Court File No. CI 11-01-72347

THE QUEEN'S BENCH
Winnipeg Centre

IN THE MATTER OF THE APPOINTMENT OF A RECEIVER PURSUANT TO SECTION 243 OF THE *BANKRUPTCY AND INSOLVENCY ACT* R.S.C. 1985 c.B-3 AS AMENDED

BETWEEN:
GE Canada Finance Holding Company
(the "Applicant")

and

Paramount Truck Lines Ltd.
(the "Respondent")

ERNST & YOUNG INC.
Receiver of the Respondents

EIGHTH REPORT OF THE RECEIVER

AUGUST 6, 2013

INTRODUCTION

1. On June 1, 2011 this Honourable Court granted an order (the "Receivership Order") appointing Ernst & Young Inc. as receiver ("E&Y" or the "Receiver") of the assets, property and undertaking of Paramount Truck Lines Ltd. ("Paramount") pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3, as amended ("BIA").

2. E&Y filed its first report dated June 7, 2011 (the "First Report") which provided an update on the Receiver's activities to date.

3. E&Y filed its second report dated July 25, 2011 (the "Second Report") which provided an update on the Receiver's activities, a summary of expected retrieval costs, a plan for allocation of the retrieval costs, and an allocation of payroll source deduction obligations. E&Y filed its supplemental report to the Second Report on July 29, 2011, providing a further update on amounts claimed by Canada Revenue Agency.

4. E&Y filed its third report dated August 29, 2011 (the "Third Report"), along with a confidential report to this Honourable Court dated August 29, 2011, which provided information and recommendations in respect of the Receiver's request for liquidation proposals for the Paramount fleet.

5. E&Y filed its fourth report dated January 24, 2012 (the "Fourth Report") which provided an update on the Receiver's activities, Canada Revenue Agency's ("CRA") amended claims for unpaid source deductions, and the Receiver's proposed interim distribution. E&Y filed its supplemental report to the Fourth Report on January 30, 2012, providing further information regarding the components of the amounts proposed to be allocated to the secured creditors of Paramount.

6. E&Y filed its fifth report dated February 23, 2012 (the "Fifth Report"), along with a confidential report to this Honourable Court dated February 23, 2012, which provided

information and recommendations in respect of the Receiver's efforts to sell the real property owned by Paramount.

7. E&Y filed its sixth report dated June 1, 2012 (the "Sixth Report"), in support of its motion to distribute the remaining proceeds of the receivership and the receiver's discharge.

8. E&Y filed its seventh report dated July 30, 2012 (the "Seventh Report"), describing the Receiver's analysis of the claims of Sunrise Equipment Ltd. ("Sunrise"), and further in support of its motion to distribute the remaining proceeds of the receivership and the receiver's discharge.

9. The purpose of this eighth report of the Receiver (the "Eighth Report") is to provide information to this Honourable Court with respect to:

   a) the Receiver's activities to August 6, 2013;

   b) the resolution of the competing claims of Sunrise and the Applicant to proceeds from the sale of Paramount's real estate assets;

   c) the Receiver's updated statement of receipts and disbursements;

   d) the updated fees and disbursements of the Receiver and its counsel; and

   e) the Receiver's conclusions and recommendations.

10. In preparing this Eighth Report, the Receiver has relied upon unaudited financial information, books and records of the Company, financial information prepared by the Company and discussions with management of the Company and the Applicant. The Receiver has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Receiver expresses no opinion or other form of assurance on the information contained in this Eighth Report.

11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

RECEIVER'S ACTIVITIES TO AUGUST 6, 2013

Interim Distributions to the Applicant and GE Equipment

12. The Receiver has completed the interim distribution of $7,478.69 to GE Canada Equipment Finance G.P., GE Canada Leasing Services Company, General Electric Canada Equipment Finance G.P., GE Technology Finance, GE VFS Canada Limited Partnership (collectively "GE Equipment"), as authorized by this Honourable Court in the order pronounced on June 6, 2012.

13. The Receiver has completed the interim distribution of $175,000 to the Applicant, as authorized by this Honourable Court in the order pronounced on August 15, 2012.

Claim of Sunrise

14. The Second Report, the Fifth Report, the Sixth Report and the Seventh Report have provided information and updates on the status of secured claims against Paramount's real property, including the claim of Sunrise that it held valid security in priority to the Applicant.

15. Since the date of the Seventh Report, the Receiver, along with its legal counsel, has met with counsel for the Applicants and Sunrise, and has attended at hearings before this Honourable Court to deal with matters involving Sunrise.

Secured Claims for Unpaid Wages

16. The Receiver has continued to work with representatives of Service Canada, as administrators of the *Wage Earners' Protection Program Act* ("WEPPA"), to finalize the amount of the subrogated priority claim pursuant to s.81.4 of the BIA.

17. The Sixth Report advised this Honourable Court that the Receiver estimated the maximum upper limit of the secured claim of Service Canada was approximately $18,700, representing the amounts payable pursuant to s.81.4 of the BIA for unpaid

wages as at the date of the receivership, to a maximum of $2,000 per employee, less any amounts paid by the Receiver.

18. Based upon information received from Service Canada, the revised amount of the priority claim pursuant to s.81.4 of the BIA is $13,957.19. The variance is attributed to the fact that certain of Paramount's former employees with possible s.81.4 claims either never filed claims with the Receiver or Service Canada, or alternatively the employee's claim was denied by Service Canada.

19. The WEPPA regulations[1] state in paragraph 9 that an application for payment shall, unless circumstances beyond the control of the applicant necessitate a longer period, be made within 56 days after the latest of the date of the receivership or the termination of employment. This deadline (which passed in August 2011) was clearly communicated in writing by the Receiver to each of the former employees

20. As a result, the Receiver is of the view that it is extremely doubtful that any of the former employees that have not already filed WEPPA claims with Service Canada would be successful in making a claim for unpaid wages, and the amount of $13,957.19 represents the final claims pursuant to s.81.4 of the BIA.

Bankruptcy of Paramount

21. Ernst & Young Inc., in its capacity as trustee in bankruptcy, has commenced proceedings to obtain its discharge as trustee in bankruptcy. A request has been submitted to the Office of the Superintendent in Bankruptcy for a letter of comment. Upon receipt of the letter of comment, the trustee in bankruptcy will proceed to have its statement of receipts and disbursements taxed in accordance with s.152 of the BIA.

Insurance Claim

22. The Receiver is working with representatives of Manitoba Public Insurance ("MPI") to settle outstanding litigation resulting from a motor vehicle accident in British

[1] *Wage Earner Protection Program Regulations* (S.C. 2009, c.2, ss. 348, 349)

Columbia in January 2009. Terms of settlement have been agreed to which will result in the receipt of gross settlement proceeds of $25,000. A portion of the settlement funds (in the amount of $2,500) relate to loss of use and downtime claims which are not insured with MPI and are payable to Paramount, while the balance of the settlement in the amount of $22,500 relates to vehicle damage claims and is payable to MPI, in full satisfaction of repairs which were made to the vehicle prior to the receivership. The funds will be paid to the Receiver upon finalization of the terms of mutual releases. As of the date of this Eighth Report, the terms of release have not yet been agreed upon, so the Receiver has not yet received the final settlement funds of $2,500.

RESOLUTION OF COMPETING CLAIMS OF THE APPLICANT AND SUNRISE TO PROCEEDS FROM THE SALE OF REAL ESTATE

23. On June 6, 2012, the Receiver brought a motion before this Honourable Court for an order, *inter alia*, approving the proposed distribution as set out in the Sixth Report, which did not include any proposed distribution to Sunrise. The portion of the motion dealing with Sunrise's claims was adjourned to August 15, 2012.

24. On August 15, 2012, this Honourable Court pronounced an order authorizing the Receiver to distribute $175,000 to the Applicants, and directed a trial of certain issues in respect of the claim of Sunrise to an equitable mortgage. The Applicant and Sunrise did not agree to a form of order until immediately prior to a court appearance on October 9, 2012.

25. On October 10, 2012, this Honourable Court pronounced an order *inter alia* dismissing the claims of Sunrise as a secured creditor, and directed that a statement of claim by Sunrise against the Receiver in suit CI-11-01-74800 be struck out, with prejudice (the "October 10 Order").

26. On October 30, 2012, Sunrise filed a notice of appeal of the October 10 Order in file number AI-12-30-07863.

27. Subsequent to filing the appeal of the October 10 Order, the Receiver is advised that the Applicant and Sunrise have agreed to settle their competing claims to proceeds from the sale of Paramount's real estate assets and discontinue any further litigation. The Applicant, Sunrise and the Receiver have agreed to forms of mutual releases to settle the claims and withdraw Sunrise's claim against the Receiver in suit CI-11-01-74800. The settlement terms effectively provide for a distribution in the amount of $25,000 to Sunrise, with the balance of the funds in the Receiver's estate trust bank accounts to be paid to the Applicant.

28. The Seventh Report included the Receiver's recommendation to pay out the remainder of funds in the Receiver's estate trust bank account to the Applicant. Since Sunrise and the Applicant have agreed to the terms of the settlement, the Receiver does not object to the payment terms contemplated therein.

THE RECEIVER'S UPDATED STATEMENT OF RECEIPTS AND DISBURSEMENTS

29. The Receiver's updated interim statement of receipts and disbursements for the period June 1, 2011 to August 6, 2013 (the "Reporting Period") is attached as Appendix A to this Eighth Report.

30. Receipts during the Reporting Period totalled approximately $3.3 million CAD and $0.8 million USD, comprised of the following:

    (a) Cash in the debtor's bank accounts totalling approximately $57,000 CAD and $66,000 USD, which represents funds on hand in Paramount's bank accounts at the commencement of the receivership;

    (b) Accounts receivable collections of approximately $756,000 CAD and $695,000 USD which represents collection of accounts receivable during the Reporting Period, including pre-receivership accounts receivable and proceeds from the completion of deliveries in process as at the date of the receivership;

(c) Auction proceeds and proceeds from miscellaneous equipment sales of approximately $1.5 million CAD;

(d) Insurance proceeds of approximately $96,000 CAD, representing payments received from MPI in respect of vehicle damage claims, net of related deductibles. Additional damage claims are outstanding, but MPI officials have advised that they have exercised a right of set-off as against Paramount for licence and registration fees during the period of the receivership;

(e) Recovery of retrieval and preservation costs of approximately $73,000 CAD, including the net effect of the refunds as authorized by the order of this Honourable Court dated January 31, 2012;

(f) Recovery of proposed allocation of source deduction priority claims of approximately $120,000, paid prior to retrieval of Paramount fleet assets;

(g) Net proceeds of approximately $370,000 on the sale of the Property, net of the amount of the pay out of the RWPC mortgage (which was paid directly by the Receiver's legal counsel);

(h) Miscellaneous receipts of approximately $88,000 CAD and $10,000 USD, which includes insurance premium refunds, GST and PST collections/refunds, bank interest, and other miscellaneous refunds; and

(i) Funds transferred from the US-dollar estate trust bank account of approximately $155,000 (inclusive of the related foreign exchange).

31. Disbursements during the Reporting Period totalled approximately $1.0 million CAD and $0.2 million USD, comprised of the following:

(a) Payroll and related costs of approximately $264,000 CAD which represents payroll, source deductions and other benefits paid, including unpaid wages existing as of the date of the Receivership, and post Receivership wages to employees involved in the return and marshalling of the Paramount fleet to Winnipeg;

(b) Fuel, insurance, site security, and vehicle repairs of approximately $141,000 CAD;

(c) Building occupancy costs of approximately $73,000 CAD, representing utilities, property tax payments, and disposal fees for chemicals and used oil drums that had been stored at Paramount's premises;

(d) Real estate commissions payable upon the sale of the Property, calculated at 4% of the gross sales price before closing adjustments;

(e) Miscellaneous disbursements of approximately $55,000 CAD and $1,000 USD which represents amounts paid for GST and PST on disbursements, asset appraisal fees, office supplies, bank fees, satellite tracking fees and other miscellaneous disbursements;

(f) Transfers to Ernst & Young Inc. in its capacity as trustee in bankruptcy, to fund the anticipated professional fees and disbursements of the bankruptcy proceedings, as authorized by this Honourable Court on January 31, 2012;

(g) Professional fees of approximately $378,000 CAD, representing payments in respect of advances on the Receiver's and its legal counsel's fees and disbursements; and

(h) Funds transferred from the US-dollar estate trust bank account of approximately $161,000 USD.

32. The statement of receipts and disbursements also reflect payments by the Receiver of the interim distributions authorized by the orders of this Honourable Court on January 31, 2012, June 6, 2012, and August 15, 2012.

33. As at July 27, 2012 the Receiver had cash on hand of approximately $181,000 CAD. Subject to payment of the remaining fees of the Receiver and its legal counsel, and payment of statutory priorities ranking in priority to the secured creditors, the funds are available for distribution to secured creditors.

34. The Receiver proposes to distribute the remaining cash on hand as follows:

(a) the fees and disbursements of the Receiver and its legal counsel to complete the administration of the receivership, as described in the following section;

(b) Service Canada (WEPPA subrogation claim) – the amount of $13,957.19, representing the amounts payable pursuant to s.81.4 of the BIA for unpaid wages as at the date of the receivership;

(c) Sunrise – payment of $25,000 in respect of final settlement proceeds as agreed between the Applicant and Sunrise; and

(d) the balance to the Applicant, to the maximum of its indebtedness and accrued interest.

35. On August 1, 2013, the Applicant advised the Receiver that the outstanding balance of the indebtedness owed by Paramount was $416,392.88 CAD, before application of $12,463.40 in surplus USD funds in the Applicant's possession after retirement of its USD-denominated loans. The Applicant further advised the Receiver that per diem interest is $82.47 CAD.

36. Although the Receiver is of the view that it will be unlikely that there are funds in the Receiver's possession after payout of the remaining funds in its possession to the Applicant and to GE Equipment, any such surplus funds will be paid over to Ernst &

Young Inc. in its capacity as trustee in bankruptcy of Paramount, for distribution in accordance with the provisions of the *Bankruptcy and Insolvency Act*.

PROFESSIONAL FEES OF THE RECEIVER AND ITS LEGAL COUNSEL

37. A summary of the Receiver's accounts from the date of the Receivership to August 6, 2013 is attached as Appendix B to this Eighth Report. The Receiver's total fees to date are $237,451.13 (excluding applicable taxes). The Receiver estimates that its fees to complete the receivership will be approximately $15,000.00 (inclusive of applicable taxes).

38. A summary of the bills and costs (excluding applicable taxes) for the Receiver's counsel, Pitblado LLP ("Pitblado") from the date of the Receivership to August 6, 2013 is also set out in Appendix B. Pitblado's total fees and disbursements to date are $140,663.78 (excluding applicable taxes). The Receiver estimates that unbilled legal fees to date and estimated legal fees to complete the receivership will total approximately $10,000.00 (inclusive of applicable taxes).

39. The Receiver has examined the legal bills of costs referred to above. In the Receiver's opinion, the services referred to therein have been duly authorized and rendered and the charges therein are reasonable.

40. In the Receiver's view the fees and disbursements incurred by the Receiver and its counsel are reasonable. The hourly rates charged by the Receiver and its counsel throughout the course of these proceedings are comparable to the hourly rates charged by E&Y and Pitblado for services rendered in relation to similar proceedings.

CONCLUSION AND RECOMMENDATIONS

41. For the reasons described herein the Receiver is seeking an Order:

a. Approving the Receiver's activities, specifically as reported in the First Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report, the Sixth Report, the Seventh Report, and this Eighth Report;

b. Approving the Receiver's statement of receipts and disbursements and the distribution to Paramount's secured creditors;

c. Approving the Receiver's fees and disbursements;

d. Approving the Receiver's counsels' fees and disbursements;

e. Releasing E&Y from any and all liability; and

f. Discharging E&Y as Receiver of Paramount.

All of which is respectfully submitted this 6th day of August, 2013.

ERNST & YOUNG INC.
In its capacity as Receiver of Paramount Truck Lines Ltd.

Per:

Joe Healey, CA, CIRP
Senior Vice President

IN THE MATTER OF THE RECEIVERSHIP OF PARAMOUNT TRUCK LINES LTD.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the period from June 1, 2011 to August 6, 2013

	CAD	USD
RECEIPTS		
Cash in debtor's bank accounts	$ 57,059.55	$ 66,149.67
Accounts receivable collections	755,645.51	695,217.00
Auction proceeds / Sale of equipment	1,549,174.10	-
Insurance proceeds - damaged vehicles	96,205.95	-
Recovery of retrieval and preservation costs (net of refund)	72,576.73	-
Recovery of proposed allocation of source deduction priority claims	120,404.00	-
Sale of real property, net of first mortgage (Note 1)	369,826.37	-
GST / HST / PST collected, interest earned and refunds	88,111.52	9,960.17
Transfers from USD accounts (including foreign exchange)	154,515.18	-
Other	-	191.38
Total receipts	$3,263,518.91	$ 771,518.22
DISBURSEMENTS		
Payroll / source deductions	$ 263,562.90	$ -
Fuel / Insurance / Security / Repairs	140,969.44	-
Utilities / property tax / occupancy	72,819.07	-
Real estate commissions	54,000.00	-
Appraisal / other	12,693.02	937.66
GST / PST paid and remitted	42,221.07	-
Advance to Ernst & Young Inc. in its capacity as trustee in bankruptcy	10,000.00	
Transfers to CAD accounts	-	160,580.56
Professional fees - receiver and legal	378,114.91	-
Total disbursements	$ 974,380.41	$ 161,518.22
Excess of receipts over disbursements before distributions	**$2,289,138.50**	**$ 610,000.00**
Distributions		
Deemed trust (source deductions) - Canada Revenue Agency	$ 314,205.50	$ -
GE Canada Finance Holding Company	506,275.00	610,000.00
GE Canada Equipment Finance G.P. et.al.	1,287,453.69	-
Excess of receipts over disbursements	**$ 181,204.31**	**$ -**

Note 1 - the Receiver's legal counsel paid the amount of $985,574.23 directly to discharge the RWPC mortgage

APPENDIX B

In the Matter of the Receivership of Paramount Truck Lines Ltd.

Schedule of Professional Fees

Summary of Invoices issued by Ernst & Young Inc.

Invoice #	Date	Total Hours	Fees	Expenses	Total (excl. GST)	
CA0189637470	29-Jun-11	242.4	$ 46,661.34	$ 4,527.24	$ 51,188.58	
CA0189640542	12-Jul-11	174.4	32,321.00	2,908.89	35,229.89	
CA0189666340	22-Dec-11	525.8	102,000.00	-	102,000.00	
CA0189665565	20-Dec-11	123.5	35,000.00	-	35,000.00	
CA0189721276	29-Aug-12	31.4	12,874.00	1,158.66	14,032.66	
Total			**$ 228,856.34**	**$ 8,594.79**	**$ 237,451.13**	**A**

Summary of Invoices issued by Pitblado LLP

Invoice #	Date	Total Hours	Fees	Expenses	Total (excl. GST)	
343541	26-Jul-11	218.1	$ 38,225.00	$ 1,164.45	$ 39,389.45	
345095	15-Sep-11	136.6	31,572.00	816.41	32,388.41	
349321	23-Dec-11	48.8	14,670.00	196.19	14,866.19	
354573	23-May-12	109.5	31,346.50	705.19	32,051.69	
356895	23-Jul-12	31.7	6,750.00	449.04	7,199.04	
359918	16-Oct-12	45.6	13,000.00	262.50	13,262.50	
362245	11-Dec-12	6.2	1,500.00	6.50	1,506.50	
Total			**$ 137,063.50**	**$ 3,600.28**	**$ 140,663.78**	**B**

Total Professional Fees as reported on the Statement of Receipts and Disbursements **$ 378,114.91** **A + B**