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

SEVENTH REPORT OF THE RECEIVER

JULY 30, 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.

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

   a) the Receiver's activities to July 27, 2012;

   b) the claims of Sunrise Equipment Ltd. as a secured creditor of Paramount;

   c) the Receiver's updated consolidated 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.

9. In preparing this Seventh 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 Seventh Report.

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

RECEIVER'S ACTIVITIES TO JULY 27, 2012

Claim of Sunrise Equipment Ltd.

11. The Second Report noted that a caveat was registered against the title of Paramount's real property to secure advances made to Paramount by Sunrise Equipment Ltd. ("Sunrise").

12. The Fifth Report noted that the Receiver prepared and filed with the Winnipeg Land Titles Office ("WLTO") a Request to Issue Thirty Day Notice to Caveator, and a request to lapse the Sunrise caveat, which was processed by WLTO officials on November 16, 2011.

13. The Sixth Report noted that representatives of Lazer Grant Inc., the receiver of Paramount Storage Ltd. ("Storage") had advised E&Y that Sunrise had been paid in full from proceeds of the Storage receivership.

14. 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. During this hearing, counsel for Sunrise stated that after taking into account payments received from Storage, the balance owing to Sunrise was $101,811.00, and that Sunrise was entitled to a portion of the proceeds of distribution by way of its now lapsed caveat against title. Sunrise's legal counsel did not provide any supporting material in support of the quantum of the claim or the security granted to it.

15. On June 27, 2012, the Receiver and its legal counsel met with Sunrise's legal counsel. During that meeting, Sunrise provided the Receiver with portions of an affidavit filed in the Storage receivership that set out the details of the security granted to Sunrise in support of its claim. The Receiver has requested that Sunrise provide the Receiver with the following:

(a) details of the individual components of the claimed balance of $101,811.00, including direct cash advances, invoices paid by Sunrise on behalf of Paramount, other fees and charges, less any repayments received by Sunrise from Storage;

(b) the complete affidavit filed in the Storage proceeding; and

(c) confirmation that the security documentation provided to the Receiver was the complete package of security documents granted by Paramount in favour of Sunrise.

16. As of the date of this Seventh Report, the requested materials have not been provided to the Receiver.

17. On July 15, 2012, the Receiver was provided with an electronic copy of an unsigned affidavit from John Loewen, the president of Sunrise. Counsel for Sunrise advised that Mr. Loewen had not yet signed the affidavit. The affidavit referenced a number of exhibits which counsel for Sunrise advised would follow. However, as of the date of this report and despite a number of follow up requests from counsel for the Receiver, none of the exhibits nor the sworn affidavit have been provided to the Receiver.

CLAIMS OF CERTAIN SECURED CREDITORS

18. The Sixth Report sets out the Receiver's analysis of the security of the following parties:

(a) the Applicant;

(b) 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"); and

(c) Business Development of Canada ("BDC").

19. The Receiver was provided with copy of a Transaction Description Letter dated March 21, 2011 (the "Transaction Letter"), which describes a proposed transaction between Sunrise and Paramount. The Transaction Letter is executed by Paramount but not by Sunrise.

20. In addition to the Transaction Letter, the Receiver has been provided with the following security documentation by legal counsel for Sunrise:

(a) Promissory Note executed by Paramount in favour of Sunrise in the amount of $100,000 dated March 22, 2011;

(b) Guarantee and Postponement of Claim by Storage dated March 22, 2011; and

(c) Guarantee and Postponement of Claim by Edgar Thiessen dated March 22, 2011 (collectively, the "Sunrise Security").

21. Legal counsel to the Receiver has undertaken a review of the Transaction Letter and the Sunrise Security and has advised the Receiver as follows:

(a) The Transaction Letter is not executed by Sunrise;

(b) There are inconsistencies with the dates of execution of the Transaction Letter and the Sunrise Security;

(c) The Transaction Letter references that Paramount would provide debenture security to secure repayment of the loan from Sunrise, however no debentures were provided to the Receiver or its legal counsel for review; and

(d) There was no evidence provided of any advances made with respect to the loan.

22. Based on the information provided by Sunrise, the Receiver's legal counsel is unable to confirm that the loan referenced in the Transaction Letter is enforceable as between the parties.

23. The Receiver's legal counsel has further advised that in the event that the subject loan were to be found enforceable, the Transaction Letter would likely suffice to create a security interest and equitable mortgage in favour of Sunrise in the assets of both Paramount and Storage. The Receiver's counsel notes that a registration was filed by Sunrise in the Personal Property Security Registry (the "PPR") on April 5, 2011, but was discharged on March 2, 2012, so any security interest would be subject to all current PPR registrations.

24. The Receiver's counsel also notes that the equitable mortgage registered by Sunrise was discharged by the WLTO, as described in the Fifth Report and the Sixth Report. As a result, from the date of discharge, any equitable mortgage of Sunrise would have been subject to the then existing registrations on title. This would have included the caveat for equitable mortgage filed by the Applicant.

25. The Receiver has made numerous requests for information from Sunrise, as outlined in the Second Report, the Fourth Report, the Fifth Report, and the Sixth Report. As noted previously in this Seventh Report, the Receiver requested that Sunrise provide details of the components of the claimed balance of $101,811.00, including the net effect of any repayments received by Sunrise from Storage. To date, none of this information has been provided to the Receiver. In the absence of the requested information, the Receiver is unable to conclude that Sunrise has a valid claim to any of the proceeds from the realization of Paramount's assets.

THE RECEIVER'S UPDATED STATEMENT OF RECEIPTS AND DISBURSEMENTS

26. The Receiver's updated interim statement of receipts and disbursements for the period June 1, 2011 to July 27, 2012 (the "Reporting Period") is attached as Appendix A to this the Seventh Report.

27. 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 Manitoba Public Insurance ("MPI") 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 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 $86,000 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).

28. Disbursements during the Reporting Period totalled approximately $0.9 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 (including the deductible portion the insurance claim for the tractor unit that was repaired) 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 $52,000 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 $349,000 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.

29. The statement of receipts and disbursements also reflects payments by the Receiver of the interim distributions authorized by the order of this Honourable Court on January 31, 2012.

30. As at July 27, 2012 the Receiver had cash on hand of approximately $392,000 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.

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

(a) Service Canada and/or former employees of Paramount – the aggregate amount of 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. The Receiver has not yet finalized these claims with Service Canada, but the amounts noted above represent the Receiver's upper limit of possible known claims;

(b) GE Equipment – the sum of $7,478.69, representing additional proceeds from written off units over which GE Equipment held security, as authorized by this Honourable Court on June 5, 2012;

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

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

32. On May 22, 2012, the Applicant advised the Receiver that the outstanding balance of the indebtedness owed by Paramount was $516,459.36 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 $115.60 CAD.

33. 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

34. A summary of the Receiver's accounts from the date of the Receivership to July 27, 2012 is attached as Appendix B to this Seventh Report. The Receiver's total fees to date are $223,418.47 (excluding applicable taxes). The Receiver estimates that its fees to complete the receivership will be approximately $13,000.00 (inclusive of applicable taxes).

35. 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 July 27, 2012 is also set out in Appendix B. Pitblado's total fees and disbursements to date are $125,894.78 (excluding applicable taxes). The Receiver estimates that unbilled legal fees to date and

estimated legal fees to complete the receivership will total approximately $6,000.00 (inclusive of applicable taxes).

36. 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.

37. 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

38. The Receiver is unable to conclude that Sunrise is entitled to any of the proceeds from the realization of Paramount's assets in the hands of the Receiver.

39. For the reasons described in the Sixth Report and the Seventh Report herein the Receiver is seeking an Order:

    a. Approving the Receiver's activities to date;

    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 30th day of July, 2012.

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 July 27, 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	95,923.09	-
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 and refunds	85,565.86	9,960.17
Transfers from USD accounts (including foreign exchange)	154,515.18	-
Other	-	191.38
Total receipts	$3,260,690.39	$ 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	39,766.95	-
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	349,313.25	-
Total disbursements	$ 943,124.63	$ 161,518.22
Excess of receipts over disbursements before distributions	**$2,317,565.76**	**$ 610,000.00**
Distributions		
Deemed trust (source deductions) - Canada Revenue Agency	$ 314,205.50	$ -
GE Canada Finance Holding Company	331,275.00	610,000.00
GE Canada Equipment Finance G.P. et.al.	1,279,975.00	-
Excess of receipts over disbursements	**$ 392,110.26**	**$ -**

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	
Total			**$ 215,982.34**	**$ 7,436.13**	**$ 223,418.47**	**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	
Total			**$ 122,563.50**	**$ 3,331.28**	**$ 125,894.78**	**B**

Total Professional Fees as reported on the Statement of Receipts and Disbursements **$ 349,313.25** **A + B**