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COURT	COURT OF QUEEN'S BENCH OF SASKATCHEWAN	
JUDICIAL CENTRE	SASKATOON	
APPLICANT	BUSINESS DEVELOPMENT BANK OF CANADA	
RESPONDENTS	ASSINIBOIA RUBBER RECYCLING INC.	
DOCUMENT	FIRST REPORT OF THE RECEIVER	
	April 21, 2016	
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TABLE OF CONTENTS OF THE FIRST REPORT

INTRODUCTION

1. Ernst & Young Inc. was appointed as Receiver (the "Receiver") of the property, assets and undertakings (the "Property") of Assiniboia Rubber Recycling Inc. ("ARR", the "Company" or the "Debtor") pursuant to an Order of this Honourable Court dated July 11, 2014 (the "Receivership Order").

2. The Receivership Order authorized the Receiver, among other things, to carry on the business of ARR, to sell, convey, transfer, lease or assign the Properties out of the normal course of business, subject to approval of this Honourable Court for any transactions exceeding $100,000, or the aggregate of multiple transactions exceeding $200,000, and to make such arrangements or agreements as deemed necessary by the Receiver.

3. The purpose of this first report (the "First Report") of the Receiver is to provide this Honourable Court with the Receiver's comments on:

    a) The activities of the Receiver during the period of July 11, 2014 to April 21, 2016 (the "Receivership Period");

    b) The Receiver's consolidated final statement of receipts and disbursements;

    c) The fees and disbursements of the Receiver and its counsel;

    d) The discharge of Ernst & Young Inc. as Receiver; and

    e) The Receiver's recommendations with respect to the foregoing.

TERMS OF REFERENCE

4. Capitalized terms not defined in this First Report are as defined in the Receivership Order.

5. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

6. Prior to the Receivership Order, ARR was engaged in the business of recycling used tires, processing the constituent elements and manufacturing the same into new products for resale.

7. ARR's business was principally carried out at two locations:

   a) A tire recycling and crumb rubber manufacturing facility located at 631 Campbell Street, Assiniboia, Saskatchewan (the "Main Facility"); and

   b) A secondary facility where the products were manufactured, located at 301 1st Ave Northeast, Assiniboia, Saskatchewan (the "Paint Facility")

8. On May 16, 2014, the Business Development Bank of Canada (the "BDC"), through its solicitors, issued to ARR a Demand and a Notice of Intention to Enforce Security pursuant to Section 244(1) of the *Bankruptcy and Insolvency Act* (the "Demand and Notice"). Notwithstanding its receipt of the Demand and Notice, ARR failed to repay the total indebtedness owing. The BDC is the first secured creditor of the Debtor.

ACTIVITIES OF THE RECEIVER

9. On July 15, 2014 the Receiver went to Assiniboia, to inspect the Main and Paint Facilities. It found a substantial stockpile of scrap tires which had been accumulated by ARR, apparently without the financial means to process and remove the tires from the Assiniboia Main Facility site. The Main Facility, the Paint Facility, the equipment on those sites were the only significant assets owned by ARR. Some of the equipment was subject to repossession by secured creditors and was unavailable to the Receiver.

10. Given that the liability attached to removing the scrap tire stockpile and remediating the site appeared to exceed the value of all of ARR's assets, as such, the Receiver did not take possession of the Main Facility, and has not done so at any time.

11. The Receiver did change the lock on the Main Facility to accommodate the collection of assets from other secured creditors. A copy of the key was given to a local locksmith to open the Main Facility.

12. The Receiver could not obtain reasonable insurance coverage due to the inherent risks associated with the Main Facility.

Receiver's Notice to Creditors

13. The Receiver mailed the Receiver's Notice and Statement in accordance with Section 245 and Section 246 of the *Bankruptcy Insolvency Act* on July 21, 2014 to the creditors of ARR as at July 11, 2014 per its books and records.

14. The Receiver then notified the party which had originally hauled most, if not all of the tires to ARR, Saskatchewan Scrap Tire Corporation ("SSTC") of the situation. Notification was also given to the Saskatchewan Ministry of the Environment ("MOE"), and to the creditors of ARR.

Asset Realization

Overview

15. The Receiver thereafter attempted to find a solution to allow for a possible sale of the assets and removal of the scrap tires; however, that effort has proved unsuccessful given the inability to resolve the environmental liability surrounding the scrap tire pile.

16. The Paint Facility and related equipment were sold (as discussed below), and some limited funds were generated; however those funds have been consumed by the costs to administer the receivership.

17. Given the significant environmental liabilities surrounding the removal of the scrap tire pile, the Receiver communicated with MOE and SSTC numerous times during the Receivership Period in order to engage them to participate and potentially fund a sale process of ARR's Main Facility. In the end, the MOE and SSTC were not willing to fund a sale process nor did they offer any alternate solution to the Receiver.

Main Facility Realization Efforts

18. Initially, in late 2014 early 2015 the Receiver attempted, on a limited basis as it had little funds to run a more fulsome process, to find an interested party who would agree to remove the tires and then the Receiver would be able to sell the Main Facility land, building and equipment. That initial process only identified parties who were willing to remove the scrap tires if those parties were paid to do so by the Receiver, MOE or SSTC. At no time did a party emerge who was willing to remove the scrap tires at no cost and, as such, this process did not find a realization solution for the ARR Main Facility.

19. In late 2015 the Receiver ran a further limited process (again limited given the Receiver had virtually no funds) to identify parties who would agree to remove the scrap tires, sell the Main Facility equipment or acquire the ARR Main Facility with the scrap tires on site (the "Second Process"). This further process only identified parties who either wanted to be paid to remove the scrap tires or parties who were willing to take all the ARR Main Facility assets and the scrap tires effectively for free. None of these proposals were acceptable to ARR's secured lender.

20. In addition, under the Second Process the Receiver was advised by the Town of Assiniboia (the "Town") that it is opposed to a sale of the Main Facility equipment, and instead wishes to see the plant sold as a whole, with a view to restarting the business. The Town advised that it would take action to prevent a separate sale of the equipment. Given the Town's objection to the sale of equipment, the Receiver stopped efforts to sell the equipment as the Receiver does not have funds to litigate the matter.

Paint Facility Realization Efforts

21. The Receiver took possession of the Paint Facility on October 31, 2014. All building and gate locks were changed. The keys were held by a local locksmith to be accessed only upon direction of the Receiver.

22. The Receiver engaged McDougall Auctioneers Ltd. ("McDougall") of Regina, SK to sell the equipment which was stored in the Paint Facility on January 12, 2015. The Receiver collected from McDougall net proceeds from this auction of $5,257.31.

23. The Receiver engaged Century 21 Insight Realty Ltd. ("Century 21") to sell the Paint Facility on January 12, 2015. The Receiver collected from Century 21 net proceeds from this auction of $76,361.03.

24. As shown below, the remaining proceeds from this sale of $22,411.58, including interest earned to date, are held in trust with the Receiver's counsel. The remainder of the proceeds were released to the Receiver.

Summary

25. The Receiver has been unable to complete its mandate of liquidating the ARR assets due to there being no solution to remove the scrap tire pile. The inability to remove the scrap tires has therefore stymied the senior secured creditor, BDC from obtaining realizations of its security (i.e. the Main facility land, building and equipment).

26. Presently, BDC, remains in a deficit position with regard to the Receivership, having provided $35,000 of funds to secure the receivership appointment, and having received no distribution from the Receiver to even begin covering that advance. Furthermore, BDC is facing a 100% financial loss on its secured loan.

27. The Receiver has no alternate funds to continue the Receivership and without any financial support from the MOE and SSTC the Receiver is unable to continue its realization efforts.

28. Given the lack of funds and passage of time without resolution, the Receiver has concluded that it has no choice but to seek its discharge.

Bank Security

29. The Receiver understands that BDC is ARR's primary secured creditor and holds general security against ARR dated July 17, 2009 and mortgages over the Main Facility and Paint Facility.

30. South Central Community Futures Corporation claimed and substantiated a purchase money security interest in a truck and a baling machine located at the Main Facility. The Receiver consented to the release of this security to that creditor, following notification to BCD.

Outstanding Claims

31. In the fall of 2014, the Receiver was advised that Shercom Industries Inc. had, prior to the granting of the Receivership Order, entered into a written agreement to purchase 260 pallets of bagged mulch, 700 bags of crumb and 400 bags of crumb which were not travel ready, with 15 pallets of finished product produced by ARR. Upon review, the Receiver concluded that pursuant to the written agreement, property in these goods passed to Shercom, and authorized the removal of the product from the site.

32. Shercom further advised that it had paid the purchase price thereof, being $66, 150 to the Agent of ARR with whom the agreement was made, being 623452 Saskatchewan Ltd. operating as Grasswood Auctions. Demand for payment over of this sum has been made by Receiver, and the agent has refused to make payment. The Receiver is seeking an order requiring payment over to be heard before its discharge application.

Books & Records

33. The books and records of the Company are at the Main Facility.

Employees

34. At the date of the Receivership Order there were no employees of ARR.

FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS

35. The following is a final statement of receipts and disbursements for ARR during the Receivership Period.

Assiniboia Rubber Recycling Inc. — Table 1
Final Statement of Receipts and Disbursements
July 14, 2014 to April 21, 2016

Receipts:	
Asset realization	$ 85,937
Receiver's borrowings	35,000
Interest	74
	$ 121,011
Disbursements:	
Professional fees	$ 85,245
GST paid	4,444
Operating and administrative expenses	1,813
Insurance	1,735
	$ 93,237
Cash balance	$ 27,773

36. The receipts for the Receivership Period totalled $121,011 included the following:

a) The Receiver collected $85,937 from the realization of assets (including the $22,411 held in trust at Robertson Stromberg LLP);

b) In accordance with the Receivership Order, the Receiver borrowed $35,000 from BDC to fund the administration of the Receivership; and

c) The receiver earned interest of $74 on the funds held in the trust accounts for the Receivership.

37. The disbursements during the Receivership Period totalled $97,259 included the following:

a) $85,245 in fees paid to the Receiver and Receiver's counsel;

b) $5,655 for operating and administrative expenses;

c) $4,624 for GST; and

d) $1,735 for insurance for the Paint Facility.

38. The Receiver forecasts that the remaining balance of $23,751 will be used to fund outstanding expenses, fees and disbursements and professional fees associated with the Receiver obtaining its discharge. Any remaining balance will be released to BDC.

APPROVAL OF THE FEES OF THE RECEIVER AND ITS COUNSEL

39. The following table shows the fees of the Receiver and its counsel incurred and paid to April 21, 2016.

Receivership of Assiniboia Rubber Recycling Inc.	Table 2
Fees of the Receiver and Receiver's Counsel	
July 14, 2014 to April 21, 2016	
Receiver's fees	$ 71,457
Receiver's counsel's fees	13,789
Total fees	$ 85,245

40. Copies of the invoices will be available to the Court at the hearing of the Application for the Receiver's discharge.

41. The Receiver’s and the Receiver’s legal counsel estimate fees to complete the administration of the receivership will not exceed $16,000, including unbilled time to date.

RECEIVER’S DISCHARGE

42. To complete the administration of the receivership, the Receiver will:

a) Conclude the proceedings brought by the Receiver against 623452 Saskatchewan Ltd. and Kelly Minisofer and realize the judgment in relation thereto; and

b) In the event that the Receiver shall be in possession of any net sum after the payment of all expenses, fees and disbursements, such net sum shall be paid over to BDC.

43. After the completion of the above items, the Receiver’s administration of the estate will be substantially complete and the Receiver will file an affidavit with the Clerk of the Court confirming the same. The Receiver may have some miscellaneous administrative items to attend to post-discharge, but these items are immaterial and, in the Receiver’s opinion, should not prevent this Honourable Court from granting an unconditional discharge.

44. The Receiver respectfully requests that this Honourable Court approve an Order discharging the Receiver from any and all obligations as Receiver of ARR.

RECOMMENDATION

45. The Receiver recommends that this Honourable Court approve:

a) The accounts of the fees and disbursements of the Receiver and the Receiver’s counsel; and

b) The discharge of Ernst & Young Inc. as Receiver of ARR.

All of which is respectfully submitted this 21st day of April, 2016.

ERNST & YOUNG INC.
in its capacity as Court Appointed
Receiver of Assiniboia Rubber Recycling Inc.

Neil Narfason, CA, CIRP, CBV
Senior Vice-President

Cassie Riglin, CA
Senior Manager