejack Investments Ltd. ("**Rosejack**") pursuant to security held by Rosejack in the Property of the Company, including a general security agreement, representing a charge over all the assets of the Company.
4. Unless otherwise noted, all amounts in this interim report are presented in Canadian dollars.

Receivership Proceedings

5. On the Date of Appointment, the Receiver took possession of the Property. According to the Company's internal and unaudited financial statements, as at July 6, 2019, the Property consisted of the following:

Assets	Net Book Value
Accounts Receivable	\$4,451
Inventory	\$4,632,955
Income & Prepaid Expenses	\$971,896
Fixed Assets (Net)	\$2,041,906
Goodwill	\$2,300,000
Total	\$9,951,208

Note: The above amounts represent book values of the Company's assets as detailed in the Company's books and records and do not necessarily represent sale or liquidation values.

MONTREAL

1981 McGill College
Montréal QC H3A 0G6
514.934.3400

TORONTO

181 Bay St., #3510
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

CHICAGO

200 South Wacker, #3100
Chicago IL 60606
312.828.0800

6. On August 23, 2019, the Court issued an order (the “**Liquidation Sale Approval Order**”) authorizing the Receiver to, among other things, conduct an orderly liquidation (the “**Liquidation Sale**”) of the Company’s inventory and furniture, fixtures and equipment (the “**FF&E**”) in accordance with the sale guidelines (the “**Sale Guidelines**”) attached to the Liquidation Sale Approval Order.
7. The Liquidation Sale was completed on September 30, 2019 (the “**Sale Termination Date**”) and, on October 1, 2019, the Receiver vacated the Company’s last remaining retail store. As at the Sale Termination Date, all of the Company’s assets, other than its intellectual property assets (the “**IP Assets**”), had been realized on or, in the case of certain FF&E, abandoned in accordance with the Sale Guidelines.
8. On November 5, 2019, the Court issued an order, *inter alia*, approving the sale of the Company’s IP Assets to Rosejack (the “**IP Transaction**”) and vesting, upon the closing of the IP Transaction, all right, title and interest in and to the IP Assets to Rosejack, free and clear of all liens, charges, security interests and other encumbrances. The consideration for the IP Transaction was a credit bid by Rosejack of the secured indebtedness owing to it by the Company.
9. Also, on November 5, 2019, the Court issued an order (the “**Distribution and Discharge Order**”), *inter alia*:
 - a. authorizing and directing the Receiver to make an interim distribution to Rosejack in respect of its secured claim against the Company in the amount of \$4,500,000 (the “**Rosejack Distribution**”) and authorizing the Receiver to make any subsequent distributions to Rosejack without further order of the Court, provided that the aggregate distributions to Rosejack do not exceed the indebtedness owed to it by the Company;
 - b. authorizing the Receiver to retain approximately \$875,000 from the available cash on hand remaining following payment of the Rosejack Distribution, and to use such funds, and any subsequent receipts, to address certain remaining matters (the “**Remaining Matters**”) as detailed in the Receiver’s Second Report to Court dated October 25, 2019, without further approval of the Court;
 - c. approving the accounts of the Receiver and its counsel as well as the estimated professional costs to complete the Remaining Matters; and
 - d. discharging the Receiver upon completion of the Remaining Matters, including the distribution of any residual amounts remaining in its possession to Rosejack, upon the Receiver filing a certificate with the Court confirming that it has completed the administration of the Company’s estate (the “**Discharge Certificate**”).

Statement of Receipts and Disbursements

10. Attached as **Appendix “A”** is the Receiver’s Interim Statement of Receipts and Disbursements for the period August 2, 2019 to February 2, 2020. As indicated in **Appendix “A”**, as at February 2, 2020, there was \$376,454 in cash on hand in the estate bank account.

Statement of Unrealized Property

11. All of the assets of the Company under the administration of the Receiver have been realized. The Receiver continues, however, to pursue the potential recovery of HST input tax credits resulting from the receivership proceedings.

Distribution of Proceeds Realized from the Property

12. The realizations from the sale of the Property will be insufficient to pay, in full, the secured claim of Rosejack. Accordingly, there are no funds available to support a distribution to the Company's unsecured creditors.
13. As of February 2, 2020, interim distributions totaling \$4.5 million were made to Rosejack in respect of its secured claim against the Property.

Status of Receivership Proceedings

14. As of February 2, 2020, the following Remaining Matters were outstanding:
 - a. completing and filing the Company's 2019 income tax return and monthly HST returns;
 - b. paying certain remaining post-filing expenses, including professional fees;
 - c. dealing with other administrative matters incidental to these proceedings such as filing the Receiver's report pursuant to section 246(3) of the BIA; and
 - d. distributing any further available amounts to Rosejack on account of its outstanding secured indebtedness in accordance with the Distribution and Discharge Order.

Upon completion of the above activities, the Receiver will file the Discharge Certificate with the Court.

Other

15. Creditors who wish to receive a copy of this interim report may request a copy by writing to the Receiver at the following address:

Richter Advisory Group Inc.
Court Appointed Receiver and Manager of
Davids Footwear Ltd.
181 Bay Street, Suite 3510
Toronto, ON M5J 2T3

Attention: Adam Zeldin
Telephone: 416 646 7390
Fax: 416 488 3765
Email: azeldin@richter.ca

16. Further information and materials related to the receivership proceedings may be obtained from the Receiver's website at www.richter.ca/insolvencycase/davids-footwear-ltd/.

Dated at Toronto, Province of Ontario, on October 13, 2020.

RICHTER ADVISORY GROUP INC.

in its capacity as Receiver and Manager of
Davids Footwear Ltd.
and not in its personal capacity

Per:

A handwritten signature in black ink, appearing to be 'P. Patel', with a long horizontal stroke extending to the right.

Pritesh Patel, MBA, CFA, CIRP, LIT
Senior Vice-President

Appendix “A”

Dauids Footwear Ltd.
Appendix "A"
Interim Statement of Receipts and Disbursements
For the period August 2, 2019 to February 2, 2020
(C\$; unaudited)

Receipts	Notes	
Sale of inventory	1	7,161,535
Receiver's borrowings	2	600,000
Opening cash transferred from Company	3	89,580
Refund of inventory overpayment	4	64,668
Refund for overpayment of payroll remittances	5	60,487
Interest		21,636
Other sundry receipts	6	6,019
Total receipts		8,003,925
Disbursements		
Payroll		
Post-filing	7	714,774
Pre-filing	8	158,801
Professional fees and disbursements	9	628,215
Receiver's borrowings (incl. interest)	2	601,169
Rent	10	541,199
Sales taxes paid on disbursements	11	166,517
Section 81.1 claims	12	164,883
Operating Costs	13	111,285
Pre-filing HST paid	14	38,357
Bank charges		2,271
Total disbursements		3,127,471
Excess receipts over disbursements		4,876,454
Payments to secured creditor		
First distribution - November 5, 2019	15, 16	4,500,000
Estate cash balance		376,454

General Note

The above analysis has been prepared on a cash basis. All defined terms shall have the same meaning ascribed to them in the First Interim Report of the Receiver pursuant to subsection 246(2) of the BIA.

Notes

- Represents the net proceeds from the sale of inventory from the Liquidation Sale.
- The Receiver received \$600,000 in borrowings from Rosejack in order to fund operations and interim expenditures such as rent and payroll. The borrowings were repaid by the Receiver, with interest, on August 19, 2019.
- Represents cash in the Company's bank accounts as at the Date of Appointment.
- Represents a refund for an overpayment of inventory to one of the Company's suppliers.
- Represents a refund for the overpayment of pre-filing payroll remittances.
- Includes proceeds from the sale of certain furniture and fixtures of the Company (approximately \$5k) and other miscellaneous refunds (approximately \$1k).
- Represents payroll and payroll remittances since the Date of Appointment to former employees of the Company engaged by the Receiver.
- Represents outstanding wages (including vacation pay) owing to the Company's former employees as at the Date of Appointment, which was paid by the Receiver during the receivership.
- Includes fees and disbursements of the Receiver and its counsel, Fasken Martineau DuMoulin LLP.
- Represents rent paid for the Company's stores located in Toronto since the Date of Appointment.
- Comprises sales taxes paid on the disbursements paid by the Receiver (rent, professional fees, inventory and operating costs).
- Represents amounts paid in respect of goods subject to and meeting the criteria of claims pursuant to section 81.1 of the BIA.
- Includes various operating costs in connection with the Liquidation Sale, including credit card fees, security, transportation, telecommunications, store supplies and repairs and maintenance, among others.
- Represents HST remitted in respect of the periods July 1 to 31, 2019 and August 1 to 2, 2019 (pre-filing stub period). The Company remits HST monthly.
- Represents the first interim distribution made to Rosejack of \$4.5 million.
- On November 5, 2020, the Court issued an order, *inter alia*, approving the IP Transaction. The consideration for the IP Transaction, which totalled \$11,500 (including sales taxes), was a credit bid by Roseback of the secured indebtedness owing to it by the Company. Accordingly, although there was no actual transfer of cash, the proceeds from the IP Transaction were applied against the overall secured indebtedness owing by the Company to Rosejack.