Court File No. N/M/17/10

IN THE COURT OF QUEEN'S BENCH OF NEW BRUNSWICK
IN BANKRUPTCY AND INSOLVENCY
JUDICIAL DISTRICT OF MIRAMICHI

IN THE MATTER OF THE RECEIVERSHIP OF:

ATCON GROUP INC., ATCON HOLDINGS INC., ATCON PROPERTY HOLDINGS INC., ATCON VENEER PRODUCTS INC., ATCON LOGISTICS INC., ATCON CONSTRUCTION INC., ATCON MANAGEMENT SERVICES INC., ATCON CIVIL LTD., DYCON CONSTRUCTION LTD., ATCON STRUCTURES INC. AND ENVIREM TECHNOLOGIES INC.

PURSUANT TO Section 33 of The *Judicature Act,* R.S.N.B. 1973, Ch. J-2, Rule 41, Rules of Court, New Brunswick and Section 243 of the *Bankruptcy and Insolvency Act,* R.S.C. 1985, c. B-3

BETWEEN:

THE BANK OF NOVA SCOTIA, a Canadian chartered bank with a registered office in the City of Saint John, Province of New Brunswick

APPLICANT

- and –

ATCON GROUP INC., ATCON HOLDINGS INC., ATCON PROPERTY HOLDINGS INC., ATCON VENEER PRODUCTS INC, ATCON LOGISTICS INC., ATCON CONSTRUCTION INC., ATCON MANAGEMENT SERVICES INC., ATCON CIVIL LTD., DYCON CONSTRUCTION LTD., ATCON STRUCTURES INC. AND ENVIREM TECHNOLOGIES INC., all of which are carrying on business in the Province of New Brunswick

RESPONDENTS

TWENTY-EIGHTH REPORT OF THE RECEIVER

(Approval of CRA Settlement Agreement and Fourth Interim Distribution Motion)
25 September 2014

INTRODUCTION AND PURPOSE

1. In connection with the applications of The Bank of Nova Scotia (the "**Bank**") pursuant to section 33 of the *Judicature Act* (New Brunswick), Rule 41 of the Rules of Court of New Brunswick, and section 243 of the *Bankruptcy and Insolvency Act* (Canada) that were heard by The Honourable Mr. Justice Riordon of the Court of Queen's Bench of New Brunswick on 1 March 2010 and 30 March 2010, Ernst & Young Inc. was appointed as receiver and receiver manager (the "**Receiver**") of the property, assets and undertakings of:

   (a) Atcon Group Inc. ("**Atcon Group")**, Atcon Holdings Inc., Atcon Property Holdings Inc., Atcon Veneer Products Inc. and Atcon Logistics Inc. pursuant to an Order dated 2 March 2010 (the "**March 2 Order**"); and

   (b) Atcon Construction Inc., Atcon Management Services Inc., Atcon Civil Ltd., Dycon Construction Ltd., Atcon Structures Inc. and Envirem Technologies Inc. pursuant to an Order dated 30 March 2010 (together with the March 2 Order, the "**Receivership Order**").

2. The Receivership Order authorizes the Receiver to, among other things:

   (a) take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

   (b) receive, preserve and protect the Property, or any parts thereof;

   (c) receive and collect all monies and accounts now owed or thereafter owing to the Respondents and exercise all remedies of the Respondents in collecting such monies;

   (d) to settle, extend or compromise any indebtedness owing to the Respondent;

   (e) market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

   (f) sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business with the approval of this Court in respect of any transaction in which the purchase price exceeds $100,000 or the aggregate purchase price of all transactions less than $100,000 exceeds $1,000,000;

(g) execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of any of the Respondents, for any purpose pursuant to the Receivership Order;

(h) exercise any shareholder rights which any of the Respondents may have; and

(i) apply to the Court for advice and directions in the discharge of its powers and duties under the Receivership Order.

3. The purpose of this Twenty-Eighth Report is to:

(a) report to this Honourable Court on the status of matters relating to the Receiver's conduct and activities with respect to the Notice of Assessments (as defined below) issued by Canada Revenue Agency ("**CRA**") and recommend that this Honourable Court grant an Order: (i) authorizing and approving the Receiver to execute three separate Consents to Judgement and (ii) authorizing and directing the Receiver to take such steps and execute such additional documents as may be necessary or desirable to finalize the Consents to Judgement;

(b) seek the approval of this Honourable Court of an interim distribution to CRA and certain Secured Creditors (as defined below) that has been agreed to and accepted by the CRA and the Secured Creditors; and

(c) seek the approval of this Honourable Court of the conduct, actions and activities of the Receiver set out in the Twenty-Eighth Report of the Receiver.

TERMS OF REFERENCE

4. In preparing this Twenty-Eighth Report, the Receiver has been provided with and has relied upon unaudited historical financial statements, other unaudited financial information and projections prepared by the Respondents, the books and records of the Respondents, discussions with the management and employees of the Respondents, and other information from various sources. The Receiver has assumed that the information it has been provided is accurate and complete. Except as noted in the body of this Twenty-Eighth Report, the Receiver did not audit, review or otherwise attempt to verify the accuracy or completeness of the information. Accordingly, the Receiver expresses no opinion or other form of assurance with respect to the information provided to the Receiver and presented in the Twenty-Eighth Report or relied upon by the Receiver in preparing the Twenty-Eighth Report. Further, the nature of the Receiver's work completed in these proceedings will not necessarily disclose errors, misstatements, irregularities

or illegal acts, if such exist, on the part of the Respondents, or its officers or employees or in the information.

5. All references to monetary amounts in this Twenty-Eighth Report are in Canadian dollars unless otherwise noted.

6. Capitalized terms not defined in this Twenty-Eighth Report are as defined in the Receivership Order.

7. Copies of Court materials in these proceedings may be obtained from the Receiver's website established in connection with the Respondents (www.ey.com/ca/atcon).

ATCON CONSTRUCTION AND CRA

Background

8. As has been previously reported to this Honourable Court, CRA issued notices of assessment dated 26 February 2010 (collectively, the "**Notices of Assessment**") to Atcon Construction in connection with alleged unremitted employee source deductions (the "**Alleged Unremitted Deductions**"), pursuant to the Income Tax Act (Canada) (the "**ITA**"), the Canada Pension Plan (the "**CPP**") and the Employment Insurance Act (Canada) (the "**EIA**") along with certain penalties in respect of various workers ("**Workers**"). The Receiver understands that the amounts contained in the Notices of Assessment were originally assessed against Ledwell Construction Labour Limited ("**Ledwell**"), a third-party that provided services to Atcon Construction.

9. On 29 March 2010, CRA issued a Requirement to Pay to Shell (the "**Shell Requirement to Pay**") pursuant to section 227(4) of the ITA. The Shell Requirement to Pay directed Shell to deliver to CRA any monies owed to Atcon Construction in connection with the alleged liability of Atcon Construction under subsection 227(10.1) of the ITA, in the maximum amount of $4,750,074.57.

10. In addition to the Shell Requirement to pay, on 29 March 2010 CRA issued a Requirement to Pay to Pennecon Heavy Civil Ltd. ("**Pennecon**") (the "**Pennecon Requirement to Pay**") pursuant to section 227(4) of the ITA. The Pennecon Requirement to Pay directed Pennecon to deliver to CRA any monies owed to Atcon Construction in connection with the alleged liability of Atcon Construction under subsection 227(10.1) of the ITA, in the maximum amount of $4,750,074.57.

11. The Receiver understands that the Shell Requirement to Pay and the Pennecon Requirement to Pay were issued by CRA in connection with the Notices of Assessment and the Alleged Unremitted Deductions that were originally assessed against Ledwell.

12. In a letter dated 7 April 2010 from CRA to the Receiver (the "**April 7 Letter**"), CRA confirmed its position that Atcon Construction was indebted to CRA in the amount of $4,772,749.85 with respect to the Alleged Unremitted Deductions, and, of such amount, $3,784,276.68 were trust funds pursuant to the ITA, the CPP and the EIA and formed no part of the property of Atcon Construction subject to the Receivership Order. In the April 7 Letter, the CRA demanded that the Receiver pay to the CRA the trust fund amount.

13. To address various ongoing matters, the Receiver sought and was granted an Order from this Honourable Court dated 18 June 2010 (the "**18 June 2010 Order**") to place funds into two holdback accounts, being the CRA Deemed Trust Holdback ($3,784,276.68) and the CRA Non-Deemed Trust Holdback ($996,345.70) (collectively the "**Holdback Accounts**"). The total of the amounts set aside in the Holdback Accounts was $4,780,622.38.

14. Following receipt of the April 7 Letter, the Receiver objected to the Notices of Assessment. The Notices of Assessment were substantially confirmed by the relevant CRA appeals officers. In January 2012 the Receiver instructed counsel to appeal the Notices of Assessment to the Tax Court of Canada. Pleadings were exchanged in early 2012, discovery examinations were held in June 2013 and a settlement conference was held in March 2014.

15. The Receiver's position in the tax appeals was that Atcon Construction was not the employer of the Workers because the Workers' remuneration was paid by Ledwell, and therefore Atcon was not liable for the Alleged Unremitted Deductions in issue. The Receiver argued that the employment arrangement was as follows:

    (a) The formal employment relationship was between each Worker and Ledwell;

    (b) Ledwell provided the Workers to Atcon Construction for a fee; and

    (c) Since Ledwell did not have its own bank account, Ledwell's fee was paid by Atcon Construction as follows: (i) Atcon Construction remitted payroll taxes to CRA on Ledwell's behalf; and (ii) Atcon Construction transferred Workers' "net pay" to another Atcon company for direct deposit to Workers' bank accounts on behalf of Ledwell.

16. The Crown argued that Atcon Construction paid remuneration to the Workers, and therefore Atcon Construction was the employer of the Workers for purposes of the ITA, the CPP and the EIA.

SETTLEMENT AGREEMENT

17. Following the discovery examinations, the Receiver, through its counsel, commenced informal settlement discussions with the Crown on a without prejudice basis. As a result of those discussions, a settlement agreement was reached (the "**CRA Settlement Agreement**") in respect of the Alleged Disputed Amounts reflected in the Notices of Assessment along with certain penalties. The CRA Settlement Agreement is subject to the Receiver obtaining this Honourable Court's approval of the settlement.

18. Attached hereto and marked as Appendix "A" are unsigned copies of three Consents to Judgement in relation to the ITA, the CPP and the EIA tax appeals which have been negotiated between the Receiver and the Crown (the "**Consents to Judgement**").

19. The effect of the Consents to Judgement, if approved by this Honourable Court, is that the Receiver will pay $2,035,846 (the "**CRA Settlement Payment**") out of the Holdback Accounts as full and final payment with respect to the Notices of Assessment. Upon receipt of the CRA Settlement Payment, CRA will cease all collection action with respect to the Notices of Assessment. Attached hereto and marked as Appendix "B" is a letter dated 10 June 2014 from the Department of Justice to counsel for the Receiver confirming the amount of the CRA Settlement Payment.

20. The Receiver is of the view that the CRA Settlement Agreement represents a fair and reasonable settlement of the matters relating to the Notices of Assessment, on the basis that:

    (a) the Bank, the Province of New Brunswick (the "**Province**"), Aviva Insurance Company of Canada and its affiliated entities ("**Aviva**"), and GE Canada Equipment Financing G.P. and its affiliated entities ("**G.E.**", and together with the Bank, the Province and Aviva, the "**Secured Creditors**"), which have valid, perfected and enforceable security against the property of Atcon Construction subject to CRA's super priority deemed trust claim (the "**Deemed Trust Claim**"), support the terms of the CRA Settlement Agreement and the quantum of the CRA Settlement Payment to be paid by the Receiver to the CRA; and

    (b) In the event that the CRA Settlement Agreement is not approved by this Honourable Court, time consuming and costly litigation would be necessary to resolve the issues between the parties in order to determine an alternative allocation between the Secured Creditors and CRA of the funds maintained in the Holdback Accounts.

21. For the foregoing reasons, the Receiver recommends the approval by this Honourable Court of the CRA Settlement Agreement.

PROPOSED DISTRIBUTIONS

22. As previously noted, the Receiver sought and was granted an Order from this Honourable Court dated 18 June 2010 to place funds into the two Holdback Accounts. The total of the amounts set aside in the Holdback Accounts pursuant to the 18 June 2010 Order was $4,780,622.38. As at 24 September 2014, the cumulative balance in the Holdback Accounts, including accrued interest to 31 August 2014, totals $4,927,822.93.

23. Subject to this Honourable Court approving the CRA Settlement Agreement, the Receiver proposes to make a fourth interim distribution (the "**Fourth Interim Distribution**") to CRA and the Secured Creditors on account of their respective security interests over the property of the Respondents and specifically the proceeds held within the Holdback Accounts.

24. As reported in the Receiver's Twenty-Third, Twenty-Sixth and Twenty-Seventh Reports, a distribution methodology was negotiated and agreed amongst the primary secured creditors of the Estate (the "**Distribution Methodology**") and interim distributions calculated using the Distribution Methodology were approved by Orders of this Honourable Court dated 31 July 2012, 8 April 2013 and 25 June 2014 (the "**Interim Distributions**").

25. The Distribution Methodology required the Receiver to hold back a pro rata portion (the "**Pro Rata Holdbacks**") of the Interim Distribution paid to Secured Creditors whose security was subject to the Deemed Trust Claim. The CRA Settlement Agreement, if approved by this Honourable Court, will reduce the amount of the Deemed Trust Claim and consequently will reduce the Pro Rata Holdbacks. The residual balance from the Holdback Accounts after discharging the CRA Settlement Payment will become available for release to the Secured Creditors based upon the Distribution Methodology reflecting a reduced Deemed Trust Claim.

26. The Receiver has engaged in discussions with representatives of and/or counsel for the Secured Creditors including the Bank, the Province, G.E. and Aviva regarding the proposed Fourth Interim Distribution.

27. As a result of those discussions, proposed distributions have been calculated in accordance with the Distribution Methodology and agreed to by the Secured Creditors. The proposed distributions are subject to this Honourable Court approving the CRA Settlement Agreement and are as follows:

    (a) the sum of $2,035,846.00 to CRA;

    (b) the sum of $2,743,597.77 to the Bank;

(c) the sum of $6,125.95 to the Province;

(d) the sum of $127,267.84 to G.E.; and

(e) the sum of $53,246.02 to Aviva.

28. Attached as Appendix "C" is the Receiver's Statement of Receipts and Disbursements for the period ending 24 September 2014 which summarizes all receivership transactions to that date. Attached as Appendix "D" is a schedule showing the allocation of all amounts received by the Receiver during the receivership amongst beneficial security holders. In addition, attached as Appendix "E" is a schedule showing the allocation of all receipts amongst the beneficial security holders and calculates each beneficial security holder's pro rata share including the allocation of the negotiated CRA Settlement Payment.

RELIEF SOUGHT BY THE RECEIVER

29. The Receiver respectfully requests that this Honourable Court grant an Order in the form submitted by the Receiver:

(a) approving the CRA Settlement Agreement and the execution of the Consents to Judgement by the Receiver;

(b) authorizing and empowering the Receiver to utilize funds held in the Holdback Accounts, including earned interest, for the purpose of making payments (including interim payments) required or permitted by the Receivership Order;

(c) authorizing and empowering the Receiver to make the Fourth Interim Distribution to the CRA, the Bank, the Province, G.E. and Aviva in the amounts indicated above; and

(d) approving the conduct, actions and activities of the Receiver in administering these receivership proceedings as described in this Twenty-Eighth Report.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 25th day of September 2014.

ERNST & YOUNG INC.
in its capacity as the Court-appointed
Receiver of the Respondents and not in its
personal or corporate capacity

By:

George Kinsman, CA, CIRP
Senior Vice President

Appendices

Appendix A

2012-399(IT)G

TAX COURT OF CANADA

BETWEEN:

ATCON CONSTRUCTION INC., BY ITS COURT-APPOINTED RECEIVER ERNST & YOUNG INC.

Appellant

- and -

HER MAJESTY THE QUEEN

Respondent

CONSENT TO JUDGMENT

The Appellant and the Respondent consent to judgment allowing the appeal with respect to the 2005, 2007, 2008 and 2009 taxation years, and referring the matter back to the Minister of National Revenue for reconsideration and reassessment on the basis that:

a) The Appellant is not liable for the statutory payroll deductions at issue in this appeal for the period from September 2008 to July 2009 inclusive;

b) The Appellant is not liable for the related failure to remit penalties for the period from September 2008 to July 2009 inclusive; and

c) Each party shall bear its own costs.

The Appellant is entitled to no further relief.

Initials
Counsel for the Appellant

Initials
Counsel for the Respondent

DATED at Toronto, in the Province of Ontario, on the _____ day of September, 2014.

Salvatore Mirandola
Borden Ladner Gervais LL.P.
Scotia Plaza, 40 King Street West
Toronto, ON M5H 3Y4

Telephone: (416) 367-6097
Facsimile: (416) 361-7349

Counsel for the Appellant

DATED at Halifax, in the Province of Nova Scotia, on this _____ day of September, 2014.

William F. Pentney
Deputy Attorney General of Canada
Solicitor for the Respondent

Per: Cecil S. Woon
Tax Law Services Section
Department of Justice Canada
Atlantic Regional Office
Suite 1400, Duke Tower
5251 Duke Street
Halifax, NS B3J 1P3

Telephone: (902) 426-8006
Facsimile: (902) 426-8802

Counsel for the Respondent

TO: The Registrar
Tax Court of Canada
200 Kent Street, 3rd Floor
Ottawa ON K1A 0M1

2012-401(CPP)

TAX COURT OF CANADA

BETWEEN:

ATCON CONSTRUCTION INC., BY ITS COURT-APPOINTED RECEIVER ERNST & YOUNG INC.

Appellant

- and -

MINISTER OF NATIONAL REVENUE

Respondent

CONSENT TO JUDGMENT

The Appellant and the Respondent consent to judgment allowing the appeal with respect to the 2007, 2008 and 2009 taxation years, and referring the matter back to the Minister of National Revenue for reconsideration and reassessment on the basis that:

a) the Appellant is not liable for the statutory payroll deductions at issue in this appeal for the period from September 2008 to July 2009 inclusive;

b) The Appellant is not liable for the related failure to remit penalties for the period from September 2008 to July 2009 inclusive; and

c) Each party shall bear its own costs.

The Appellant is entitled to no further relief.

Initials
Counsel for the Appellant

Initials
Counsel for the Respondent

DATED at Toronto, in the Province of Ontario, on the _____ day of September, 2014.

Salvatore Mirandola
Borden Ladner Gervais LL.P.
Scotia Plaza, 40 King Street West
Toronto, ON M5H 3Y4

Telephone: (416) 367-6097
Facsimile: (416) 361-7349

Counsel for the Appellant

DATED at Halifax, in the Province of Nova Scotia, on this _____ day of September, 2014.

William F. Pentney
Deputy Attorney General of Canada
Solicitor for the Respondent

Per: Cecil S. Woon
Tax Law Services Section
Department of Justice Canada
Atlantic Regional Office
Suite 1400, Duke Tower
5251 Duke Street
Halifax, NS B3J 1P3

Telephone: (902) 426-8006
Facsimile: (902) 426-8802

Counsel for the Respondent

TO: The Registrar
Tax Court of Canada
200 Kent Street, 3rd Floor
Ottawa ON K1A 0M1

2012-400(EI)

TAX COURT OF CANADA

BETWEEN:

ATCON CONSTRUCTION INC., BY ITS COURT-APPOINTED RECEIVER ERNST & YOUNG INC.

Appellant

- and -

MINISTER OF NATIONAL REVENUE

Respondent

CONSENT TO JUDGMENT

The Appellant and the Respondent consent to judgment allowing the appeal with respect to the 2007, 2008 and 2009 taxation years, and referring the matter back to the Minister of National Revenue for reconsideration and reassessment on the basis that:

a) the Appellant is not liable for the statutory payroll deductions at issue in this appeal for the period from September 2008 to July 2009 inclusive;

b) The Appellant is not liable for the related failure to remit penalties for the period from September 2008 to July 2009 inclusive; and

c) Each party shall bear its own costs.

The Appellant is entitled to no further relief.

Initials
Counsel for the Appellant

Initials
Counsel for the Respondent

DATED at Toronto, in the Province of Ontario, on the _____ day of September, 2014.

Salvatore Mirandola
Borden Ladner Gervais LL.P.
Scotia Plaza, 40 King Street West
Toronto, ON M5H 3Y4

Telephone: (416) 367-6097
Facsimile: (416) 361-7349

Counsel for the Appellant

DATED at Halifax, in the Province of Nova Scotia, on this _____ day of September, 2014.

William F. Pentney
Deputy Attorney General of Canada
Solicitor for the Respondent

Per: Cecil S. Woon
Tax Law Services Section
Department of Justice Canada
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Suite 1400, Duke Tower
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Telephone: (902) 426-8006
Facsimile: (902) 426-8802

Counsel for the Respondent

TO: The Registrar
Tax Court of Canada
200 Kent Street, 3rd Floor
Ottawa ON K1A 0M1

Appendix B

Department of Justice
Canada

Atlantic Regional Office
Suite 1400, Duke Tower
5251 Duke Street
Halifax, Nova Scotia B3J 1P3

Ministère de la Justice
Canada

Bureau régional de l'Atlantique
Pièce 1400, Tour Duke
5251, rue Duke
Halifax, Nouvelle-Écosse B3J 1P3

Telephone: (902) 426-8006
Telecopier: (902) 426-8802

June 10, 2014

BY FAX

WITHOUT PREJUDICE

Salvatore Mirandola
Borden Ladner Gervais LLP
Scotia Plaza
40 King Street West
Toronto, Ontario M5H 3Y4

Dear Mr. Mirandola:

Re: ATCON Construction Inc., by its Court-Appointed Receiver Ernst & Young Inc. v. Her Majesty the Queen
Court Numbers: 2012-399(IT)G, 2012-400(EI) and 2012-401(CPP)

I refer to my letters of March 13, 2014 and May 15, 2014 (mistyped as March 15, 2014).

Should the Appellant accept the Respondent's settlement offer, the payment by the Appellant to the Respondent of $2,035,846 out of the holdbacks totalling $4,780,622 is intended to be a full and final payment in respect of the 2005, 2007, 2008 and 2009 Income Tax Notices of Reassessment dated February 26, 2010 and the 2007, 2008 and 2009 Employment Insurance and Canada Pension Plan Notices of Reassessment dated February 26, 2010 (collectively, the "Reassessments under Appeal"). Once Canada Revenue Agency receives the $2,035,846 payment, collection action on the part Canada Revenue Agency with respect to the Reassessments under Appeal will cease.

Please advise me of the Appellant's position in respect of the Respondent's settlement offer at your earliest convenience.

Yours truly,

Cecil S. Woon
Senior Counsel
Tax Law Services

CSW/ems

Canada

District of New Brunswick
Division No. 51
Court No.
Estate No.

Appendix C

IN THE MATTER OF THE RECEIVERSHIP OF
THE ATCON GROUP OF COMPANIES (as defined in Note 1)
RECEIVER'S CONSOLIDATED STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD 01 MARCH 2010 TO 24 SEPTEMBER 2014

RECEIPTS			**GENERAL ACCOUNT**			**SEGREGATED ACCOUNTS**	**TOTAL**
1. Cash on hand		9,863.13					
Transfer from BNS re:CCAA accounts	**Note 2**	2,226,504.00					
Proceeds of Receiver certificate borrowings		1,200,000.00	3,436,367.13				
2. Realization of assets							
Eastern Canadian tender sale proceeds		3,443,442.49					
Western Canadian tender sale proceeds		541,606.12					
Shell accounts receivable	**Note 3**	924,314.94					
Pennecon Settlement	**Note 4**	3,139,859.53					
Suncor Settlement		2,500,000.00					
CNRL Settlement		86,212.86					
Deh Cho Settlement		1,300,000.00					
Sale proceeds - 67-69 General Manson Way	**Note 5**	696,072.82					
058545 NB Inc. sale proceeds - Trust 1	**Note 6**	4,235,238.93					
058545 NB Inc. sale proceeds - Trust 2	**Note 6**	26,923.05					
Funding received from Envirem Organics to fund obligations		140,876.99					
OPI AB / Vanerply AB		6,399,508.97					
Miscellaneous accounts receivable		898,647.39					
Miscellaneous asset sales		1,222,840.50	25,555,544.59				
3. Miscellaneous							
HST collected		359,880.67					
HST refund		554,245.99					
Interest		151,828.09	1,065,954.75				
4. Funds held in trust							
Shell accounts receivable - CRA deemed trust holdback				**Note 3**	3,900,906.02		
Shell accounts receivable - CRA non-deemed trust holdback				**Note 3**	1,026,916.91		
Shell accounts receivable - Builder's lien holdback				**Note 3**	4,012,477.26	8,940,300.19	
TOTAL RECEIPTS			**30,057,866.47**			**8,940,300.19**	**38,998,166.66**
DISBURSEMENTS							
1. Fees paid							
Fees paid to official receiver			770.00				
2. Operational disbursements							
Utilities		93,190.02					
Rent		102,086.03					
Security		3,777.50					
Equipment leasing		909,368.41					
Repairs and maintenance		71,518.98					
Wages and benefits		1,646,271.43					
Insurance		271,621.04					
Telephone		62,162.48					
Other expenses		89,225.79	3,249,221.68				
3. Miscellaneous							
HST input tax credit		940,667.16					
HST remitted		116,648.12					
CCAA period HST		551,747.15					
CRA - HST requirement to pay	**Note 7**	268,223.77					
Bank charges and interest		86,800.67	1,964,086.87				
4. Receiver's Remuneration							
Receiver fees and costs			3,223,508.15				
5. Legal fees and costs			2,912,909.26				
6. Other professional fees			435,132.83				
7. Distribution to Deemed Trust Claimants and Secured Creditors							
Deemed Trust Claim - Revenu Quebec			6,205.20				
Repayment of Receivers Certificate			1,200,000.00				
WEPPA Payment			26,494.85				
Bank of Nova Scotia			14,614,321.14	**Note 8**	2,576,577.04		
Caterpillar Financial Services Limited			921,731.24	**Note 8**	1,200,000.00		
GE			434,123.38				
Province of New Brunswick			348,751.76				
Aviva			181,627.51				
Emeco Canada			-	**Note 8**	235,900.22	4,012,477.26	
TOTAL DISBURSEMENTS			**29,518,883.87**			**4,012,477.26**	**33,531,361.13**
Excess of receipts over disbursements			**538,982.60**			**4,927,822.93**	**5,466,805.53**

Note 1 - Refer to the 246(2) report for list of companies included in this consolidated statement of receipts & disbursements.
Note 2 - See Court Order dated 23 April 2010.
Note 3 - See Court Order dated 18 June 2010.
Note 4 - See Court Order dated 30 June 2010.
Note 5 - See Court Order dated 28 July 2010.
Note 6 - See Court Order dated 22 March 2010.
Note 7 - Distribution of proceeds received from Pennecon settlement to CRA relating to HST Requirement to Pay. See Court Order dated 30 June 2010.
Note 8 - Distribution of funds held in trust related to Shell accounts receivable - Builder's lien holdback. See Court Order dated 28 October 2010.

ATCON GROUP INC ET AL
PROCEED ALLOCATION - RECEIVERSHIP PERIOD (BASED ON COX & PALMER PRIORITIES MEMO)
24 SEPTEMBER 2014

Appendix D

Parcel # (if applicable)	Company	Receipt Detail	Buyer (If applicable)	Receipt Amount	BNS	PNB	CAT	GE	Aviva	CRA	Emeco	Envirem Funding (Kiely)	HST	Receiver's Certificate	TOTAL
		Cash on hand													
	ACI	Cash on hand		9,863	9,863										9,863
		Accounts Receivable													
	ACI	Account Receivable - Shell		9,864,615	8,428,715		1,200,000				235,900				9,864,615
	ACI	Account Receivable - Pennecon		3,139,860	3,139,860										3,139,860
	ACI	Account Receivable - Suncor		2,500,000	2,500,000										2,500,000
		Account Receivable - CNRL		86,213	86,213										86,213
		Account Receivable - Deh Cho		1,300,000	1,300,000										1,300,000
	ACI	Account Receivable - Miscellaneous		898,647	898,647										898,647
		Quarry Assets													
Parcel 1.1 A	ACI	Belledune Conveyors	Atlantic Minerals	230,000	230,000			note 1							230,000
Parcel 1.1 D	ACI	Belledune Inventory	Falls Construction Ltd.	26,000	26,000			note 1							26,000
Parcel 1.1 E	ACI	Belledune Lease and Licenses	Falls Construction Ltd.	782,000	782,000										782,000
Parcel 1.2 A	ACI	Woodstock - Luff Conveyor	Northern Construction & Supplies Ltd.	7,000	7,000			note 1							7,000
Parcel 1.2 C	ACI	Woodstock - Ricc & Lake Scale	Northern Construction & Supplies Ltd.	16,200	16,200			note 1							16,200
Parcel 1.2 D	ACI	Woodstock - Tank & Diesel Fuel	Northern Construction & Supplies Ltd.	300	300			note 1							300
Parcel 1.2 E	ACI	Woodstock - Crushed rock inventory	Northern Construction & Supplies Ltd.	19,000	19,000										19,000
Parcel 1.2 F	ACI	Woodstock - Quarry Land PID 10208858	Northern Construction & Supplies Ltd.	162,000					162,000						162,000
Parcel 1.2 G	ACI	Woodstock - Quarry leases, licenses, permits	Northern Construction & Supplies Ltd.	5,000	5,000										5,000
Parcel 1.3 A	ACI	Miramichi Quarry	HBH Paving	156,000	156,000										156,000
	ACI	Rock inventory	HBH Paving	16,497	16,497										16,497
	ACI	Western Aggregate		50,000	50,000										50,000
		Equipment													
Parcel 2.1 B	ACI	Kobelco Crane	Caldwell & Ross Ltd.	177,000	177,000										177,000
	ACI	Eastern Auction Proceeds (Parcels 2, 3, 4 en bloc with exceptions)		1,215,831	1,215,831										1,215,831
	ACI	Western Auction Proceeds		541,606	541,606										541,606
	ACI	Deh Cho assets		89,250	89,250										89,250
	ACI	Ortner Aggregates Washer		17,000	17,000										17,000
	ACI	Fitzpatrick Auctioneering Services		46,919	46,919										46,919
	ACI	NL Equipment		202,000	202,000										202,000
	ACI	Scrap steel		10,000	10,000										10,000
	ACI	Furniture & office equipment from ACI location in Fredericton, NB sold to Envirem		7,500	7,500										7,500
		Real Estate													
Parcel 5.1 A	ACI	626 Newcastle Blvd., Miramichi, New Brunswick	C.M. Dickinson	218,615	218,615										218,615
Parcel 5.1 B	ACI	Office furnishings	C.M. Dickinson	17,900	17,900										17,900
Parcel 5.2 A	APH	114 Whalen Street, Miramichi, New Brunswick		133,061			133,061								133,061
Parcel 5.2 B	ACI	Office furnishings		-	-										-
Parcel 5.3	ACI	115 Whalen Street, Miramichi, New Brunswick		24,353		24,353									24,353
Parcel 5.4 A	APH	3 Chapel Road, Miramichi, New Brunswick		74,640	74,640										74,640
Parcel 5.4 B	ACI	Contents - Equipment & Materials		-	-										-
Parcel 5.5	APH	48 Torbay Rd., Miramichi, New Brunswick		66,457			66,457								66,457
Parcel 5.6	AMSI	Nelson Street, Miramichi, New Brunswick PIDs 40221426, 40219941, 4021434	Terrance Kelly	8,978	8,978										8,978
Parcel 5.7	ACI	Crosby Road, Newcastle Blvd., Miramichi, New Brunswick PIDs 40052912, 40052995, 40328734, 40328742	Goodfellow's Trucking	16,268	16,268										16,268
Parcel 5.8	ACI	Newcastle Blvd., Miramichi, New Brunswick PIDs 40127862, 40177131, 40277873, 40175622, 40277881	C.M. Dickinson	58,812	58,812										58,812
Parcel 5.9	ACI	Napan Road, Centre Napan, New Brunswick PID 40053001	Goodfellow's Trucking	1,000	1,000										1,000
Parcel 5.10	ACI	Mullin Stream Road, Curventon, New Brunswick PID 40125825		6,312	6,312										6,312
Parcel 5.11	ACI	Old Napan Road, Miramichi, New Brunswick PID 40313660		-	-										-
Parcel 5.12	APH	King George Highway, Miramichi, New Brunswick PID 40165656	Goodfellow's Trucking	31,363		31,363									31,363
Parcel 5.13	ACI	1 Whalen Street, Miramichi, New Brunswick PID 40179715		13,094		13,094.20									13,094
Parcel 5.14	AMS	149 St. Patrick's Drive, Miramichi, New Brunswick PID 40217994		6,931	6,931										6,931
Parcel 5.15	ACI	St. Patrick's Drive, Miramichi, New Brunswick PID 40466039 (no net value realized after tax obligation)		-		-									-
Parcel 5.16	ACI	CNR Rail Siding, Miramichi, New Brunswick PID 40218687		-	-										-
Parcel 5.17	AMS	Hubbard Street, Miramichi, New Brunswick PID 40219933	Gary Leroux	402	402										402
Parcel 5.18	ACI	Cross Roads, Miramichi, New Brunswick PID 40276263	Caldwell & Ross	125,654	125,654										125,654
Parcel 5.19	ACI	Exmoor, Miramichi, New Brunswick PID 40335184	Gary Leroux	5,120	5,120										5,120
Parcel 5.20	AMS	Raiche Street, Miramichi, New Brunswick PID40374266	Gary Leroux	998	998										998
Parcel 5.21	APH	Island View Drive PID 40473068, Donaldy Road PID 40473076, Route 126 40095887	Concrete USL	52,690	19,495		33,195								52,690
Parcel 5.22	AMS	Nelson Street, Miramichi, New Brunswick PID 40286668		11,930	11,930										11,930
Parcel 5.23	AMS	Nelson Street, Miramichi, New Brunswick PID 40221459	Gary Leroux	8,293	8,293										8,293
	ACI	67-69 General Manson Way		696,073				696,073							696,073
	APH	Beechwood Real Property		170,670		170,670									170,670
	ALI	Airport Hangar		130,508	130,508										130,508
	APH	170 Walsh St.		246,739		246,739									246,739
															-
		Proceeds from sale of Envirem		4,235,238.93	3,371,631		723,926		138,960	722					4,235,239
		Envirem Funding		26,923								26,923			26,923
		Envirem Funding		140,877								140,877			140,877
		Interest		151,828	151,828										151,828
		HST Collected		359,881									359,881		359,881
		Receivers Certificate		1,200,000										1,200,000	1,200,000
		CCAA Transfer - Allocate to BNS (funded via AR collections - subject to BNS security)		2,226,504	2,226,504										2,226,504
		HST Refund		244,722									244,722		244,722
		HST Refund		309,524									309,524		309,524
		Vanerply		6,399,509	6,399,509										6,399,509
				38,998,167	32,839,728	486,219	2,156,638	696,073	300,960	722	235,900	167,800	914,127	1,200,000	38,998,167

ATCON GROUP INC. ET AL
NET PROCEED ALLOCATION (DRAFT - BASED ON COX & PALMER PRIORITIES MEMO)
24 September 2014

Appendix E

REALIZATIONS TO DATE	**BNS**	**PNB**	**CAT**	**GE**	**Aviva**	**CRA**	**Emeco**	**Envirem**	**HST**	**Receivers Certificate**	**TOTAL**
Proceed recovery (prior to cost allocations)	32,839,728.02	486,218.66	2,156,638.06	696,072.82	300,960.24	721.95	235,900.22	167,800.04	914,126.66	1,200,000.00	38,998,166.66
Less proceeds which offset costs								(167,800.04)	(914,126.66)	(1,200,000.00)	(2,281,926.70)
Less proceeds generated - Asset determined not to be an estate asset			(1,200,000.00)				(235,900.22)				(1,435,900.22)
Less: cash proceeds Envirem - see Envirem Distribution Schedule (non ACI assets)	(3,371,630.79)		(723,925.96)		-	(721.95)					(4,096,278.69)
Proceeds from asset realization - available for secured creditor distribution (excluding Envirem)	29,468,097.23	486,218.66	232,712.10	696,072.82	300,960.24	-	-	-	-	-	31,184,061.05
Less: Realization from assets not subject CRA Claims (non ACI assets)	(6,986,890.45)	(448,771.93)	(232,712.10)	-	-	-	-	-	-	-	(7,668,374.48)
Proceeds From ACI Asset Realizations - Subject to CRA Claims	22,481,206.78	37,446.73	-	696,072.82	300,960.24	-	-	-	-	-	23,515,686.57
Net operating disbursements allocated between Secured Creditors - subject to CRA Claims	(9,931,010.91)	(5,617.01)		(34,803.64)	(24,300.00)	-	-	-	-	-	(9,995,731.56)
Net recovery before CRA Claim Provisions, Envirem Allocation and Non ACI Net Realizations	12,550,195.87	31,829.72		661,269.18	276,660.24	-	-	-	-	-	13,519,955.00
Deemed Trust Claim Revenue Quebec - Paid	(5,760.11)	(14.61)		(303.50)	(126.98)						(6,205.20)
Deemed Trust Claim CRA - To be paid, subject to Court approval	(1,889,818.87)	(4,792.95)		(99,574.46)	(41,659.73)						(2,035,846.00)
Net balance available for distribution before Envirem and non ACI net proceed realizations	10,654,616.89	27,022.17	-	561,391.22	234,873.53	-	-	-	-	-	11,477,903.80
Add back Envirem Distribution (non ACI related)	3,371,630.79	-	723,925.96	-	-	721.95	-	-	-	-	4,096,278.69
Add back: realization from assets not subject to CRA Claims (non ACI assets)	6,986,890.45	448,771.93	232,712.10	-	-	-	-	-	-	-	7,668,374.48
Less costs applicable to assets not subject to CRA Claims (non ACI assets)		(120,916.39)	(34,906.82)								(155,823.20)
	6,986,890.45	327,855.54	197,805.29	-	-	-	-	-	-	-	7,512,551.28
Costs funded by BNS secured receivables - to be recovered from AIS Estate Creditors	(250,110.52)										(250,110.52)
Costs funded by BNS secured receivables - included in Envirem net distribution	(328,531.65)										(328,531.65)
Less interim distribution previously funded	(17,190,898.18)	(348,751.76)	(921,731.24)	(434,123.38)	(181,627.51)						(19,077,132.07)
Amount Available for Distribution - pending CRA Deemed Trust and Non Deemed Trust claim appeals	3,243,597.77	6,125.95	0.00	127,267.84	53,246.02	721.95	-	-	-	-	3,430,959.53
										Deemed trust holdback	2,035,846.00
											5,466,805.53
										Per R&D	5,466,805.53
										Difference	-