

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

**DOUG SNOW AND W. WARD SPENCER**

**Applicants**

**-AND-**

**CENTRAL REPRODUCTIONS LIMITED**

**Respondent**

**APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY  
ACT, R.S.C. 1985, c.B-3, AS AMENDED AND SECTION 101 OF THE COURTS OF  
JUSTICE ACT, R.S.O. 1990, c.C.43, AS AMENDED**

**SECOND AND FINAL REPORT OF RECEIVER**

**July 3, 2013**

## INTRODUCTION

1. On August 7, 2012, The Honourable Madam Justice Snowie issued an Order (the "**Appointment Order**") appointing Paddon and Yorke Inc. ("**P+Y**") as receiver (the "**Receiver**") of all assets, undertakings and properties of Central Reproductions Limited ("**CRL**" or the "**Company**").

2. On September 12, 2012, the Receiver filed its first report to the Court (the "**First Report**"), to provide the Court with information relating to:

- (i) the Receiver's activities from the Date of Appointment to the date of the First Report;
- (ii) the Receiver's Statement of Receipts and Disbursements from the Date of Appointment to September 12, 2012;
- (iii) the Receiver's extensive efforts to collect accounts receivable;
- (iv) the sale of the 2005 Heidelberg Model XL105 6+LX Printing Press and remaining fixed assets; and
- (v) the Receiver's review of the validity and enforceability of the security held by the Royal Bank of Canada ("**RBC**"), Doug Snow and Ward Spencer on the property and assets of CRL.

3. On September 28, 2012, the Court granted an order (the "**Distribution Order**") that, among other things:

- (i) approved the activities of the Receiver, as set out in the Receiver's First Report, a copy of which (without appendices) is attached hereto as **Appendix "A"**;
- (ii) authorized the Receiver to make distribution to RBC, the amount of \$1,044,499.95 in reduction of the indebtedness owing to RBC; and
- (iii) authorized the Receiver to make further distributions to RBC, Doug Snow and Ward Spencer any additional net recoveries realized by the Receiver, up to the amount owing to RBC, Doug Snow and Ward Spencer by the Company and in

accordance with the priority of their security, providing that the Receiver maintain a sufficient reserve for the costs to complete the receivership proceedings.

4. A copy of the Distribution Order is attached hereto as **Appendix "B"**.

5. This is the Receiver's second and final report to the Court (the "**Final Report**"), the purpose of which is:

- (i) Provide the Court with information in respect of:
  - a) the Receiver's activities from the date of the First Report to the date of this Final Report;
  - b) the Receiver's Statement of Receipts and Disbursements from the Date of Appointment to May 31, 2013 (the "**R&D**"); and
- (ii) Seek an order of the Court:
  - a) approving this Final Report and the actions and activities of the Receiver as set out herein;
  - b) approving the Receiver's R&D for the receivership proceeding;
  - c) approving the fees and disbursements of the Receiver and its legal counsel, Bennett Jones LLP; and
  - d) declaring that P+Y has duly and properly discharged its duties, responsibilities and obligations as the Receiver of CRL and discharging and releasing the Receiver from any and all further obligations as Receiver of CRL and any and all liability that P+Y now has or may hereafter have by reason of, or in any way arising out of, the acts or omissions of P+Y while acting as Receiver, save and except for the Receiver's gross negligence or willful misconduct.

## **DISCLAIMER**

6. In preparing this report, conducting its analysis and making the comments herein, the Receiver has obtained and relied on certain unaudited financial information, the Company's books and records and other information provided by the representatives of the Company and certain of the Company's employees (collectively, the "**Information**"). The Receiver has not audited, reviewed, or otherwise attempted to verify the accuracy and completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook. Accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information contained in this report.

7. Unless otherwise noted, all currency amounts contained in this report are expressed in Canadian dollars.

8. Capitalized terms not defined herein are as defined in the Appointment Order.

## **RECEIVER'S ACTIVITIES**

### **General**

9. As at the date of the First Report, the Receiver had completed the sale of the Company's two of three pre-receivership Purchase and Sale Agreements, terminated the Company's employees, vacated the Company's leased premises and was actively pursuing collection of the remaining accounts receivable.

10. Since its First Report, the Receiver's activities have primarily consisted of:

- (i) completing post appointment harmonized sales tax ("**HST**") tax returns and pursuing collection of HST refunds due to the estate;
- (ii) collecting accounts receivable, in the amount of approximately \$999,370.12; and
- (iii) completing one material pre-receivership transaction, namely the sale of the Toronto Maple Leafs Personal Seat License (*infra*).

11. The Receiver arranged a final Canada Revenue Agency ("CRA") deemed trust audit and has corresponded with CRA to determine if any deemed trust amount is outstanding. CRA completed its audit and had advised the Receiver that there were no amounts outstanding.

#### **Accounts Receivable**

12. As at August 7, 2012, CRL books and records indicated that outstanding accounts receivable totaled approximately \$999,370.12.

13. Since its appointment, the Receiver has collected a total of \$955,146.86 of outstanding accounts receivable (\$370,915.87 since the First Report).

14. The Receiver has made extensive efforts to collect accounts receivable, including numerous calls, emails and settlement offers to the Company's account debtors. The collection efforts have resulted in collections of \$955,146.86, representing 95% of the outstanding balance of accounts receivable as at the date of receivership. The Receiver notes that this is an unusually high and successful collection rate.

15. The Receiver has determined that the remaining accounts receivable are either subject to disputes or set offs with CRL and are therefore considered uncollectable.

#### **Sale of Toronto Maple Leafs Personal Seat License**

16. The Receiver was informed by CRL that a Purchase and Sale Agreement had been entered into by CRL and S.A.F. Management Ltd. ("SAF") on the 23<sup>rd</sup> day of July, 2012, for the sale of a Toronto Maple Leafs Personal Seat License ("PSL"). The price negotiated for the PSL was a sum of \$60,000.00 in respect of which CRL had received a deposit from SAF prior to the receivership.

17. The Receiver met with Mr. Arif Jindani of SAF on Wednesday November 14, 2012 in effort to complete the sale of the Toronto Maple Leafs Personal Seat License. Mr. Jindani indicated at the meeting that the purchase price would need to be renegotiated or a full refund may have to be provided due to the NHL lock-out. He further indicated that he wanted to obtain legal advice prior to any further discussions or negotiations.

18. Since the meeting, many efforts were made to contact Mr. Jindani to complete the sales transaction. After discussions with the secured creditors, the Receiver instructed its legal counsel to send formal demand for the payment of \$55,000.00 on November 21, 2012.

19. On December 2, 2012, correspondence from Aujla Garcha Sidhu LLP, legal counsel to S.A.F. Management Ltd was sent to the Receiver's legal counsel requesting time to review the demand letter and to further discuss the matter with their client.

20. On December 10, 2012, the Receiver's legal counsel received a settlement offer from SAF in the amount of \$30,000.00. After discussions with legal counsel and the secured creditors, it was decided that the Receiver should commence legal action in effort to collect the \$55,000.00 outstanding. A Statement of Claim was issued and served upon SAF on December 12, 2012.

21. On March 19, 2013, the Receiver was advised by its legal counsel that they had received a counter offer for the PSL. The offer was for \$38,000.00 (all inclusive) within 30 days. Further to the payment of funds, both parties agree to execute a mutual and final release and that SAF agreed to and did execute a consent to judgment.

22. The Receiver after having discussions with both its legal counsel and secured creditors accepted the counter-offer to mitigate any further legal costs that would erode in the recovery of this pre-receivership sales transaction.

23. On April 5, 2013, the Receiver received \$38,000.00 in full satisfaction of the settlement between CRL and SAF and executed a mutual and final release in respect thereof.

#### **PROFESSIONAL FEES AND COSTS OF THE RECEIVER AND ITS COUNSEL**

24. The administration of this receivership is now complete. The activities of the Receiver have been fairly complex and time consuming.

25. Pursuant to paragraph 17 of the Appointment Order, the fees and disbursements of the Receiver and its legal counsel form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favor of any person.

26. The Receiver and its counsel, Bennett Jones LLP, have maintained detailed records of their professional time and disbursements since the Date of Appointment.

27. Pursuant to the Appointment Order, the fees and disbursements of the Receiver and the fees and disbursements of its legal counsel are authorized to be paid on a periodic basis out of the monies in its hands subject to any final assessment or taxation as may be ordered by the Court.

28. The total professional fees of the Receiver for the period from August 7, 2012 to May 31, 2013 are \$185,673.12 (including HST), all of which has been paid from the estate, subject to the approval of those fees by this Honourable Court.

29. As set out in its first interim invoice dated August 31, 2012, the time charges for the professional services of the Receiver from August 7, 2012 to August 31, 2012 are as follows:

<b><u>Professional Staff</u></b>	<b><u>Rate</u></b>	<b><u>Hours</u></b>	<b><u>Fees</u></b>
Brenda Wood, Trustee and Vice President	390	111.0	\$ 43,290.00
Lambert Huizingh, Senior Vice President	350	49.0	17,150.00
Donald A. Bruce, Senior Manager	250	71.2	17,800.00
Sonya Strand, Manager	225	79.5	17,887.50
Tom Snider, Senior Manager	225	7.5	1,687.50
David Wallace, Technician	125	55.3	<u>6,912.50</u>
			\$104,727.50
		HST	<u>13,614.57</u>
		Total	<u>\$118,342.07</u>

30. As set out in its second interim invoice dated May 31, 2013, the time charges for the professional services of the Receiver from September 1, 2012 to May 31, 2013 are as follows:

<b><u>Professional Staff</u></b>	<b><u>Rate</u></b>	<b><u>Hours</u></b>	<b><u>Fees</u></b>
John F. Delo, President	350	1.4	\$ 490.00
Lambert Huizingh, Senior Vice President	350	68.0	23,800.00
Donald A. Bruce, Senior Manager	250	33.3	8,325.00
Sonya Strand, Manager	225	109.0	24,525.00
Kelly Ip, Manager	225	4.2	945.00
David Wallace, Technician	125	12.0	<u>1,500.00</u>
			\$59,585.00
		HST	<u>7,746.05</u>
		Total	<u>\$67,331.05</u>

31. The total fees of Bennett Jones LLP for the period from August 7, 2012 to May 31, 2013 are \$57,625.80 (including HST), all of which has been paid from the estate, subject to the approval of those fees by this Honourable Court.

32. Bennett Jones LLP has estimated that additional fees and disbursements no greater than \$7,500.00 (excluding HST) will be incurred in connection with completing its services to the Receiver up to the effective date of the Receiver's discharge.

#### **FINAL RECEIPTS AND DISBURSEMENTS (August 7, 2012 to May 31, 2013)**

33. The receipts in the estate for the period from August 7, 2012 to May 31, 2013 were \$2,360,650.94. Disbursements during the period were \$536,781.63, of which \$267,071.14 are for professional fees and costs of the Receiver and its counsel.

34. A copy of the Receiver's Final Statement of Receipts and Disbursements as at May 31, 2013 is attached hereto as **Appendix "C"**.

35. Payments to the secured creditors to date total \$1,823,662.35. As at the date of this Final Report there are no further amounts due to the secured creditors.

36. The Receiver is not aware of any liens, encumbrances or other rights of third parties, in respect of which registration against the Company is not required, that would have priority over RBC, Doug Snow and Ward Spencer's security with respect to the Company's property.

#### **RECOMMENDATIONS**

37. To the best of the Receiver's knowledge and belief, all duties of the Receiver as set out in the Appointment Order are now complete.

38. Accordingly, the Receiver brings this motion and respectfully requests that this Honourable Court grant an Order:

- (i) approving this Final Report and the actions and activities of the Receiver as set out herein;
- (ii) approving the Receiver's R&D for the receivership proceeding;



- (iii) approving the fees and disbursements of the Receiver and its legal counsel, Bennett Jones LLP; and
- (iv) discharging the Receiver and declaring that the Receiver has duly and properly discharged its duties, responsibilities and obligations and is released from any further obligations as Receiver of Central Reproductions Limited and any and all liability relating to these receivership proceedings, save and except for the Receiver's gross negligence or willful misconduct.

All of which is respectfully submitted this 3<sup>rd</sup> day of July, 2013

**PADDON + YORKE INC.  
IN ITS CAPACITY AS THE COURT APPOINTED RECEIVER OF  
CENTRAL REPRODUCTIONS LIMITED**



Lambert Huizingh  
Senior Vice President