

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Court File No. 31-1932502

B E T W E E N:

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF CRATE
MARINE SALES LIMITED

Court File No. 31-1932534

B E T W E E N:

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF F.S. CRATE &
SONS LIMITED

Court File No. 31-1932548

B E T W E E N:

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 1330732
ONTARIO LIMITED

Court File No. 31-1932557

B E T W E E N:

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 1328559
ONTARIO LIMITED

Court File No. 31-1932540

B E T W E E N:

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 1282648
ONTARIO LTD.

**SUPPLEMENTARY REPORT TO THE SECOND REPORT OF THE INTERIM RECEIVER
DECEMBER 4, 2014**

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appointed Interim Receiver of Crate Marine Sales Limited, F.S.
Crate & Sons Limited, 1330732 Ontario Limited, 1323559
Ontario Limited and 1282648 Ontario Limited

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SUPPLEMENTARY REPORT TO THE SECOND REPORT OF THE INTERIM RECEIVER

DECEMBER 4, 2014

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“A” Interim Receiver’s reconciliation of the inventory and accompanying book values

Court File #31-1932502
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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**CRATE MARINE SALES LIMITED, F.S. CRATE & SONS LIMITED
1330732 ONTARIO LIMITED, 1328559 ONTARIO LIMITED AND 1282648 ONTARIO
LIMITED**

**SUPPLEMENTARY REPORT TO THE
SECOND REPORT OF THE INTERIM RECEIVER**

December 4, 2014

A. Farber & Partners Inc., in its capacity as the Court-Appointed Interim Receiver (the “**Interim Receiver**”) of Crate Marine Sales Limited, F.S. Crate & Sons Limited, 1330732 Ontario Limited, 1323559 Ontario Limited and 1282648 Ontario Limited (collectively the “**Companies**”) hereby reports to the Court as follows:

PURPOSE OF THIS REPORT

1. All capitalized terms have the meaning given to them in the second report of the Interim Receiver dated December 3, 2014 (the “**Second Report**”).
2. This report is to supplement the Second Report which the Interim Receiver served and filed earlier today to the Court and the stakeholders of the Companies regarding certain facts and matters recently discovered by the Interim Receiver, which the Interim Receiver believed were of an urgent and material nature such that they required immediate disclosure in advance of the scheduled hearing on December 9, 2014.

3. The Interim Receiver understands that the Court has directed that a hearing take place at 10:00am on Thursday December 4, 2014 in connection with the issues raised by the Second Report and a request by Crawmet to renew its relief sought to, among other things, terminate the NOI proceedings of the Companies.

4. The Interim Receiver has therefore prepared this report to advise the Court and the stakeholders of the Companies about the information that the Interim Receiver has found to date (principally throughout the course of the business day on December 3, 2014) regarding the assets of the Companies.

LIMITATION OF REVIEW

5. The Interim Receiver has relied upon the financial records and information provided by the Companies, as well as other information supplied by management, appraisers, accountants, auditors and advisors, and has not independently reviewed or verified such information. The Interim Receiver has prepared this Second Report for the sole use of the Court and of the other stakeholders in these proceedings.

A) NEW INFORMATION REGARDING THE ASSETS OF THE COMPANIES

6. Although the Interim Receiver's review of the books and records of the Companies is ongoing, the following is the salient information that the Interim Receiver has been able to identify as a result of its review during the business day on December 3, 2014.

2015 boat slip revenue received in 2014

7. The Second Report advised that the Interim Receiver had been told by the Companies that \$642,251.03 of boat slip rental revenue that had been invoiced in 2014 for facilities and services to be provided in 2015 had already been received.

8. The Interim Receiver's review of the records of the Companies indicates that only \$55,482.37 of that amount was received post-NOI (November 14, 2014).

9. The Companies did not segregate any of the 2015 boat slip revenue received in 2014 prior to the December 1, 2014 Court Endorsement, although it was separately accounted for in the books and records of the Companies. The Interim Receiver's understanding is that all of the \$642,251.03 of 2015 boat slip revenue has been used by the Companies for general purposes. As indicated in the Second Report, this amount is solely attributable to the Keswick facilities. The amount of 2015 boat slip revenue for the Lagoon City and Willow facilities is not known, but any such revenue received has not been segregated either and has also been used for general purposes.

Inventory

10. The Interim Receiver has been unable to perform a physical inspection of the boat inventory in the possession of the Companies for the reasons set out in the First Report (pertaining to the shrink-wrapping of most boats such that review without removal is not possible, and removal would require uneconomical re-wrapping).

11. The Interim Receiver has also been unable to check or test the values given on the books and records of the Companies to the boats held in inventory.

12. The Interim Receiver, has, however, been able to check the presence of the items listed in the Companies' records, in reliance on the information provided by the employees of the Companies about which items on the records are in the possession of the Companies.

13. This review has indicated to the Receiver that there are items listed in the inventory that are not present, which therefore means that the book value of the inventory (before any reductions for fair market or realizable value) must be adjusted downwards.

14. The books and records of the Companies state that inventory in the amount of \$3,742,698.71 is held. The Interim Receiver's review indicates that \$1,600,182.98 of that inventory is not in the possession of the Companies. The reconciliation of the inventory and accompanying book values is set out on the spreadsheet prepared by the Interim Receiver attached as **Appendix "A"**.

15. The Interim Receiver's reconciled value of the inventory held by the Companies is \$2,142,515.73 at book value.

Accounts Receivable

16. The Interim Receiver’s review of accounts receivable has been complicated by the fact that the Companies’ listings contain both accounts payable by customers, and also credits payable to customers. The Companies’ records have also not been reconciled against each other or closed out on a monthly basis.

17. The Interim Receiver did receive a further set of data from the Companies in the evening of December 3, 2014 that does permit some analysis.

18. Based on those records, the Companies’ net total of accounts receivable is approximately \$889,000.

19. The Companies records appear, however, to understate the accounts receivable by the inclusion of what are really credits owing to customers, which amount to approximately \$1,374,000. If those credits are removed, the total of accounts receivable is approximately \$2,263,000.

20. In order to get an understanding of the possible collectability of the accounts receivable, the Interim Receiver analysed the data presented by the Companies, which is set out in the chart below.

Total	30 days	60 days	90 days	90 + days
\$ 2,263,194.44	\$ 65,199.23	\$ 324,496.50	\$ 186,256.02	\$ 1,687,242.69
% Collectable	100%	80%	50%	10%
\$ 586,648.71	\$ 65,199.23	\$ 259,597.20	\$ 93,128.01	\$ 168,724.27

21. The Interim Receiver also assumed a declining collectible value based on the age of the accounts receivable, as indicated in the bottom of the above chart. The result of that analysis suggests that the true value of the accounts receivable may be closer to approximately \$586,000.

B) CONCLUSION

22. The Interim Receiver's review to date suggests that the value of inventory on the Companies' books and records may be overstated by approximately \$1,600,000, that the accounts receivable contain liabilities (credits) owing to customers of \$1,374,000, and the actual collectible value of the "true" accounts receivable may be overstated on the Companies' records by approximately \$303,000.

All of which is respectfully submitted this 4th day of December, 2014.

A. FARBER & PARTNERS INC.

**COURT-APPOINTED INTERIM RECEIVER OF CRATE MARINE SALES LIMITED,
F.S. CRATE & SONS LIMITED, 1330732 ONTARIO LIMITED, 1328559 ONTARIO
LIMITED and 1282648 ONTARIO LIMITED**

A handwritten signature in black ink that reads "Stuart Mitchell". The signature is written in a cursive style with a horizontal line crossing through the middle of the name.

Per: Stuart Mitchell
Senior Vice President

TAB A

Note: Inventory listing based on inventory identified by management during walk through of the Keswick and Lagoon City locations with Farber. Due to the fact that most boats were shrink wrapped, it was impractical for Farber to confirm that boats represented by management were the boats on the list below; Farber could assess for reasonability only and has put "Apparent Location" for the location of a shrink wrapped boat. Farber has labelled boats it didn't even see as the "Represented L

STOCK.NO	DESCRIPTION	LOCN	LOT	TYPE	New or Used	STATUS	SERIAL NO	CHASSIS NUMBER	DATE RCV	D DAY	Total Cost	Apparent Location	Represented Location
Keswick Inventory													
3956	87 CARVER 2	8 RIVEARA	CM	CM	AC	U	A	CDR01141687	18-Apr-07		2,777 \$	5,000.41	Front yard
4322	69 CHRIS-CR	AFT 42COMAND	CM	CM	AC	U	A		01-Oct-08		2,245 \$	25,373.05	Mid yard
4335	31 CHRIS-CR	AFT CLASSIC	CM	CM	R	U	A		14-Oct-08		2,232 \$	1,000.00	Showroom
4483	88 CARVER 3	257 MONTEGO	CM	CM	EC	U	A	CDRN5133E888	10-Sep-09		1,901 \$	11,292.80	South harbour
4638	02 REGAL 26	00 LSR	CM	CM	BR	U	A	RGMWH024J102	01-Jun-10		1,637 \$	15,000.00	North washrooms
4696	89 CARVER 3	607	CM	CM	AC	U	A	CDRG0053B989	13-Aug-10		1,564 \$	31,637.64	South harbour
4745	07 ZODIAC D	INGHY	CM	CM	INF	U	A	XDCR222KK607	05-Oct-10		1,511 \$	8,000.00	Trailer lift
5128	95 TROJAN 3	50 EXPRESS	CM	CM	EC	U	A	TRJR1027K495	27-Apr-12		941 \$	34,550.82	Keswick
5195	63 CHRIS-CR	AFT 30	CM	CM	CON	U	A		07-Aug-12		839 \$	9,487.34	South harbour
5312	97 CARVER 3	2 VOYAGER	CM	CM	SF	U	A	CDRM20041697	30-Jan-13		663 \$	50,000.00	Front yard
5341	06 DONZI 43		CM	CM	PB	U	A	DNAZC006K506	25-Feb-13		637 \$	127,630.76	Compound
5779	12 BOAT TRA	ILER MANNING	CM	CM	BT	I	A	IM9TB4330CC495563	31-Jul-14		116 \$	-	Compound
5347	97 DONZI 22	& TRAILER	CM	CM	PB	U	A	DNAC2008D697	27-Feb-13		635 \$	22,279.14	Trailer lift
5363	89 CRUISERS	3060	CM	CM	EC	U	A	CRS8448BC989	28-Mar-13		606 \$	7,000.00	South harbour
5437	10 LARSON 2	88	CM	CM	BR	U	A	LAR89725E910	21-Jun-13		521 \$	40,000.79	Showroom
5496	90 WELLCRAF	T 31 SCARAB EX	CM	CM	PB	U	A	WELP6159J990	04-Sep-13		446 \$	20,620.65	Compound
5564	92 SEA-RAY	180	CM	CM	BR	U	A	SERV4423A292	21-Jan-14		307 \$	3,087.72	Trailer lift
5565	06 RINKER 2	7	CM	CM	CC	U	A	RNK73048B03	21-Jan-14		307 \$	28,995.26	Compound
5567	10 REGAL 21	00	CM	CM	BR	U	A	RGMCB203D010	22-Jan-14		306 \$	30,000.56	Showroom
5600	08 MONTEREY	214 FSC & TRA	CM	CM	CC	U	A		14-Apr-14		224 \$	21,000.00	Showroom
5601	03 SEA-RAY	41	CM	CM	AC	U	A	SERFR9467203	14-Apr-14		224 \$	169,482.06	North washrooms
5732	11 REGAL 23	00 & PHOENIX T	CM	CM	BR	U	A	R6MDR327D11 Trailer SV	22-May-14		186 \$	52,000.00	Front yard
5647	11 CRUISERS	330 EXPRESS	CM	CM	EC	U	A	CRSFDA70D011	05-Jun-14		172 \$	170,309.20	Compound
5670	04 CONQUEST	DUAL CONSOLE	CM	CM	BR	U	A	KWEDD130I304	18-Jun-14		159 \$	16,218.05	Showroom
5671	97 LARSON 2	90 CABRIO	CM	CM	BR	U	A		19-Jun-14		158 \$	12,000.10	Compound
5672	97 DORAL 19	97 240 DORAL	CM	CM	AC	U	A	QJA06303A797	23-Jun-14		154 \$	14,347.89	Mid yard
5679	00 WELLCRAF	T WILKER 18	CM	CM	R	U	A		26-Jun-14		151 \$	6,000.00	Front yard
5777	88 DORAL 26		CM	CM	AC	U	A	A152917888	24-Sep-14		61 \$	5,180.75	Mid yard
5781	99 REGAL 32	COMMODORE	CM	CM	EC	U	A		25-Sep-14		60 \$	44,115.04	South harbour
5795	12 SEA-RAY	240 SUNDANCER	CM	CM	AC	U	A	US-SERT4011I112	02-Oct-14		53 \$	50,000.00	Compound
5808	03 BAYLINER	245 & GALVANI	CM	CM	BR	U	A	259403963	17-Oct-14		38 \$	17,500.00	South harbour
5816	99 RINKER 2	32 CAPTIVA & T	CM	CM	BR	U	A	KNK61752C999	23-Oct-14		32 \$	13,000.00	Compound
5820	96 THOMPSON	26 SANTA	CM	CM	AC	U	A	TMS37895K595	03-Nov-14		21 \$	14,379.79	South harbour
4762	10 SEA-DOO	RXT	CM	CM	SD	N	A	YDV12689C010	31-Oct-10		1,485 \$	7,839.99	Trailer lift
4858	09 DYNAMAX	DYNA AIRE	CM	CM	DYN	N	A	1D9FE362391358008	24-Mar-11		1,341 \$	30,000.00	Front yard
5538	14 REGAL 25	50	CM	CM	CC	N	A	RGMMO242D414	25-May-14		183 \$	71,718.61	Showroom
5725	14 PHOENIX	S22-50TB	CM	CM	BT	N	A	5VWBT222XFE006450	12-Jun-14		165 \$	3,503.36	Mid yard

Lagoon City Inventory

5662	88	CARVER 2	807 RIVIERA	CM	CM	AC	U	A	CDR0023088	16-Jun-14	161	\$	5,237.18	Lagoon City
5704	87	PROWLER	9M AAFT CABIN	CM	CM	AC	U	A		14-Jul-14	133	\$	17,980.66	Lagoon City
4682	88	PROWLER	10M	CM	CM	AC	U	A		26-Jul-10	1,582	\$	20,000.13	Lagoon City
5400	78	SEA-RAY	30 SEDAN BRIDG	CM	CM	SF	U	A		13-May-13	560	\$	5,081.00	Lagoon City

Quebec Inventory

5424	04	Bayliner 245		CQC	CQC	CC	U	A	QC3507805	31-May-13	542	\$	22,509.50	St-Paul-DeL'ile, QB
5485	11	Four Winns V305		CQC	CQC	EC	U	A		05-Apr-14	233	\$	121,783.04	Keswick Showroom
5508	13	Regal 35SC		CQC	CQC	SC	U	A		26-Sep-14	59	\$	215,810.00	St-Paul-DeL'ile, QB
5533	11	Coblat 262WSS W Trailer		CQC	CQC	R	U	A	FG66S002G011 / QC3088553	04-Oct-14	51	\$	81,000.00	800 Industriel Bld, QB

Belleville Inventory (represented to be owned by Crate Marine)

5269	90	MALIBOU	MAKO 211 CENER	CM	CM	FB	U	A	MRKE2995K990	05-Nov-12	749	\$	8,441.57	Belleville
5700	03	CARVER P	ILOT HOUSE	CM	CM	MY	U	A	CDRNA1234203	09-Jul-14	138	\$	455,120.87	Belleville

Boat on Inventory Listing which is being held by M Balsdon Trucking and was being shipped to Marquis as at the date of Farber's appointment

5544	14	MARQUIS	YACHTS 500 SPO	CM	CM	SC	N	A	MQYE5048L314	10-Dec-13	349	\$	1,178,665.00	Returned to
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Boat on Inventory List but not found

5349	89	THUNDERC	RAFT 290SE	CM	CM	EC	U	A		26-Feb-13	636	\$	5,000.00	
5821	15	CARVER C	37	CM	CM	EC	N	SA	CVRX4007I415	02-Nov-14	22	\$	363,537.50	
4859	09	DYNAMAX	DYNA AIRE	CM	CM	DYN	N	A	1D9FE362591358009	14-Apr-11	1,320	\$	30,000.00	

Boats on Inventory List which are represented to be owned by Customers

5824	11	CHAPARRA	L 186 SSI & RI	CM	CM	BR	U	SA	RGB50170H011	17-Nov-14	7	\$	-	Field by playground
5822	01	CARVER 4	06 AFT CABINE	CM	CM	C	U	SA	CDRW0017J001	11-Nov-14	13	\$	-	Front Yard
5823	09	MARQUIS	YACHTS 50	CM	CM	C	U	SA	CDRE2008C809	17-Nov-14	7	\$	-	Quebec

Costs Incurred by Crate Marine on boats represented to be owned by Crate's Belleville - policy for Belleville to reimburse upon sale

5784	15	CRUISERS	208	CM	CM	BR	N	A	KCSBA125H315	30-Jun-14	147	\$	7,099.93	Showroom
5788	15	CRUISERS	208	CM	CM	BR	N	A	KCSBA123E315	30-Jun-14	147	\$	2,035.00	Showroom
5789	15	CRUISERS	208	CM	CM	BR	N	A	KCSBA122E315	30-Jun-14	147	\$	2,337.62	Belleville
5552	14	CRUISERS	350 EXPRESS	CM	CM	EC	N	A	CRSEC157J314	10-Dec-13	349	\$	8,511.78	South Harbour
5548	14	CRUISERS	258	CM	CM	BR	N	A	KCSBF155F314	19-Dec-13	340	\$	2,996.15	Belleville

Total Above not including Quebec	\$ 3,301,596.17
Total Per Report	\$ 3,301,596.00 (new + used)
Company inventory including Quebec	\$ 3,742,698.71
Actual Company Inventory per Farber	\$ 2,142,515.73
Variance	\$ 1,600,182.98

Variance is made up of:

Marquis 50 - in process of being returned to mfr	\$ 1,178,665.00	Boat held at Pickering
Carver 37 - sold to M.Proulx, delivered in FLA Nov 19	\$ 363,537.50	Sale not yet recorded
\$ spent by Crate Marine on boats now owned by Belleville	\$ 22,980.48	s/b recoverable
Thundercraft not located	\$ 5,000.00	immaterial
Dynamax trailer reported to be at Greg Crate's cottage	\$ 30,000.00	
	\$ 1,600,182.98	
Unreconciled	\$ -	

IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF CRATE MARINE SALES LIMITED, F.S. CRATE & SONS LIMITED, 1330732 ONTARIO LTD., 1328559 ONTARIO LTD., 1282648 ONTARIO LTD. 1382416 ONTARIO LTD. and 1382415 ONTARIO LTD.

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Proceeding commenced at TORONTO

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