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

FOURTH REPORT OF THE RECEIVER

JANUARY 24, 2012

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 certain 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 (the "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 (the "Sealed Report") dated August 29, 2011, which provided information and recommendations in respect of the Receiver's request for liquidation proposals for the Paramount fleet.

5. On September 1, 2011, this Honourable Court granted an order (the "Sale Order"), which, *inter alia*, granted the Receiver the authority to enter into a liquidation services agreement and to sell the Paramount fleet assets.

6. The purpose of this fourth report of the Receiver (the "Fourth Report") is to provide information to this Honourable Court with respect to:

    a) the Receiver's activities to January 20, 2012;

    b) Canada Revenue Agency's amended claims for unpaid source deduction arrears;

    c) the Receiver's proposed interim distribution; and

d) the Receiver's conclusions and recommendations.

7. In preparing this Fourth 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 Fourth Report.

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

9. Capitalized terms not defined in this report are as defined in the First Report.

RECEIVER'S ACTIVITIES TO JANUARY 20, 2012

Accounts Receivable Collections

10. As of the date of this report, the Receiver has collected approximately $750,000 CAD and $700,000 USD in respect of the accounts receivable owed to Paramount as of the date of the receivership. The Receiver is of the view that with the exception of certain specific account balances (in aggregate less than $25,000), the remaining accounts receivable are likely uncollectible for reasons including set-off, billing errors, or pricing disputes.

Employee matters

11. The Receiver continues to receive and respond to inquiries from former Paramount employees in respect of the *Wage Earner Protection Program Act*.

12. The Receiver has prepared T4 slips for former Paramount employees, and will file such T4 slips with Canada Revenue Agency ("CRA").

Fleet Liquidation

13. The Receiver entered into a liquidation services agreement with Maynards Industries Ltd. ("Maynards") to liquidate the Paramount fleet assets (the "Fleet Assets") secured in favour of 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"). The Receiver worked with Maynards representatives to prepare the Fleet Assets for viewing, facilitate inspections of the Fleet Assets and to attend at the auction sale which was held at Paramount's premises on October 4, 2011.

14. Subsequent to the auction, the Receiver facilitated the removal and transfer of the Fleet Assets to the purchasers of the assets.

15. Certain Paramount Fleet Assets were not sold at the auction sale. One tractor unit was in the process of being repaired, which repairs were not complete as at the auction date. The repairs have now been completed and GE Equipment has arranged to liquidate this unit with a used equipment dealer. In addition, 17 trailer units were located at various customer locations in Canada and the United States. Maynards has provided the Receiver with a settlement amount in respect of these units and will liquidate the trailers directly.

16. One trailer unit was damaged prior to the receivership, and was written off for insurance purposes. Subsequent to the auction sale, the Receiver arranged with Manitoba Public Insurance to take possession of this vehicle and received the insurance proceeds on January 13, 2012.

Real property

17. Paramount operated from owned premises at 1196-1200 Fife Street in Winnipeg. The Receiver sought proposals from two commercial real estate firms, and upon review of

the proposals, retained the firm of Pratt McGarry Inc., (operating as Colliers International ("Colliers")) on September 23, 2011 to list the property for sale.

18. The Receiver was presented with an offer to purchase the premises, and entered into an agreement of purchase and sale on November 30, 2011. The agreement of purchase and sale is still subject to certain due diligence and financing conditions on the part of the prospective purchaser, and is subject to the approval of this Honourable Court. Upon the satisfaction or waiver of the prospective purchaser's conditions, the Receiver will apply to this Honourable Court for an approval and vesting order.

19. The Second Report noted that a caveat was registered on title to secure advances made to Paramount by Sunrise Equipment Ltd. ("Sunrise"). The Receiver's counsel requested that legal counsel for Sunrise provide evidence in support of its claim, however no such evidence was provided.

20. The Receiver's legal counsel prepared and filed with the Winnipeg Land Titles Office ("WLTO") a Request to Issue Thirty Day Notice to Caveator, pursuant to section 150(1) of the *Real Property Act*. WLTO officials issued the 30 day notice on October 5, 2011, and instructed the Receiver's legal counsel to serve the notice on Sunrise.

21. The 30 day notice was served on Sunrise by registered mail, which was confirmed as delivered on October 11, 2011. The Receiver or its legal counsel did not receive any of the requested evidence in support of its claim, and no proceedings were commenced as set out in the 30 day notice. As a result, the Receiver's legal counsel prepared and filed a request to lapse the Sunrise caveat on November 16, 2011, which was processed by WLTO officials on the same date.

22. On November 29, 2011, the Receiver and its legal counsel were provided with a copy of a statement of claim filed on November 4, 2011 by Sunrise, requesting a declaration that the Sunrise equitable mortgage forms a charge on the Paramount real property. Sunrise did not seek leave of the Court to file the claim or obtain an order to lift the stay of proceedings in the Receivership Order. The Receiver's legal counsel contacted Sunrise's legal counsel, who offered to provide supporting information in respect of

certain claims set out in the Statement of Claim. As of the date of this Fourth Report, the Receiver or its legal counsel has not received any of the requested information.

CANADA REVENUE AGENCY'S CLAIMS FOR UNPAID SOURCE DEDUCTIONS

23. Prior to the receivership, Paramount had periodically failed to remit or had under-remitted amounts withheld from employee wages amounts due to Canada Revenue Agency ("CRA") in respect of income tax withholdings, Employment Insurance ("EI") premiums, and Canada Pension Plan ("CPP") remittances (collectively referred to as "Source Deductions"). As noted in the Second Report, the Receiver had estimated that the arrears, including required employer portions for EI and CPP (but excluding interest and penalties) was approximately $397,000.

24. The Receiver requested that CRA officials conduct a trust examination audit to determine the amount of the Source Deductions that were outstanding as at the date of the receivership. Upon completion of the examination, CRA issued a demand for payment of unpaid Source Deductions deemed to be held in trust pursuant to s.227(4) and/or s.227(4.1) of the *Income Tax Act*, s.23(3) and/or s.23(4) of the *Canada Pension Plan Act*, s.57(2) and/or s.57(3) of the *Unemployment Insurance Act*, and s.86(2) of the *Employment Insurance Act*. The initial amount demanded by CRA was approximately $352,000 (the "Initial Deemed Trust Claim").

25. As noted in the Third Report, the books and records of Paramount indicated that the amounts owed by Paramount were less than the Initial Deemed Trust Claim. The Receiver provided additional supporting information to CRA officials in an effort to resolve the differences between the Initial Deemed Trust Claim and Paramount's books and records.

26. On November 14, 2011, CRA officials provided the Receiver with an amended demand for repayment in the aggregate amount of $314,205.50 (the "Revised Deemed Trust Claim"). A copy of the Revised Deemed Trust Claim is attached as Appendix "A".

27. Paramount's books and records indicate that the employee portion of unpaid or under-remitted Source Deductions is approximately $307,000, which is less than the Revised Deemed Trust Claim. The Receiver is of the view that such differences are not considered material, and further attempts to fully reconcile the balances would not be cost-effective.

28. The Second Report noted that certain Paramount fleet assets were pledged to secured creditors claiming security interests in priority to GE Equipment, including Daimler Chrysler Financial, DCFS Canada Corp. (collectively "Daimler"), Beaver Truck Centre ("Beaver"), CIT Financial Ltd. ("CIT"), and Stoughton Trailers Inc. ("Stoughton").

29. The order granted by this Honourable Court on August 2, 2011 authorized Daimler, Beaver, CIT, and Stoughton to retrieve the assets subject to its respective security upon payment of approximately $120,000 to the Receiver as security for the amount of possible Source Deduction arrears, subject to undertakings to re-adjust upon finalization of the claims of CRA.

30. On November 29, 2011, legal counsel for the Applicant wrote to counsel for each of Daimler, Beaver, CIT, and Stoughton, with a copy to the Receiver, proposing a settlement and allocation of the Revised Deemed Trust Claim. The proposal included a proposed allocation of the Revised Deemed Trust Claim and the costs of a bankruptcy proceeding, along with a return of surplus amounts that had been previously paid to the Receiver.

31. The proposed allocation and resulting refunds were based on the initial basis of allocation as set out in the Second Report and comprise the following:

(a) Daimler – proposed allocation of $28,299.72, and a refund of $6,416.28 (Daimler had previously paid the Receiver $34,716.00);

(b) Beaver – proposed allocation of $13,691.22, and a refund of $3,104.78 (Beaver had previously paid the Receiver $16,796.00);

(c) CIT – proposed allocation of $26,397.22, and a refund of $5,985.78 (CIT had previously paid the Receiver $32,383.00);

(d) Stoughton – proposed allocation of $29,760.57, and a refund of $6,748.43 (Stoughton had previously paid the Receiver $36,509.00);

(e) GE Equipment – proposed allocation of $123,934.42, to be funded from proceeds in the possession of the Receiver from the liquidation of the Fleet Assets (the initial amount proposed to be allocated to GE Equipment as set out in the Second Report was $152,036.00, however since the Fleet Assets were never released to GE Equipment, such amount was not collected from GE Equipment); and

(f) The Applicant – proposed allocation of $102,122.37, to be funded from proceeds in the possession of the Receiver from the collection of accounts receivable.

32. Legal counsel to the Applicant advised counsel for each of Daimler, Beaver, CIT, and Stoughton that the amounts proposed to be refunded in the previous paragraph would be conditional on:

(a) The final approval of the Receiver;

(b) The approval of the Court of the amounts owing to CRA and the respective contributions;

(c) The bankruptcy of Paramount; and

(d) Each of the contributing secured creditors indicating its acceptance of the offer of settlement by the end of business on December 2, 2011.

33. The Receiver has been advised by counsel for the Applicant that each of Daimler, Beaver, CIT, and Stoughton have agreed to the proposed allocation and settlement.

34. Paragraph 3(g) of the Appointment Order provides the Receiver with the power to settle any indebtedness owing by Paramount, including any claims ranking in priority to the Applicant, not exceeding $100,000 in aggregate without further order of this Honourable Court, subject to first obtaining the consent of the Applicant.

35. Based on the agreement of the affected secured parties, the Receiver recommends that this Honourable Court grant an order authorizing the Receiver to pay the Revised Deemed Trust Claim to CRA in full satisfaction of all amounts due and owing to CRA by Paramount in respect of source deductions, and to refund the amounts set out above to each of Daimler, Beaver, CIT, and Stoughton.

RECEIVER'S PROPOSED INTERIM DISTRIBUTION

36. The Receiver's interim statement of receipts and disbursements in Canadian and US funds for the period from June 1, 2011 to January 20, 2012 (the "Reporting Period") is attached as Appendix "B" to this Fourth Report.

37. Receipts during the Reporting Period were approximately $2.9 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;

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

(d) Insurance proceeds of approximately $88,000 CAD, representing payments received from Manitoba Public Insurance in respect of vehicle damage claims, net of related deductibles. Additional damage claims are outstanding, but Manitoba Insurance officials have advised that they have exercised a right of set-off as against Paramount for unpaid licence and registration fees;

(e) Recovery of retrieval and preservation costs of approximately $95,000 CAD, in accordance with the order of this Honourable Court dated August 2, 2011;

(f) Recovery of proposed allocation of source deduction priority claims of approximately $120,000, paid by Daimler, Beaver, CIT and Stoughton prior to retrieval of Paramount fleet assets subject to purchase money security interest claims of each creditor, and prior to any refunds as described in the previous section;

(g) Miscellaneous receipts of approximately $57,000 CAD and $10,000 USD, which includes insurance premium refunds, GST and PST collections/refunds, bank interest, and other miscellaneous refunds; and

(h) Funds transferred from the US-dollar estate trust bank account of approximately $153,000 (inclusive of the related foreign exchange), which funds were transferred shortly after the commencement of the receivership to fund immediate Canadian denominated operational funding requirements for such items as payroll, fuel and other operating expenses, prior to the collection of sufficient Canadian-denominated accounts receivable.

38. Disbursements during the Reporting Period totalled approximately $811,000 CAD and $160,000 USD, comprised of the following:

(a) Payroll and related costs of approximately $263,000 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 (including the deductible portion the insurance claim for the tractor unit that was repaired) of approximately $138,000 CAD;

(c) Building occupancy costs of approximately $71,000 CAD, representing utilities, property tax payments, and disposal fees for chemicals and used oil drums that had been stored at Paramount's premises;

(d) Miscellaneous disbursements of approximately $43,000 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;

(e) Professional fees of approximately $295,000 CAD, representing payments in respect of advances on the Receiver's and its legal counsel's fees and disbursements; and

(f) Funds transferred from the US-dollar estate trust bank account of approximately $159,000 USD, which funds were transferred shortly after the commencement of the receivership to fund immediate operational funding requirements including payroll, fuel and other operating expenses, prior to the collection of sufficient Canadian-denominated accounts receivable.

39. As at December 8, 2011 the Receiver had cash on hand of approximately $2,065,000 CAD and $612,000 USD.

40. After payment of the Revised Deemed Trust Claim of approximately $314,000 and the aggregate refunds of approximately $23,000 to each of Daimler, Beaver, CIT, and Stoughton, plus a reserve of approximately $117,000 for building costs to closing, potential priority claims pursuant to the *Wage Earner Protection Program Act*, additional professional fees, and a reserve for unexpected contingencies, the Receiver is proposing an interim distribution of $1,611,250 CAD and $610,000 USD to the Applicant and to GE Equipment.

41. The Receiver is proposing that the interim distribution be allocated as follows:

(a) GE Equipment – the amount of $1,279,975 CAD comprised of the auction proceeds of $1,549,174, plus insurance proceeds of $88,444, less the allocation for retrieval and preservation costs of $149,651 and Revised Deemed Trust Claims of $123,934, less $49,058 for expenses related to the Paramount fleet funded directly by the Receiver (i.e. site security, repairs to units, and fleet appraisal fees), and less $35,000 for the fees of the Receiver related specifically to the liquidation of the Paramount fleet assets; and

(b) Applicant – the balance of the interim distribution of $331,275 CAD and $610,000 USD.

CONCLUSION AND RECOMMENDATIONS

42. The Receiver respectfully recommends that this Honourable Court grant an order authorizing the Receiver:

(a) To pay the Revised Deemed Trust Claim of $314,204.50 to CRA in full satisfaction of all amounts due and owing to CRA by Paramount in respect of source deductions;

(b) Refund the amounts of $6,416.28 to Daimler, $3,104.78 to Beaver, $5,985.78 to CIT, and $6,748.43 to Stoughton;

(c) To pay an interim distribution of $1,279,975 to GE Equipment; and

(d) To pay an interim distribution of $331,275 CAD and $610,000 USD to the Applicants.

All of which is respectfully submitted this 24th day of January, 2012.

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

Per:

Joe Healey, CA, CIRP
Senior Vice President

APPENDIX "A"

Canada Revenue Agency / Agence du revenu du Canada

Tax Centre
Winnipeg MB R3C 4T4

November 09, 2011

ERNST & YOUNG INC.
2700-360 MAIN STREET
COMMODITY EXCHANGE TOWER
WINNIPEG MB R3C 4G9

RECEIVED
NOV 1 4 2011
BY:

Dear sir/madam:

Re: Paramount Truck Lines Ltd.
Account number : 12127 8311 RP0001

We have been informed that you are preparing to liquidate, dispose of, or distribute property of the above named employer. That employer currently owes the Crown amounts deducted from the wages of its employees.

Pursuant to the provisions of subsection 227(4) or (4.1) of the "Income Tax Act" subsection 23(3) or (4) of the "Canada Pension Plan," subsection 57(2) or (3) of the "Unemployment Insurance Act" and subsection 86(2) of the "Employment Insurance Act," the following amounts are deemed to be held in trust pending payment to Her Majesty:

Income Tax		Canada Pension Plan	Employment Insurance	
Federal	Prov	Contribution	Premium	Total
151,204.48	$116,867.58	$33,027.51	$13,103.93	$314,205.50

The above mentioned provisions give the Crown a beneficial right to these amounts in all the property of the employer and any proceeds arising from that property, with priority over any security interest, other than a prescribed security interest, in such property. Section 2201 of the "Income Tax Regulations" defines what constitutes a "prescribed security interest".

.../2

Subject to the priority of the holder of a prescribed security interest for the unpaid balance of the amount secured by the mortgage in question, payment of the total referred to above must be made to the Receiver General from the proceeds of the realization of any property of the employer minus realization costs.

If you fail to comply with this claim, the Agency may initiate proceedings against you in order to recover the amounts which, in accordance with the legislation in effect, should have been paid to us. If you would like more information or clarification, please contact the undersigned at the Tax Services Office at 204-984-5148

Yours truly,

Robert Buternowsky (1221)
Collection Officer

APPENDIX “B”

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

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the period from June 1, 2011 to January 20, 2012

	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	88,444.40	-
Recovery of retrieval and preservation costs	94,832.00	-
Recovery of proposed allocation of source deduction priority claims	120,404.00	-
GST / HST / PST collected and refunds	57,140.40	9,960.17
Transfers from USD accounts (including foreign exchange)	152,828.94	-
Other	-	172.78
Total receipts	$ 2,875,528.90	$ 771,499.62
DISBURSEMENTS		
Payroll / source deductions	$ 263,350.53	$ -
Fuel / Insurance / Security / Repairs	138,195.44	-
Utilities / property tax / occupancy	70,776.92	-
GST / PST paid and remitted	30,401.94	-
Transfers to CAD accounts	-	158,871.24
Appraisal / other	12,693.02	887.28
Professional fees - receiver and legal	295,196.33	-
Total disbursements	$ 810,614.18	$ 159,758.52
Excess of receipts over disbursements	**$ 2,064,914.72**	**$ 611,741.10**