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 *BANRUPTCY 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 Respondent

SECOND REPORT OF THE RECEIVER

SUPPLEMENTARY MATERIAL

JULY 29, 2011

INTRODUCTION

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

2. The Receiver filed its second report on July 25, 2011 (the "Second Report"). Paragraph 85 of the Second Report stated that the Receiver intended to update this Honourable Court in respect of certain matters regarding unpaid source deductions as claimed by Canada Revenue Agency ("CRA") compared to Paramount's books and records.

3. In preparing this supplementary material to the Second Report, the Receiver has relied upon unaudited financial information, books and records of the Company, and financial information prepared by the Company. 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 herein.

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

5. Capitalized terms not defined herein are as defined in the Order, the First Report or the Second Report.

OUTSTANDING PAYROLL SOURCE DEDUCTION OBLIGATIONS

6. In the Second Report, the Receiver indicated that during the period December 2010 to the date of the Receivership, Paramount periodically under remitted or failed to remit employee and employer portions of withholdings for income taxes, employment insurance

premiums, and Canada Pension Plan premiums (collectively "Source Deduction Arrears"). Based on the books and records of Paramount, the Receiver estimated that the aggregate liability, before interest and penalties, was approximately $398,000.

7. The Receiver noted that the amounts claimed by CRA in its letter dated July 21, 2011 and attached as Appendix H to the Second Report were substantially less than the unpaid amounts reflected in the books and records of Paramount.

8. Subsequent to issuing the Second Report, the Receiver has had discussions with CRA officials to attempt to identify the causes of the discrepancy.

9. On July 28, 2011, CRA officials advised the Receiver that the amounts listed in its letter of July 21, 2011 were an error, and reflected balances owed by an unrelated debtor company in receivership.

10. CRA officials provided the Receiver with an amended letter dated July 28, 2011, a copy of which is attached as Appendix "A". The amended letter claims that the portion of the Source Deduction Arrears that are deemed to be held in trust pending payment to Her Majesty is $351,827.83 (the "Deemed Trust Amount"). CRA officials have stated that the Deemed Trust Amount does not include the employer portion of the Source Deduction Arrears, or any interest and penalties on unremitted balances.

11. The Receiver is continuing to work with CRA officials to reconcile the Deemed Trust Amount to the balances in Paramount's books and records. The Receiver notes that the variance between the Deemed Trust Amount and the amounts recorded in Paramount's books and records related to the former employees' portion of Source Deduction Arrears is less than 15%.

12. Using the principles set out in the Second Report, the Receiver proposes that the Deemed Trust Amount be allocated among the Equipment Lessors and GE Finance using the pro-rata share of the estimated net realizable value of Paramount's assets subject to each respective secured creditor's security. As a result, the Deemed Trust Amount is allocated

among a pool of assets with an estimated value of approximately $4.8 million, as set out in the following table:

Total Appraised Value, sorted by "Lessor for Allocation" (see Schedule 1 to Appendix F of the Second Report)		
GE - Fleet assets	$ 1,824,000	38.23%
Stoughton	438,000	9.18%
Beaver	201,500	4.22%
CIT	388,500	8.14%
Daimler	416,500	8.73%
Subtotal - fleet assets	$ 3,268,500	
Add: Estimated net realizable value of working capital assets (pledged to GE Finance)	1,502,982	31.50%
	$ 4,771,482	100.00%

13. The Receiver continues to be of the view that the apparent equity in the Premises in excess of the mortgaged amounts due to Reimer should be included in the final basis of allocation of the Deemed Trust Amount. However, as of the date of this supplement to the Second Report, such apparent equity is indicative only, and there may be material variations in the amount ultimately realized for the Premises. The Receiver is of the view that in the event that it is successful in realizing equity in the Premises in excess of the mortgaged amounts due to Reimer, such realized equity should be added to the pool of assets that contributes to payment of the Deemed Trust Amount. The Receiver intends to report further to this Honourable Court as matters unfold.

14. For illustrative purposes, the Receiver has updated the proposed allocation of the Source Deduction Arrears as noted in paragraph 90 of the Second Report. Using the updated amount of the Deemed Trust Amount, allocated using the same principles set out in the Second Report, results in the following updated proposed allocation:

PROPOSED ALLOCATION OF DEEMED TRUST AMOUNT
ESTIMATE ONLY - FURTHER RECONCILIATION REQUIRED

		GE Finance (working capital)	GE Equipment	Beaver Truck Centre	CIT	Daimler Chrysler	Stoughton
DEEMED TRUST AMOUNT - as per CRA letter dated July 28, 2011	**$ 351,827.83**	$ 110,823.20	$ 134,493.64	$ 14,857.71	$ 28,646.26	$ 30,710.85	$ 32,296.17
Receiver's proposed allocation based on the estimated Source Deduction Arrears	**$ 397,718.00**	$ 125,278.00	$ 152,036.00	$ 16,796.00	$ 32,383.00	$ 34,716.00	$ 36,509.00
Difference	**$ (45,890.17)**	$ (14,454.80)	$ (17,542.36)	$ (1,938.29)	$ (3,736.74)	$ (4,005.15)	$ (4,212.83)

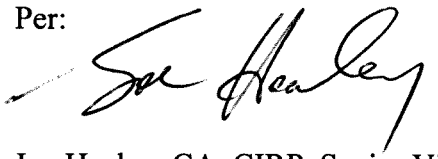
RECOMMENDATIONS

15. The Receiver recommends that this Honourable Court approve the proposed allocation methodology of the Deemed Trust Amount, to be finalized based on continued discussions and reconciliation between the Receiver and CRA officials, and as communicated to this Honourable Court, the Equipment Lessors and GE Finance.

All of which is respectfully submitted this 29th day of July, 2011.

ERNST & YOUNG INC.
In its capacity as the Court-Appointed Receiver of
Paramount Truck Lines Ltd.

Per:



Joe Healey, CA, CIRP, Senior Vice President

APPENDIX "A"

AMENDED DEEMED TRUST LETTER FROM CANADA REVENUE AGENCY

DATED JULY 28, 2011

456-0138

Canada Revenue Agency / Agence du revenu du Canada

Tax Centre
Winnipeg MB R3C 4T4

July 28, 2011

PARAMOUNT TRUCK LINES LTD.
ERNST & YOUNG
2700-360 MAIN STREET
COMMODITY EXCHANGE TOWER
WINNIPEG MB R3C 4G9
ATTN: JOE HISALIEV

Account Number
12127 8311 RP0001

Dear Sir :

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

We have been informed that you have received all or part of the proceeds of sale of assets of the above named employer. Paramount Truck Lines Ltd. currently owes the Crown amounts deducted from the wages of its employees.

Pursuant to subsections 227(4) and/or (4.1) of the "Income Tax Act" subsection 23(3) and/or (4) of the "Canada Pension Plan" subsection 57(2) and/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	Unemployment Insurance	Employment Insurance	
Federal	Prov	Contribution	Premium	Premium	Total
$188,828.81	$116,867.58	$33,027.51		$13,103.93	$351,827.83

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

Subject to the priority of the holder of a prescribed security interest for the unpaid balance of the amount secured by a real property mortgage, payment of the total referred to above must

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be made to the Receiver General from the proceeds of realization of any property of the employer and before payment to any other creditor.

You are required to forward to the Receiver General for Canada the proceeds of the sale of the asset(s) of this employer to the extent of the total amount shown above.

Please forward your cheque directly to:

Canada Revenue Agency
875 Heron Road,
Ottawa ON K1A 9Z9.

Write the account number 12127 8311 RP0001 on the front of the cheque to help us process it.

You can also make your payment by using your financial institution telephone or online banking or by using "My Payment" online service at the following address:

http://www.cra-arc.gc.ca/esrvc-srvce/tx/mypymnt/menu-eng.html

If you would like more information, please contact the undersigned at the Winnipeg Tax Services Office at 1-204-984-5148.

Yours truly,

Phil Cowan (1221)
Collection Officer
per: Robert Butkowski