

COURT FILE NUMBER	QB No 984 of 2014
COURT	COURT OF QUEEN'S BENCH OF SASKATCHEWAN
JUDICIAL CENTRE	SASKATOON
APPLICANT	BUSINESS DEVELOPMENT BANK OF CANADA
RESPONDENTS	ASSINIBOIA RUBBER RECYCLING INC.
DOCUMENT	<u>SECOND REPORT OF THE RECEIVER</u>

Clerk's Stamp

June 6, 2016

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER

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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 second report (the "Second Report") of the Receiver is to provide this Honourable Court with the Receiver's comments on:
 - a) The updated activities of the Receiver since the First Report of the Receiver dated April 21, 2016 (the "First Report");
 - b) The Receiver's updated 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.
4. This Second Report should be read in conjunction with the First Report.

TERMS OF REFERENCE

5. Capitalized terms not defined in this Second Report are as defined in the Receivership Order or the First Report.
6. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

7. 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.
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.

UPDATED ACTIVITIES OF THE RECEIVER

9. On April 11, 2016, the Receiver submitted a Notice of Application for Discharge to be heard on April 25, 2016. An amended Application was submitted on April 15, 2016 providing additional information to be heard on April 25, 2016.
10. On April 25, 2016 the Court adjourned the Receiver's Application for Discharge until June 9, 2016.

Outstanding Claims

11. 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.
12. 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 (the Grasswood Receivable"). Demand for payment of the Grasswood Receivable has been made by Receiver, and the agent has refused to make payment. On April 25, 2016 the Court ordered Grasswood Auctions remit payment to the Receiver's counsel by June 3, 2016, failing which the Receiver has leave to bring contempt proceedings on June 9, 2016.

13. The Receiver has not received payment from Grasswood Auctions as at the close of business on June 3, 2016. Counsel for the Receiver advises that no such funds have been received. Counsel for the Receiver is preparing application materials pursuant to the leave granted to bring contempt proceedings, and will be seeking an order to sequester the entirety of the assets of Grasswood Auctions.
14. Counsel for the Receiver has advised that counsel's fees and disbursements for recovery proceedings (including tax) are approximately \$4,600.00, plus the costs of any sequestration application and enforcement.
15. In the event that the Receiver shall be in possession of any sum arising from the recovery of the Grasswood Receivable, the Receiver shall allocate cost of the Receivership against such Grasswood Receivable in accordance with the provisions of paragraph 22A of the Receivership Order and thereafter pay over the net Grasswood Receivable to the Toronto-Dominion Bank ("TD").

UPDATED FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS

16. The following is an updated final statement of receipts and disbursements for ARR during the period of July 14, 2014 to June 3, 2016 (the "Receivership Period").

Assiniboia Rubber Recycling Inc.	Table 1
Final Statement of Receipts and Disbursements	
July 14, 2014 to June 3, 2016	
Receipts:	
Asset realization	\$ 85,937
Receiver's borrowings	35,000
Interest	85
	<u>\$ 121,021</u>
Disbursements:	
Professional fees	\$ 85,245
Operating and administrative expenses	5,657
GST paid	4,624
Insurance	1,735
	<u>\$ 97,262</u>
Cash balance	<u>\$ 23,760</u>

17. The receipts for the Receivership Period totalled \$121,021 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 \$85 on the funds held in the trust accounts for the Receivership.
18. The disbursements during the Receivership Period totalled \$97,262 included the following:
- a) \$85,245 in fees paid to the Receiver and Receiver's counsel;
 - b) \$5,657 for operating and administrative expenses;
 - c) \$4,624 for GST; and
 - d) \$1,735 for insurance for the Paint Facility.

19. The Receiver forecasts that the remaining balance of \$23,760 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, subject to any priority payments to TD as a result of the collection of the Grasswood Receivable.

APPROVAL OF THE FEES OF THE RECEIVER AND ITS COUNSEL

20. The following table shows the fees of the Receiver and its counsel incurred and paid to June 3, 2016.

Receivership of Assiniboia Rubber Recycling Inc.		Table 2
Fees of the Receiver and Receiver's Counsel		
July 14, 2014 to June 3, 2016		
Receiver's fees		\$ 71,457
Receiver's counsel's fees		<u>13,789</u>
Total fees		<u>\$ 85,245</u>

21. Copies of the invoices will be available to the Court at the hearing of the Application for the Receiver's discharge.
22. 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

23. 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, subject to any priority payments to TD (as discussed above).
24. After the completion of the payments and distribution, if applicable, 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.

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

RECOMMENDATION

26. 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 6th day of June, 2016.

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

A handwritten signature in black ink, appearing to be 'Neil Narfason', written in a cursive style.

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

A handwritten signature in black ink, appearing to be 'Cassie Riglin', written in a cursive style.

Cassie Riglin, CA
Senior Manager