

File No. CV-10-8556-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
IN BANKRUPTCY AND INSOLVENCY

BANK OF MONTREAL

Applicant

- and -

FINANCIAL TRANSPORT INC., FREIGHTLINER OF KINGSTON INC.,
6181732 CANADA INC., GLOBAL TRANSPORT INSURANCE BROKERS INC.,
JAIN TRUCK LEASE LTD. and 2105810 ONTARIO INC.

Respondents

THIRD REPORT OF THE RECEIVER

July 9, 2010

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I. Introduction

1. By Order of the Honourable Justice Cameron dated February 4, 2010 (the "**Receivership Order**"), Deloitte & Touche Inc. was appointed receiver (the "**Receiver**"), without security, of all of the assets, undertakings and properties of the Respondents (the "**Companies**") pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act* ("**BIA**") and Section 101 of the *Courts of Justice Act*. A copy of the Receivership Order is attached hereto as Exhibit "**A**".
2. There are six related respondents in this matter, namely:
 - Financial Transport Inc. ("**FTI**")
 - Freightliner of Kingston Inc. ("**FKI**")
 - 6181732 Canada Inc. ("**618**")
 - Global Transport Insurance Brokers Inc. ("**GTIB**")
 - Jain Truck Lease Ltd. ("**JTL**")
 - 2105810 Ontario Inc. ("**210**")
3. By Order of the Honourable Justice Wilton-Siegel dated February 26, 2010 (the "**February 26 Order**"), the Receiver was authorized to implement the disposition strategy with respect to the assets of the Companies as outlined in the Receiver's First Report to Court dated February 23, 2010 (the "**First Report**") provided that the Receiver return to the Court for approval of the sale of the truck inventory. Attached hereto as Exhibits "**B**" (without exhibits) and "**C**" are copies of the First Report and the February 26 Order, respectively.
4. On March 5, 2010, the Receiver filed assignments in bankruptcy on behalf of FTI and FKI and Deloitte & Touche Inc. was appointed trustee in bankruptcy of both companies (the "**Trustee**").
5. By Order of the Honourable Justice Hoy dated March 23, 2010 (the "**March 23 Order**"), this Honourable Court approved the sale by the Receiver of the truck and trailer inventory of FTI and FKI to Ritchie Bros. Auctioneers (Canada) Ltd. ("**Ritchie**" and the "**Ritchie Sale**"). The March 23 Order approved the process proposed by the Receiver to deal with both undisputed vehicles and vehicles with conflicting security interests as set out in the Receiver's Second Report to Court dated March 15, 2010 (the "**Second Report**"). The March 23 Order also approved a listing price of not less than \$3.5 million for the property owned by 618 located at 4598 Tomken Road,

Mississauga, Ontario (the "Tomken Property"). Attached hereto as Exhibits "D" (without exhibits) and "E" are copies of the Second Report and the March 23 Order, respectively.

6. As a result of the conflicting and undetermined security interests over a number of FTI and FKI vehicles that were included in the Ritchie Sale, Landmark Vehicle Leasing Corporation ("**Landmark**") filed a Notice of Motion which was heard by this Honourable Court on April 29, 2010 requesting *inter alia* that eleven vehicles registered as being owned by FTI or FKI not be included in the Ritchie Sale and that Landmark be declared as the owner of the vehicles in question.
7. By Order of the Honourable Justice Morawetz dated April 29, 2010 (the "**April 29 Order**"), two vehicles that were to be included in the Ritchie Sale and in which Landmark claimed a security interest were excluded from the sale pending further Order of the Court. In addition, the April 29 Order provided that nine other vehicles in which Landmark claimed a security interest but which were not in the possession of the Receiver were not to be sold, transferred, leased, rented or encumbered without a further Court Order. Attached hereto as Exhibit "**F**" is a copy of the April 29 Order.
8. The Receiver considers it advisable at this time to:
 - a) Inform this Honourable Court of the status of matters since the Second Report;
 - b) Seek this Honourable Court's direction with respect to the distribution of the funds previously held in GTIB's trust account;
 - c) Seek this Honourable Court's direction with respect to the release of four vehicles that are being held by two parties who are claiming a lien under the Repair & Storage Lien Act ("**RSLA**");
 - d) Seek this Honourable Court's direction with respect to the Receiver's sale of a 2007 Freightliner CC-132 tractor, a vehicle which is registered in the name of Add Capital Corp. ("**Add Capital**");
 - e) Seek this Honourable Court's approval that the Receiver be authorized to change the listing price for the Tomken Property if deemed necessary;
 - f) Provide this Honourable Court with a summary of the Receiver's cash receipts and disbursements for the period February 4 to June 30, 2010;
 - g) Seek this Honourable Court's direction with respect to the Mander Vehicles as described herein;

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- h) Seek this Honourable Court's direction with respect to funds collected by the Receiver in respect of leased vehicles where there are competing security interests therein; and
 - i) Seek this Honourable Court's approval of the Receiver's activities since the Second Report.

II. Background

9. FTI is an Ontario corporation incorporated in 1995 that provided lease financing and sold new and used transport vehicles to operators in Canada and the United States. FTI operated from premises located at 7280 Dixie Road, Mississauga, Ontario (the "**Dixie Location**") which it leased from a related company and shared with other related companies. FTI is wholly owned by 6145086 Canada Inc., which itself is owned in equal shares by Eric Jain ("**Eric**") and Chanderkant Jain ("**Chanderkant**"), who are brothers.
10. FKI is an Ontario corporation and operated Jain Truck Centres from leased premises located at 21 Enterprise Drive, Belleville, Ontario (the "**Belleville Location**"). The Belleville Location is owned by a related company. FKI was a retail dealer of Freightliner brand trucks and trailers as well as a service centre offering service and parts sales. FKI's franchise agreement with Freightliner was terminated by Freightliner at the beginning of January 2010. FKI is owned by Eric (20%) and Chanderkant (80%).
11. 618 is a federally incorporated company incorporated in 2004, originally for the purpose of holding title to the Tomken Property. 618's office was located at the Dixie Location. 618 is owned in equal shares by Eric and Chanderkant. The Tomken Property was developed for use as a parking facility for tractor trailers. 618 was unable to obtain the required rezoning to allow the property to be rented for parking lot purposes.
12. GTIB is an Ontario corporation incorporated in 2004 as an independent insurance brokerage for companies in the trucking industry who operate within Ontario. GTIB operated from premises leased from a third party located at 1215 Meyerside Drive, Mississauga, Ontario (the "**Meyerside Location**"). Robert Hilbert ("**Hilbert**"), GTIB's Managing Partner, started GTIB in 2005 with the assistance of a loan from Chanderkant. GTIB's shares are owned by Soniya Jain, the spouse of Chanderkant.
13. JTL is an Ontario corporation that was incorporated in 2007. JTL was in the business of maintaining vehicles. JTL also rented trailers which it did through related and third party leasing

companies. JTL was formerly located in Belleville, Ontario with one person managing the operations. The business was transferred to the Dixie Location some time in 2008.

14. 210 is an Ontario corporation and is the owner of a rental property located at 29 Dalton Road, Kingston, Ontario which was previously occupied by FKI. 210's office was located at the Dixie Location.

III. Activities of the Receiver

Vacating the Dixie Location

15. The Receiver has arranged for the removal of the books and records required for its administration of the receivership including FTI's lease files and the accounting records for FTI, JTL, 618 and 210 for the years 2009 to 2010. These records have been transferred to offsite storage or to the Receiver's office. The books and records for the years prior to 2009 were left on site in the possession of Chanderkant who is an officer and director of FTI. In addition, the original electronic records were left on site as Eric and Chanderkant had advised that the computers used by FTI's employees contained data relating to non-respondent companies, and the Receiver was only permitted limited access to the computers to take copies of the data files for the respondent companies.
16. During the period March 26 to 31, 2010, Ritchie attended at the Dixie Location and arranged for the transfer of the trucks and trailers which were sold to it by the Receiver to their Bolton, Ontario storage and auction site. Upon completion of the transfer of the vehicles, the Receiver vacated the Dixie Location and Deloitte & Touche Inc. in its capacity as Receiver and Trustee of FTI disclaimed the lease effective March 31, 2010.

General Observations on FTI's Lease Portfolio

17. Shortly after the Receiver's appointment, FTI's former CFO provided the Receiver with a schedule detailing FTI's lease portfolio (the "Lease Portfolio") as at December 31, 2009, which indicated that the value (being the present value of the future stream of payments for vehicles currently on lease) of the Lease Portfolio was \$8.5 million (the "Total Portfolio Value"). Based on a review of the leases included in the December 31, 2009 Lease Portfolio, the Receiver determined that only \$4.6 million or 54% of the Total Portfolio Value related to vehicles registered with the MTO in the name of FTI. The balance of \$3.9 million related to vehicles

registered to other parties including third party lease financing companies and TruckDepot Expedite Inc. ("TDEX"), a related company.

Of the \$4.6 million of leases registered with the MTO in FTI's name, \$2.2 million were subject to security registered in the name of parties other than Bank of Montreal ("BMO"), FTI's senior secured creditor.

Only \$416,000 or 4.9% of the Total Portfolio Value represented leases of vehicles subject to BMO's first charge security and for which lease payments continue to be made by third party lessees.

Attached hereto as Exhibit "G" is a summary of FTI's December 31, 2009 Lease Portfolio.

18. The Receiver has noted many irregularities with respect to the ownership and financing of the vehicles in FTI's Lease Portfolio such as:
- a) There were 7 instances where more than one secured creditor had financed the purchase of the same vehicle.
 - b) There were 27 instances where the MTO ownership was changed numerous times, or was changed without the financing creditor's or registered owner's consent.
 - c) There were 22 instances where a vehicle was leased to TDEX or to The TruckDepot.com Inc. ("TD.com"), companies related to the Debtors, by a financing company, yet the vehicle in question was included in FTI's Lease Portfolio and subject to a lease agreement between FTI and a third party.
 - d) Three vehicles that were included in FTI's Lease Portfolio were never purchased by FTI.
 - e) There were 14 instances where FTI or FKI sold vehicles to lease financing companies, prior to purchasing the units from the manufacturers and obtaining legal title to the vehicles in question.

Details of the FTI Lease Portfolio

19. The Receiver has been advised that BMO made secured advances to FTI based primarily on the value of FTI's Lease Portfolio.
20. As at the date of BMO's application for the appointment of a receiver, BMO was of the view that FTI's Lease Portfolio had a value of approximately \$8.5 million.

21. As at December 31, 2009, FTI's books and records indicated that the \$8.5 million Lease Portfolio consisted of 205 vehicles. As at June 15, 2010, the status of the 205 vehicles in the Lease Portfolio was as follows:

Status	Number Of Vehicles	Paragraph Reference
Enforcement action taken by secured creditors to which the Receiver has consented	55	22, 23, 24
Sold to Ritchie in Ritchie Sale	37	26
Repossessed and sent to Ritchie for auction	32	27
Vehicles out on lease -- lessee is making payments	16	28
Lease payments in arrears & vehicles subject to claims by other secured creditors	15	29, 44
Lease payments in arrears and Receiver has initiated action to repossess vehicle	12	30, 44
Missing vehicles	13	31
Vehicle repossessed but sale "on hold"	6	32
Vehicles subject to RSLA claims	5	33
Other	14	34
Total	205	

22. The Receiver has consented to the lawful exercise of remedies by various secured creditors as against 55 vehicles that were listed in the Lease Portfolio. All of these vehicles were subject to properly registered security interests ranking in priority to BMO's security and held by third parties, the validity of which was confirmed by the Receiver's independent legal counsel, Aird & Berlis LLP.

23. Of the 55 vehicles described above, 41 were not registered to any of the Debtors with the MTO. Since neither the Debtors nor the Receiver were in a position to continue making payments on these vehicles, the Receiver consented to the lawful exercise of remedies by the various secured creditors as against these vehicles. As one or more of the Debtors may have an interest in some or all of these vehicles, the Receiver has requested a full accounting from each of the secured creditors on all of the vehicles released to them by the Receiver.

24. The remaining 14 vehicles of the 55 released to secured creditors by the Receiver were registered with the MTO in the name of either FTI or FKI; however, they were subject to properly registered priority security interests held by third parties who demanded the return of the vehicles in question. Aird & Berlis LLP provided the Receiver with an opinion confirming the validity and

enforceability of these various security interests. As one or more of the Debtors may have an interest in some or all of these vehicles, the Receiver has requested a full accounting from each of the secured creditors on all of the vehicles released to them by the Receiver.

25. With respect to vehicles that are not in the Receiver's possession and are subject to claims by third party secured creditors, the Receiver is not taking any action to repossess these vehicles until the priority of the security interests in these vehicles have been determined.
26. Thirty-seven vehicles that were listed in the Lease Portfolio were sold to Ritchie as part of the Ritchie Sale. These vehicles were not out on lease at the time of the Receiver's appointment.
27. Thirty-two vehicles out on lease where the lessee was not making payments were repossessed by the Receiver and sent to Ritchie to be sold.
28. There are currently 16 vehicles out on lease where the lessee continues to make regular lease payments. Eight of these vehicles are subject to claims by secured parties other than BMO.
29. There are 15 vehicles out on lease where the lease is in default but the vehicle is subject to claims by one or more secured parties. The Receiver has not taken any steps to repossess these units, and is waiting for the competing secured parties to come to an agreement as to the disposition of the vehicles in question.
30. There are 12 vehicles where the lease is in default and the Receiver has initiated action to repossess the vehicles which includes issuing formal notices to the lessees pursuant to S.244 of the BIA and S.65 of the PPSA, and sending a bailiff to locate and repossess the vehicles. The Receiver has taken action to repossess vehicles only where FTI or FKI is the registered MTO owner and there are no known competing secured claims.
31. Thirteen vehicles in the Lease Portfolio have been classified as missing. These include vehicles that were recorded by FTI as being "*off lease*" but the Receiver did not find them on site upon taking possession; vehicles where the lessee of record claimed to have returned the unit or vehicles where the lessee cannot be located. Five of the missing vehicles were tracked to TDEX. As Chanderkant is one of the officers of TDEX, the Receiver has requested that Chanderkant return these vehicles. Chanderkant has advised that: (i) three units were shipped by FTI to a related company in the United States for resale but he does not know if they have been sold as the related company has shutdown; (ii) one unit, a cargo van, is in the hands of one of TDEX's drivers who is currently out of the country; and (iii) the remaining unit does not belong to FTI but title was transferred to FTI in anticipation of a sale that was not completed. Title to the cargo van

was transferred from FTI to TDEX on February 4, 2010. Chanderkant advises that he does not know how title to the cargo van came to be transferred into TDEX's name.

32. Six vehicles that were listed on the Lease Portfolio have been delivered by the Receiver to Ritchie but the Receiver is not currently in a position to sell or release them, until the priority of competing security interests are determined. All six vehicles were registered to FTI with the MTO as at February 4, 2010. These include:
- the two Landmark vehicles that were excluded from the Ritchie Sale (see paragraph 7 above);
 - three vehicles subject to a competing claim by Coast Capital Equipment Ltd. that were returned by the lessee, and
 - one vehicle that the Receiver had repossessed prior to Little Bros. Leasing Ltd. ("Little Bros") notifying the Receiver that it was claiming ownership to the vehicle.
33. Five vehicles are in the possession of creditors who are claiming a lien under the RSLA. These vehicles are discussed in further detail below.
34. Fourteen vehicles have been classified as "Other" and include vehicles recorded on the Lease Portfolio where the Receiver did not have possession and it was determined that the vehicle did not exist and/or there was no lease agreement in place.

Vehicles in the possession of parties claiming a lien under the RSLA

35. The Receiver is of the view that TDEX had use of some or all of the vehicles subject to RSLA liens as all five vehicles had been left for servicing with the RSLA claimants by TDEX. In addition, some of the repairs were completed after the date of receivership with one as recently as June 14, 2010. Chanderkant has advised that TDEX does not have money to pay the outstanding bills.
36. One of the vehicles subject to a RSLA claim is in the possession of New Millenium Tire Centre ("Millenium"). This vehicle was serviced on March 17, April 19 and June 14, 2010 and the amount of the RSLA claim is for approximately \$3,000. The Receiver has requested the release of the vehicle and Millenium has consented to its release.
37. Three of the vehicles subject to RSLA lien claims are in the possession of Quantum Sales & Leasing ("Quantum"). Quantum appears to be a related party and is claiming repair liens of approximately \$9,000 in addition to storage liens in excess of \$13,000. The Receiver has

requested the release of the vehicles pursuant to paragraph 4 of the Receivership Order which requires persons in possession of property of the Companies to deliver all such property to the Receiver upon the Receiver's request. Quantum has refused to release the vehicles.

38. The Receiver has concerns as to the validity of the Quantum RSLA lien claim arising in part due to the relationship of Quantum to the Companies as well as the reasonableness of the amount claimed for the following reasons:

- a) Quantum was incorporated on February 8, 2010 as 2233307 Ontario Corporation, four days following the date of the Receivership;
- b) One of the invoices provided by counsel to Quantum to support Quantum's RSLA claim is dated February 5, 2010, which date precedes the date of Quantum's incorporation;
- c) Chanderkant advised the Receiver by email dated June 29, 2010 that Chanderkant has no influence over Quantum and that it is "an independent repair company". Chanderkant further advised that the principal of Quantum is Shalil Advani. The Receiver confirmed that this name appears on the articles of incorporation of 2233307 Ontario Corporation as the sole incorporator, but also discovered by way of an internet search that a "Shalil Advani" is also Vice-President of *Financial Transport USA Inc.* and President of *Alumi-Bunk Corporation*, which companies are related to the Companies. The Receiver asked Chanderkant by responding email on June 29, 2010 whether Shalil Advani holds these two positions but, to date, has not received a response from Chanderkant;
- d) The three RSLA registrations registered under the PPSA against the vehicles in question were registered in favour of Crew Chief Conversions Ltd. ("Crew Chief"), as secured party, with Quantum appearing only as registering agent. According to a corporate profile search, Tina Jain, Chanderkant's sister, is both the President and a director of Crew Chief. Quantum advised by email dated June 28, 2010 that the registrations were completed in error by a former employee of Quantum and that Crew Chief has no interest in the affairs of Quantum, but did not offer any further explanation for the error.
- e) Crew Chief's address is 2380 Drew Road, Unit 3, Mississauga Ontario L5S 1B8, which is the same business address as that of Quantum and previously that of FTI;
- f) Quantum is claiming storage fees in the amount of \$75/day per vehicle, which amount totals \$13,500. The Receiver is of the view that such storage fees are unreasonable, particularly given that it exceeds Quantum's total lien claim by more than \$4,000 and the

fact that the storage charges only accumulated as a result of Quantum's refusal to deliver the vehicles to the Receiver.

39. The fifth vehicle subject to a RSLA lien is in the possession of Pacific Heavy Truck Group in British Columbia ("Pacific"). The amount of the lien is approximately \$9,000. Pacific undertook to sell the vehicle on behalf of the Receiver in April 2010; however, they have been unsuccessful in doing so to date. Pacific has claimed that it cannot sell the unit without incurring additional costs for further repairs and in fact, have incurred additional costs without the Receiver's authorization. The Receiver has requested that Pacific release the vehicle to the Receiver in order that it may be included at the next Ritchie auction and sold without undue delay. Pacific has refused to release the vehicle to the Receiver.
40. Notwithstanding that the Receiver has acknowledged that upon release of the vehicles, Quantum and Pacific will have a claim against the proceeds of sale to the extent and priority of any valid possessory or non-possessory RSLA lien, Quantum and Pacific have refused to release the vehicles.
41. The Receiver respectfully requests that this Honourable Court grant an order which requires Quantum and Pacific to deliver the vehicles to the Receiver.

Vehicle registered in the name of Add Capital

42. Included in the Lease Portfolio is a 2007 Freightliner CC-132 tractor with s/n 1FUJCRV67PX64102 ("X64102"). X64102 was under lease to Lotus Transport, a third party lessee, who was unable to continue making lease payments. While the MTO registration indicated that Add Capital was the owner of X64102, Add Capital advised the Receiver verbally and by e-mail correspondence on April 5, 2010 that X64102 had been bought out by FTI. However, Add Capital declined to facilitate the transfer of the MTO ownership to FTI by providing a copy of the sales invoice and a letter authorizing the Receiver to transfer ownership to FTI as required by the MTO. The Receiver has since obtained a copy of an invoice documenting the sale of X64102 by Add Capital to FTI and accepted delivery of the vehicle from the lessee. A copy of the Add Capital e-mail and invoice are attached hereto as Exhibit "H".
43. The Receiver respectfully requests that this Honourable Court grant an order to confirm that the Receiver is authorized to dispose of X64102 with title vesting in the purchaser as provided for in the March 23 Order.

Vehicles in the possession of Mander Trucklines Inc. ("Mander")

44. Included in the Lease Portfolio are 4 trailers under lease to Mander. All four of the trailers are registered with the MTO in FTI's name; however, only two of them are not subject to any non BMO registered security interests (the "Mander Vehicles") while two are subject to claims by Little Bros (the "LB Vehicles").
45. Mander continued to remit monthly lease payments on all four vehicles up to April 1, 2010. Commencing April 15, 2010, these payments stopped. As Mander has ceased to remit monthly lease payments, the Receiver has taken steps to enforce FTI's security against the Mander Vehicles pursuant to its rights under the lease agreement. The Receiver has issued notices pursuant to S.244 of the BIA, and Mander's counsel, Karan Singh Garewal ("Garewal"), has threatened to respond to any seizure with a lawsuit for trespass on property and damages for loss of business income.
46. The Receiver has been advised that one of the LB Vehicles was destroyed in an accident in 2008. Pursuant to the terms of the lease agreement between FTI and Mander, Mander is still obligated to make payments on the destroyed trailer. Mander maintains that it is not obligated to make monthly payments for the destroyed trailer and that any payments it has made in the past should be credited as payments on the other trailers. Garewal has indicated that a second trailer was involved in an accident but has not provided any details to allow the Receiver to identify what vehicle was involved.
47. The Receiver does not agree with the position taken by Mander and has asked Garewal to provide further detail and documentation to support Mander's claims and assertions.
48. The Receiver respectfully requests that this Honourable Court direct Mander to release the Mander Vehicles to the Receiver or to pay to the Receiver the unamortized balance owing on the Mander lease.

Vacating the Belleville Location

49. The Receiver has arranged for the removal of FKI's books and records required for the administration of the receivership including the accounting records for the years 2009 and 2010, and these records have been transferred to the Receiver's office. Books and records for prior years were left on site in the possession of Eric, who is an officer and director of FKI. In addition, the original electronic records were left on site as Eric had advised the Receiver that the computers did not belong to FKI but were the property of a related company.

50. During the period March 15 to 18, 2010, Ritchie took possession of the truck and trailer inventory located at the Belleville Location which was sold to them in the Ritchie Sale and transferred the vehicles to its Bolton, Ontario storage and auction site.

51. Upon the completion of the transfer of the vehicles, the Receiver was in a position to vacate the Belleville Location and Deloitte & Touche Inc. in its capacity as Receiver and Trustee of FKI disclaimed the lease effective March 18, 2010.

Disputed Vehicle Transfers

52. The Receiver has become aware of nine passenger vehicles that were registered in the name of FTI or FKI and were transferred to related parties or an employee between February 1 and 3, 2010, immediately prior to the date of receivership. A summary of these vehicles and their ownership history is set out below.

Vehicle	VIN	Current MTO Owner - Date Transferred	MTO History	Paragraph Reference
2002 BMW 530IA Sedan ("BMW")	WBADT63432CH86839	Kant Jain - Feb 2, 2010	FTI - April 18, 2002	54, 55
2004 Chrysler SLT Convertible ("Chrysler")	1C3EL6574N302891	Peter Landy - Feb 3, 2010	FTI - June 4, 2004	56
2004 Volvo V7F Station Wagon ("Volvo")	YV1SW59VX42364319	TruckDepot Expedite Inc. - Feb 2, 2010	FKI - Jan 23, 2008; Alumi-Bunk Corporation ("Alumi") - Oct 5, 2007	57
2005 Lexus R33 Utility ("Lexus")	2T2HA31U75C044668	Soniya Jain - Feb 2, 2010	FTI - Nov 4, 2004	58
2005 Mercedes ECD Sedan ("2005 Mercedes")	WDBUF26J05A745570	Rani Jain - Feb 2, 2010	FKI - Aug 18, 2009; Alumi - April 22, 2005	59
2006 Ford TSE Sedan ("Ford")	1FAFP53U86A147483	Peter Landy - Feb 3, 2010	FKI - Jan 23, 2008; Alumi - Nov 14, 2006	60
2007 Mercedes MC5 Sedan ("2007 Mercedes")	WDDDJ72X87A114629	Soniya Jain - Feb 3, 2010	FTI - July 24, 2007	61
1999 MercBenz ML320 4DR 4WD	4JGAB54E0XA110659	Usha, Rani Jain - Feb 2/10	FKI - Aug 19/09; Alumi - Jul 9/99	62
2007 Mercedes-Benz E320 Bluetec 4dr	WDBUF22X57B048595	Ritu Jain - Feb 1/10	FKI - Jan 29/08; also registered in US	62

53. An explanation for the transfers of the first seven vehicles was requested and received from Marc Koplowitz ("Koplowitz"), legal counsel for Chanderkant. However, the Receiver is not satisfied

that the transfers were appropriate in the circumstances. Attached hereto as Exhibit "T" is a copy of the correspondence between the Receiver and Koplowitz.

54. With respect to the BMW, the Receiver was advised that the vehicle was transferred to Chanderkant in 2002 and from that point on, remained owned by Chanderkant. This explanation does not appear to be consistent with information previously provided to the Receiver by Sulekh Jain (Chanderkant's father) as summarized below:

- Correspondence from FTI to Chanderkant dated April 20, 2002 in which FTI indicates that the BMW was purchased by FTI for Chanderkant in lieu of paying him a yearly bonus and commission for the years of 2002 to 2008 and that ownership would be transferred to Chanderkant on December 31, 2008.
- Correspondence from Chanderkant dated January 23, 2008 in which Chanderkant grants to Jain Truck Centers (FKI) the right to license and plate the BMW and asserts that he remains the true owner of the vehicle; however, according to the April 20, 2002 correspondence referenced above, ownership did not transfer to Chanderkant until December 31, 2008.

55. The BMW was in the possession of FKI's general manager who returned the vehicle to the Belleville Location. The Receiver took possession of the BMW and it is currently being stored at Ritchie's Bolton site.

56. With respect to the Chrysler, Koplowitz provided a copy of correspondence indicating that the vehicle was purchased for Peter Landy ("Landy") in lieu of salary for office management and commissions for the years 2004 to 2009, with ownership to be transferred on January 1, 2010. This transfer would appear to be made in consideration of services provided. If those services were provided and not paid for, Landy would be an unsecured creditor of FTI and the transfer of the vehicle to Landy at the time that FTI was insolvent would constitute a preference.

57. With respect to the Volvo, the Receiver has reviewed documentation which indicates that this vehicle was purchased by Alumi-Bunk, Inc. and was paid for by Alumi in June 2008, and that Jain Truck Centres was authorized by Alumi to license and plate the Volvo for insurance purposes only. No reason was given as to why the ownership was transferred to TDEX Inc. on February 2, 2010 if Alumi was the legal owner. The Receiver took possession of the Volvo

which was located at the Belleville Location, and it is currently being stored at Ritchie's Bolton site.

58. With respect to the Lexus, we have been advised that this vehicle was transferred to the shareholders, being Eric and/or Chanderkant, in 2005 but no explanation was given as to the reason for the transfer.
59. With respect to the 2005 Mercedes, Koplowitz has provided documentation which indicates that this vehicle was purchased by Alumi from WV Truck & Trailer Co., a related party, in April 2005. No explanation was given as to why the MTO ownership for the vehicle was transferred to FKI in August 2009.
60. With respect to the Ford, documentation was provided which indicates that this vehicle was purchased by Alumi-Bunk, Inc. and was paid for by Alumi in May 2006. No explanation has been given as to how this vehicle came to be transferred to FKI in January 2008 and to Landy on February 3, 2010.
61. With respect to the 2007 Mercedes, the Receiver was advised that this vehicle was purchased and transferred to the shareholders, being Eric and/or Chanderkant, in June 2007. No explanation was provided as to the reason for the transfer. The explanation that the ownership of the vehicle was transferred is inconsistent with a chattel mortgage between FTI and BMO signed on June 21, 2007 whereby the vehicle was mortgaged and assigned to BMO by FTI. The indenture provides that "*the mortgagor is the sole owner of the property and there are no liens, mortgages, charges or other encumbrances thereon*". Attached hereto as Exhibit "J" is a copy of the indenture/chattel mortgage.
62. On June 22, 2010, the Receiver became aware of two additional vehicles, a 1999 Mercedes and a Mercedes E320, that were also transferred to related parties immediately prior to the receivership. The Receiver has since made enquiries of Koplowitz and is awaiting a response.
63. The foregoing nine vehicles were all insured under FKI's commercial automobile policy which covers vehicles used for the business or used to commute to the business and must be registered in the name of the business.
64. Given the dates of the transfers, the fact that they were made when FTI and FKI were insolvent, the inconsistencies in the explanations provided, the lack of supporting documentation, and the

fact that there is no evidence of consideration or adequate consideration having been paid, the Receiver is of the opinion that the transfers are transactions to which Section 96 of the BIA applies.

65. Just before the publication of this report, the Receiver received additional information from Koplowitz. The Receiver is in the process of reviewing and verifying the information and may make a recommendation to the Court once we have completed our review.

Trade Accounts Receivable - FKI

66. As at June 30, 2010, the Receiver has collected approximately \$106,000 of trade accounts receivable owed to FKI. The remaining outstanding accounts include \$48,931 owed by two related parties, TDEX and TD.com, \$33,230 owed by Freight Trans Ltd. ("Freight Trans"), and approximately \$20,000 in third party receivables. All outstanding accounts have been turned over to a collection agency for collection. At this time, it is uncertain how much of the remaining third party receivables will be collected.

Trade Accounts Receivable - FTI

67. As at June 30, 2010, the Receiver has collected \$127,911 in trade accounts receivable owed to FTI. These collections consist primarily of monthly lease payments and lease buyouts at the maturity of the lease with respect to vehicles included in the Lease Portfolio. Past due accounts totalling approximately \$568,000 were sent to a collection agency for collection at the end of April. At this time, it is uncertain how much of the past due accounts will ultimately be collected.
68. Included in the \$127,911 collected by the Receiver are lease payments totalling \$47,120 with respect to 10 vehicles which are currently leased to third parties where the vehicles are also subject to competing claims by secured creditors. The secured creditors appear to have initially leased the vehicles to FTI or another party, then the vehicle was "re-leased" by FTI to third party lessees and included in the Lease Portfolio.
- Three of the vehicles are subject to a lease agreement between the secured creditor and FTI or FTI/FKI and a related party co-lessee (the "FTI Leases");
 - Seven of the vehicles are subject to a lease agreement between the secured creditor and TDEX, TD.com, Freight Trans, or another third party (the "Third Party Leases").

These vehicles were later transferred by TDX, TD.com, Freight Trans, or another third party lessee, to FTI before being "re-leased".

69. Landmark or Ross Wemp Leasing is the registered MTO owner for 3 of the 10 vehicles, while FTI is the registered MTO owner for the other 7 vehicles.
70. In each instance the third party lessee has a lease with FTI on which it is making payment, but has no contractual relationship with the secured creditor. FTI or FKI may have a contractual obligation to the secured creditor, but have no funds available to pay these commitments.
71. It is the Receiver's position that the payments made on these "re-leased" vehicles by the third party lessees constitute the collection of an account receivable of FTI, on which BMO would hold the first secured interest. None of the receipts arise from any dealing with the vehicles by the Receiver or any disposition of any of the vehicles. Accordingly, the Receiver respectfully requests that this Honourable Court grant an order which confirms the Receiver's position that the \$47,120 in payments received by the Receiver be deemed collection of a trade receivable and form part of the proceeds of the Receiver's administration.

GTIB –Trust Account Review

72. In the First Report, the Receiver reported that GTIB had been altering its trust account bank statements in order to conceal the transfer of funds from GTIB's trust account to GTIB's general account as well as to bank accounts in the names of the Companies or to companies related to the Companies. The Receiver has completed its reconciliation of GTIB's trust account and has determined that as at February 4, 2010 payments totaling \$59,187 are owed to 4 different parties as set out below.

Markel	\$30,008
Nordique Insurance Company ("Nordique")	13,879
Adco Logistics	15,000
Transway Logistics	<u>300</u>
Total	<u>\$59,187</u>

73. In the Second Report, the Receiver reported that it had discovered that a cheque payable to GTIB from Markel Insurance Company of Canada in the amount of \$5,409 (the "Markel Cheque") had been endorsed by Hilbert and deposited by TDEX to their account, at the Bank of Nova Scotia ("BNS"). BNS has repaid the subject funds to the Receiver and, at the request of the Receiver, has conducted a review of all deposits made to TDEX's Canadian and US dollar accounts for the

period November 1, 2009 to March 5, 2010. BNS has reported that no further irregularities have been found.

74. The activity in GTIB's trust account included the transfer of trust funds to GTIB's operating account from which funds were subsequently disbursed to fund the operations of FTI and FKI. Receipts in GTIB's trust account included the deposit of cheques from FTI, FKI or GTIB's operating account to repay these funds. Based on the Receiver's review of the activity in GTIB's trust account, except for two deposits made on January 21, 2010 and March 10, 2010 in the amounts of \$4,586 and \$5,713 (the "Trust Funds") the remaining balance cannot be specifically attributed to any one of the four creditors set out above due to the comingling of the funds in question, since the receipt of the funds returned by related entities could not be attributed to any particular insurance premium receipt of GTIB. As at the date of this report, the Receiver is in possession of \$28,542 in respect of insurance-related funds, a breakdown of which is set out below.

Funds in GTIB's trust account as at March 10, 2010	\$23,133
Add: Markel Cheque	<u>5,409</u>
Total funds currently held by Receiver	<u>\$28,542</u>
Trust Funds	\$10,299
Comingled funds	<u>18,243</u>
Total Funds currently held by Receiver	<u>\$28,542</u>

75. The Receiver requests that this Honourable Court direct that the amount of \$10,299 be paid to the intended beneficiary of the trust or returned to the depositor, and that the remaining balance of \$18,243 be treated as general funds of the estate as they no longer represent trust funds.

Property of 210

76. As noted in the First Report, in December 2009, 210 consented to an Order for possession of the property owned by 210 in Kingston, Ontario, to Comerica Bank as part of a global settlement of litigation between Comerica and 210, 618, FKI, FTI, Alumi, the Landlord and other related parties. Accordingly the Receiver did not take possession of this property. 210 had no other assets for the Receiver to realize upon.

Review of Intercompany Cash Activity

77. The Receiver has completed its preliminary analysis of the sources and uses of funds by the Companies for the period July 2009 to January 2010. A review of the Companies' bank activity for this period indicates that the net cash outflow for the period was \$2.6 million. Attached hereto as Exhibit "K" is a summary of the total cash (inflows) outflows.
78. There was a net cash outflow from the Companies to related parties of approximately \$3.0 million. The Receiver located very little information in the Companies' records to indicate what these transfers were for. The greatest beneficiaries of these cash outflows were TDEX, which received a total of \$2.1 million and TD.com which received approximately \$326,000. Attached hereto as Exhibit "L" is a summary of the cash (inflows) outflows to related parties.
79. Operating expenses appear to total \$5.6 million for the period, with lease payments accounting for approximately \$942,000. The Receiver has not undertaken a more detailed review to verify the reasonableness or appropriateness of the expenses paid. Attached hereto as Exhibit "M" is a summary of the cash (inflows) outflows in respect of operating revenues and expenses.
80. On June 3, 2010, the Receiver sent correspondence to several of the related parties to request that they reimburse the Debtors for the cash advances received, or, alternatively, provide an explanation to support why they are entitled to retain the advances. To date, only two of the related parties have responded to the Receiver's requests. Attached hereto as Exhibit "N" is a copy of the Receiver's correspondence and the responses received to date.
81. The Receiver has very little or no information to support the advances to the related parties or whether any of the related parties have the financial means to repay the advances. The Receiver respectfully requests that this Honourable Court direct the related parties to provide the Receiver with proper documentation to support the advances they have received within 10 days of such an order being issued.

IV. Sales Process

FTI and FKI Truck and Trailer Inventory

82. As provided for in the March 23 Order, the Ritchie Sale closed on April 8, 2010.
83. The vehicles included in the Ritchie Sale were sold at auction on May 11 and 12 from Ritchie's auction site in Bolton. The net auction proceeds were \$380,202, of which approximately

\$134,000 or 35% are subject to competing claims by secured creditors and approximately \$10,000 are subject to potential RSLA claims.

84. In addition, twenty-seven vehicles were repossessed from lessees whose accounts were in arrears and were sold by the Receiver in the Ritchie May 11-12 auction. The net auction proceeds were \$299,597.
85. The Receiver is still in the process of investigating, locating and/or repossessing other vehicles registered to FTI or FKI. Four additional vehicles were repossessed and sold at Ritchie auctions in Putnam on June 15, 2010 and in Bolton on July 6, 2010.

618 – Tomken Property

86. The February 26 Order approved the sales process to be followed by the Receiver to sell the Tomken Property.
87. The March 23 Order approved a listing price of not less than \$3.5 million for the Tomken Property.
88. On March 26, 2010, the Receiver listed the Tomken Property for sale with Royal LePage Innovators Realty (“**Royal LePage**”) for \$3.5 million.
89. The Receiver received four offers on the Tomken Property from potential purchasers (the “**Offerors**”), all of whom had required a period of time to perform environmental and/or geotechnical testing of the site.
90. Since none of the offers received by the Receiver contained all of the terms and conditions that the Receiver was prepared to recommend to this Honourable Court for approval, the Receiver provided each of the Offerors with a standard form of agreement of purchase and sale to be re-submitted to the Receiver.
91. In addition to asking the Offerors to re-submit their offers in a standard form, the Receiver also requested that they consider increasing the amount of their initial offers.
92. Concurrent with its request to the Offerors to re-submit their offers, the Receiver also re-canvassed the market for additional potential purchasers and amended the listing agreement on the Tomken Property to increase the listing price from \$3.5 million to \$4.5 million.
93. On April 16, 2010, the Receiver received revised offers from the Offerors and, having not received any offers from any new potential purchasers, entered into an Agreement of Purchase and Sale with 1199812 Ontario Ltd. (“**119**”) based on the fact that the 119 offer was the highest offer received and required the shortest due diligence period of the four offers received.
94. On May 3, 2010, 119 advised the Receiver that it was terminating the Agreement of Purchase and Sale.

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95. As a result of 119 terminating their offer, the Receiver approached the remaining three Offerors with a request for them to again re-submit offers for the Tomken Property.
 96. On May 11, 2010, the Receiver entered into an Agreement of Purchase and Sale with 678604 Ontario Inc. ("678") for the Tomken Property subject to a 45 day due diligence period.
 97. On June 24, 2010, 678 advised the Receiver that it was terminating the Agreement of Purchase and Sale as a result of alleged geotechnical issues discovered during their due diligence.
 98. As a result of two failed attempts at closing a sale of the Tomken Property due to alleged adverse findings by potential purchasers, Royal LePage has recommended that the current MLS listing be suspended and that a soil engineer be engaged to conduct a comprehensive review to determine the nature and extent of any soil issues. Once such a determination has been made, the property should be re-listed at an appropriate price.
 99. The Receiver agrees with Royal LePage's recommendations and respectfully requests that this Honourable Court authorize the Receiver to proceed as recommended by Royal LePage.

V. Receiver's Interim Statement of Receipts & Disbursements

100. Attached hereto as Exhibit "O" is a statement of the Receiver's cash receipts and disbursements for the period February 4 to June 30, 2010 which indicates a surplus of receipts over disbursements of \$848,924. Since its appointment, the Receiver has collected total cash receipts of \$1,384,607 and has made \$535,682 of disbursements. Receipts include \$786,690 from the sale of vehicles and \$239,064 from the collection of accounts receivable. In addition, a Receiver's certificate in the amount of \$250,000 was issued to BMO on February 12, 2010 and has not yet been repaid.

VI. Conclusion

101. The Receiver respectfully requests that this Honourable Court grant an Order which provides for the following:
 - a) Approval of the activities of the Receiver from March 16, 2010 to date;
 - b) Approval of the Receiver's proposed scheme of distribution, or such other direction as this Honourable Court may see fit, with respect to the funds in GTIB's trust account;
 - c) Release of the three vehicles held by Quantum under a possessory lien under the RSLA;
 - d) Release of the one vehicle held by Pacific under a possessory lien under the RSLA;
 - e) Transfer of title from Add Capital to FTI of the 2007 Freightliner, X64102;

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- f) Release of the Mander Vehicles to the Receiver or alternatively an Order directing Mander to pay to the Receiver the amount of the unamortized balance owing in respect of the subject leases;
 - g) Requiring the related parties to deliver to the Receiver proper documentation to support the cash advances they have received from the Companies within 10 days of such an order being issued;
 - h) Approval of the Receiver's treatment of amounts collected in respect of leased vehicles where ownership to those vehicles are subject to possible conflicting security interests;
 - i) Approval for the Receiver to proceed as recommended herein in respect of the Tomken Property; and
 - j) Approval of the Receiver's Interim Statement of Receipts & Disbursements for the period February 4 to June 30, 2010.

All of the foregoing is respectfully submitted to this Honourable Court as of this 9th day of July, 2010.

Deloitte & Touche Inc.

In its capacity as Court-appointed Receiver of
Financial Transport Inc., Freightliner of Kingston Inc.,
6181732 Canada Inc., Global Transport Insurance Brokers Inc.,
Jain Truck Lease Ltd. and 2105810 Ontario Inc.
and not in its personal capacity



Robert J. Bougie, CA • CIRP
Senior Vice-President

EXHIBIT A – RECEIVERSHIP ORDER



Court File No. CV-10-8556-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) THURSDAY, THE 4th DAY
)
JUSTICE CAMERON) OF FEBRUARY, 2010

BETWEEN:

BANK OF MONTREAL

Applicant


- and -

FINANCIAL TRANSPORT INC., FREIGHTLINER OF KINGSTON INC.,
6181732 CANADA INC., GLOBAL TRANSPORT INSURANCE BROKERS INC.,
JAIN TRUCK LEASE LTD. and 2105810 ONTARIO INC.

Respondents

APPLICATION UNDER Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3,
and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

ORDER

THIS APPLICATION, made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O 1990 c. C.43, as amended (the "CJA") appointing Deloitte & Touche Inc. as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of the Respondents acquired for, or used in relation to a business carried on by the Debtors (the "Debtors") was heard this day at 330 University Avenue, Toronto, Ontario. *Respondents* 

the Report of Deloitte & Touche Inc. dated February 4, 2010
Business Development Bank of Canada
the Respondents
the affidavit of Chandrakant Jain sworn January 29, 2010

ON READING the affidavit of Ian Leggett sworn January 27, 2010 and the Exhibits thereto, and on hearing the submissions of counsel for the Applicant, Corporation Alter Moneta / Alter Moneta Corporation and CIT Financial Ltd., ~~no one appearing for the Respondents, although duly served as appears from the affidavits of service of Neil Haigh sworn January 28, 2010, and on the consent of the Applicant and the Respondents,~~

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, Deloitte & Touche Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby

conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

(k) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

(m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (q) to make an assignment in bankruptcy on behalf of any or all of the Debtors;
- (r) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (s) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (t) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

10. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

11. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current

telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

12. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

13. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

14. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to

whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

16. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order

shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

17. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

18. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

20. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$250,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**")

as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

22. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

23. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

GENERAL

24. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

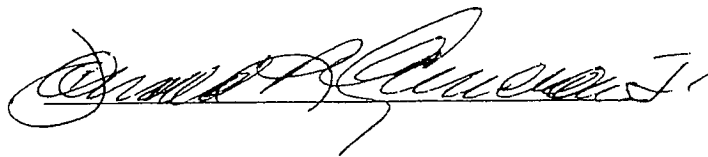
25. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

26. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

27. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

28. THIS COURT ORDERS that the Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtors' estate with such priority and at such time as this Court may determine.

29. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO.
LE / DANS LE REGISTRE NO.:

FEB 04 2010

PER / PAR: *JSN* Joanne Nicoara
Registrar, Superior Court of Justice

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Deloitte & Touche Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties of [DEBTORS' NAME] acquired for, or used in relation to a business carried on by the debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 1st day of February, 2010 (the "**Order**") made in an action having Court file number CV-10-8556-00CL, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20 .

Deloitte & Touche LLP, solely in its capacity
as Receiver of the Property (as defined in the
Order), and not in its personal capacity

Per: _____

Name:

Title:

BANK OF MONTREAL
Applicant

and

FINANCIAL TRANSPORT INC., et al.
Respondent

Court File No. CV-10-8556-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at TORONTO

ORDER

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Tel: (416) 218-1147
Fax: (416) 218-1847

Lawyers for the Applicant

**EXHIBIT B – FIRST REPORT OF THE RECEIVER DATED
FEBRUARY 23, 2010**

Court File No. CV-10-8556-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
IN BANKRUPTCY AND INSOLVENCY

BANK OF MONTREAL

Applicant

- and -

FINANCIAL TRANSPORT INC., FREIGHTLINER OF KINGSTON INC.,
6181732 CANADA INC., GLOBAL TRANSPORT INSURANCE BROKERS INC.,
JAIN TRUCK LEASE LTD. and 2105810 ONTARIO INC.

Respondents

FIRST REPORT OF THE RECEIVER

February 23, 2010

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I. Introduction

1. By Order of the Honourable Mr. Justice Cameron dated February 4, 2010 (the "Receivership Order"), Deloitte & Touche Inc. was appointed receiver (the "Receiver"), without security, of all of the assets, undertakings and properties of the Respondents acquired for, or used in relation to a business carried on by the Respondents (the "Companies") including all proceeds thereof pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act* ("BIA") and Section 101 of the *Courts of Justice Act*. A copy of the Receivership Order is attached hereto as Exhibit "A".
2. The Receiver considers it advisable to inform this Honourable Court as to the status of matters since its appointment as Receiver; to seek approval of its activities to date; and to seek approval of the proposed marketing and sales process to be conducted by the Receiver to solicit offers for the sale of all or part of the assets, businesses and undertakings of the Companies.
3. There are six related respondents in this matter, namely:
 - Financial Transport Inc. ("FTI")
 - Freightliner of Kingston Inc. ("FKI")
 - 6181732 Canada Inc. ("618")
 - Global Transport Insurance Brokers Inc. ("GTIB")
 - Jain Truck Lease Ltd. ("JTL")
 - 2105810 Ontario Inc. ("210")

II. Background to Receivership

4. FTI is an Ontario corporation incorporated in 1995 that provides lease financing and sells new and used transport vehicles to operators in Canada and the United States. FTI operates from premises located at 7280 Dixie Road, Mississauga, Ontario (the "Dixie Location") which it leases from a related company and shares with other related companies. FTI is wholly owned by 6145086 Canada Inc., which itself is owned in equal shares by Eric Jain ("Eric") and Chanderkant Jain ("Chanderkant"), who are brothers.

5. FKI is an Ontario corporation and operates Jain Truck Centres from leased premises located at 21 Enterprise Drive, Belleville, Ontario (the "**Belleville Location**"). The Belleville Location is owned by a related company. FKI was a retail dealer of Freightliner brand trucks and trailers as well as a service centre offering service and parts sales. FKI's franchise agreement with Freightliner was terminated by Freightliner at the beginning of January 2010. FKI is owned by Eric (20%) and Chanderkant (80%).
6. 618 is a federally incorporated company incorporated in 2004, originally for the purpose of holding title to a commercial property located at 4298 Tomken Road, Mississauga, Ontario (the "**Tomken Property**"). 618's office is located at the Dixie Location. 618 is owned in equal shares by Eric and Chanderkant. The Tomken Property was developed for use as a parking facility for tractor trailers. To date, 618 has been unable to obtain the required rezoning to allow the property to be rented for parking lot purposes.
7. GTIB is an Ontario corporation incorporated in 2004 as an independent insurance brokerage for companies in the trucking industry who operate within Ontario. GTIB operates from premises leased from a third party located at 1215 Meyerside Drive, Mississauga, Ontario (the "**Meyerside Location**"). Robert Hilbert ("**Hilbert**"), GTIB's Managing Partner, started GTIB in 2005 with the assistance of a loan from Chanderkant. Global's shares are owned by Soniya Jain, the spouse of Chanderkant.
8. JTL is an Ontario corporation that was incorporated in 2007. JTL is in the business of maintaining vehicles and also rents trailers which it does through related and third party leasing companies. JTL was formerly located in Belleville, Ontario with one person managing the operations. The business was transferred to the Dixie Location some time in 2008.
9. 210 is an Ontario corporation and is the owner of a rental property located at 29 Dalton Road, Kingston, Ontario which was previously occupied by FKI. 210's office is located at the Dixie Location.
10. The Bank of Montreal (the "**Bank**") is a secured creditor and lender to all of the Companies except JTL and 210 who have business chequing accounts but no loan accounts or credit facilities with the Bank.
11. The Bank recently became concerned that the Companies have been engaging in a practice known as cheque kiting between the accounts of the various Companies. In January 2010 the Bank began returning cheques and ceased to permit further withdrawals from the Companies' accounts. As a result of charge backs resulting from this activity, the operating loans of FTI, FKI,

618 and GTIB and unauthorized overdrafts in the accounts of JTL and 210 exceeded the Companies' collective approved credit limits by approximately \$2 million.

12. On February 1, 2010, the Bank made an application for the appointment of a receiver over the Companies due to its concern that the Companies were depositing funds in accounts held at other financial institutions and thereby dissipating the Bank's security.
13. On February 1, 2010, the Companies sought an adjournment of the Bank's motion to appoint a receiver in light of the short notice and a perceived need to cross examine. A two day adjournment was granted by the Honourable Madame Justice Pepall with several conditions, including that Deloitte & Touche Inc. be appointed as a monitor (the "Monitor") on an interim basis to monitor the affairs of the Companies and their receipts and disbursements (the "Initial Order"). A copy of the Initial Order is attached hereto as Exhibit "B".
14. Upon its appointment, the Monitor attended at the offices of the Companies at the Dixie, Belleville and Meyerside locations to commence its duties under the Initial Order.
15. On February 4, 2010, upon the filing of the Monitor's report, a copy of which is attached hereto as Exhibit "C", the Companies consented to the appointment of the Receiver.

III. Receiver's Activities to Date

THE DIXIE ROAD LOCATION

Possession and Control (FTI, JTL, 210 and 618)

16. Upon its appointment on February 4, 2010, the Receiver attended at the Dixie Location to take possession and control of the property of FTI, JTL, 210 and 618. Management advised that the Dixie Location was also occupied by several related party tenants, including companies who were not subject to the Receivership Order. Office space and resources were shared with the other related companies including Alumi-Bunk Corporation ("Alumi"), 1354198 Ontario Inc. (the "Landlord"), and The TruckDepot.com Inc. The Receiver arranged for the changing of the exterior locks. Copies of the new keys were provided to the other tenants as well as to the Landlord. The Receiver arranged for a room at the Dixie Location to be set aside for the Receiver's exclusive use and a lock was installed on the door in order to secure the books and records required by the Receiver.

17. The Receiver arranged for the back-up of the electronic records stored on the computers at the Dixie Location pertaining to FTI, JTL, 210 and 618. The computers used by FTI's employees were not exclusively used by FTI, JTL, 210 or 618 but contained data relating to non-respondent companies. As a result, the Receiver was only permitted to take copies of selected data files.
18. The Receiver has made arrangements to install the accounting software used by FTI, JTL, 210 and 618 on its own computer, in order to allow it to access financial information relevant to its administration of the receivership.

A - FINANCIAL TRANSPORT INC.

FTI Employees

19. FTI had five employees on its payroll who also provided service to related companies. JTL, 210 and 618 do not have any employees. The five employees were terminated as a result of the receivership.
20. The Receiver engaged three of the former employees of FTI on a temporary basis to assist the Receiver with its administration including the preparation of statutory returns, updating of accounting records and to provide other financial information. Two of the employees have since decided not to work for the Receiver and the third has not been able to work due to maternity leave.
21. Records of employment were prepared and provided to Service Canada for FTI's terminated employees.

FTI Fixed Assets and Equipment

22. Management has advised that the office furniture and equipment at the Dixie Location do not belong to FTI and was on site when FTI moved in. The furniture does not appear to be new or of significant value. Given the shared use of the premises by all tenants, the apparent insignificant value of the assets in question and the fact that FTI does not maintain a fixed asset listing, it would be difficult and of little benefit to the receivership for the Receiver to expend time and resources to determine ownership.

FTI Inventory of Vehicles

23. The Receiver was advised by Management that all vehicles belonging to FTI were parked within the fenced parking lot located immediately to the south of the Dixie Location building owned by

the Landlord (the "Lot"). Management further advised that vehicles belonging to related companies and third parties were also parked in the Lot. Upon its appointment, the Receiver replaced the padlocks on the gates into the Lot, removed the keys from the ignitions of the trucks, locked the doors of the trucks, and secured the keys.

24. The Receiver conducted an inventory count of the tractors and trailers located in the Lot to identify vehicles belonging to the Companies and those belonging to third parties.
25. A number of vehicles in the Lot were identified as belonging to third parties through a Ministry of Transportation ("MTO") Vehicle Identification Number ("VIN") search. The Receiver has contacted these parties to notify them of the receivership and to advise them that the Receiver does not make any claim to or take any responsibility for the vehicles that they have parked in the Lot and will be returning the keys to the Landlord.
26. A total of 41 vehicles in the Lot were identified as being owned by FTI or FKI. A review of the Personal Property Registration System ("PPSA") reports for FTI and FKI indicates registrations against 9 of these vehicles. The Receiver is in the process of verifying the ownership of the 41 vehicles and has contacted the registrants on the PPSA reports to request copies of documentation to support their possible secured interest.
27. The Receiver obtained an MTO report listing the vehicles currently registered as being owned by FTI. The Receiver compared the MTO listing to the inventory of vehicles physically located on site at the Dixie Location and Belleville Location, and the vehicles listed as being on lease from FTI's lease portfolio. Based on this analysis, there would appear to be a total of 129 vehicles on the MTO listing that have not been accounted for. The Receiver has contacted Chanderkant to request an explanation/reconciliation for this discrepancy but to date has not received a reply.
28. FTI's balance sheet shows an inventory account with a balance of approximately \$1 million comprised of twenty tractors/trailers (the "Inventory Account"). FTI's CFO has advised that the Inventory Account is for any vehicle that was initially purchased for resale or for lease, and that had not yet been sold or leased. The Receiver has not identified any of the vehicles listed in the Inventory Account as being a vehicle that is either currently under lease or a vehicle that is located in the Lot. The Receiver has contacted Chanderkant to request details as to the current location of the vehicles in the Inventory Account and to obtain the corresponding ownership papers. To date, the Receiver has not received a response from Chanderkant.

FTI Accounts Receivable – Lease Portfolio

29. The Receiver obtained from Management a copy of the most current listing of FTI's lease portfolio (the "FTI Portfolio") dated December 31, 2009. The December listing indicated that FTI had 175 vehicles on lease on terms ranging from 6 to 72 months, and that the value of the future monthly lease payments was \$8.5 million.
30. After updating the FTI Portfolio for vehicles that had come off lease, the Receiver has determined that there may only be 151 vehicles on lease, and that the value of the future monthly lease payments would be approximately \$7.3 million. The \$7.3 million includes \$2.2 million in lease payments receivable from five lessees who appear to be related to the Companies.
31. Several monthly lease payments are made by means of pre-authorized electronic fund transfers ("EFT") processed by FTI. It should be noted that in the period February 1 to 19, 2010, FTI processed \$109,027 in EFT of which \$79,615 or 73% was charged back by the customer for reasons of either STOP PAYMENT or NSF.
32. As at February 9, 2010, FTI's accounts receivable sub-ledger had an outstanding balance of \$908,227, of which 35% was over 90 days old. Management has advised that the majority of the accounts receivable are comprised of overdue lease payments.
33. The Receiver is in the process of updating the FTI Portfolio for lease payments made in January and February 2010, and will be taking steps to collect outstanding lease payments and/or repossess any vehicles where the account remains unpaid.
34. The Receiver has contacted the creditors who have registered a security interest against a vehicle in FTI's Portfolio to request copies of their security. The Receiver will be confirming the nature and validity of their security.

FTI Insurance

35. FTI did not maintain insurance coverage on the Dixie Location or for the trucks and trailers located in the Lot. The Receiver has arranged for property insurance coverage for the vehicles and for liability insurance coverage.

FTI Priority Payables

36. FTI's books and records indicate that FTI is in a GST refund position while the PST payable is \$2,400. The Receiver has not yet confirmed these amounts and notes that FTI's accounting records do not appear to be accurate or complete.

-
37. The Receiver estimates that \$19,000 is owing to FTT's five employees for wage arrears and vacation pay and that payroll deductions totalling \$12,000 have not been remitted to Canada Revenue Agency for the months of December 2009, and January and February 2010. The Receiver will be addressing the requirements under the Wage Earner Protection Act ("WEPP") shortly.

B – FREIGHTLINER OF KINGSTON INC.

FKI - Possession and Control

38. On February 4, 2010, the Receiver took possession of FKI's premises and related assets. In order to safeguard the assets, the Receiver contacted locksmiths to change all locks on the premises and also notified the security monitoring company to change the access codes and update the emergency call list.
39. The Receiver backed-up all information that was on FKI's computer server, obtained the access codes and passwords, and cancelled all external authorized access to the server.
40. A count of all vehicles located on site had been taken by the Monitor prior to the appointment of the Receiver.
41. The Receiver has undertaken the following additional activities since its appointment:
- a) Engaged the former accounting staff to bring the accounting records up to date including accounts receivable, accounts payable, payroll, GST and inventory;
 - b) Catalogued and taken possession of all books and records located at the Belleville Location and transferred all required books and records to the Receiver's office in Ottawa;
 - c) Performed a full count of the parts inventory;
 - d) Contacted the Receiver's insurance provider to arrange for insurance coverage. FKI did not have property or liability insurance, and had not paid the monthly premium due on its garage policy;
 - e) Identified any potential assets belonging to third parties and requested their removal from the premises; and
 - f) Arranged for the removal of oil and waste from containers located on site that was used in the normal operations of the business. The Receiver notes that this was a normal service provided to FKI and no environmental issues were noted at this time.
42. The Receiver was informed by a third party of their interest in acquiring the property and of their discussions with the owner of the property. It was noted that the potential purchaser had made an offer for the land and building as well as for the furniture and certain equipment. The potential purchaser advised that their offer to purchase the furniture and equipment had been made to

Alumi. At this time, the Receiver has requested that Chanderkant provide documentation to confirm that the office equipment and furniture at the Belleville Location belong to Alumi.

FKI Employees

43. Upon its appointment, the Receiver notified all employees of the receivership and of their termination of employment.
44. As referred to earlier, the Receiver retained the services of FKI's former general manager, controller and administrative staff to assist in updating accounting records, issuing Records of Employment and T4s to former employees, finalizing GST returns, and compiling information required to comply with the WEPP.
45. The Receiver retained the services of two former service and parts staff to facilitate the completion of the inventory count.
46. The Receiver has issued notice to former employees of their rights and responsibilities under WEPP.

FKI Accounts Receivable

47. According to the financial records of FKI, the accounts receivable had a book value of \$219,360.68 as at February 4, 2010. The total amount that was greater than 60 days was \$97,214. In addition, the accounts receivable balance included \$42,314.79 of related party receivables.
48. Since the date of its appointment, the Receiver has collected \$33,700.51 of accounts receivable. The remaining balance of approximately \$143,000 (excluding related party amounts and collections to date) has an estimated realizable value of approximately \$50,000. The Receiver has sent statements and made phone calls to all customers with outstanding receivables. The former controller will be paid on a commission basis to assist in the ongoing collection of receivables.

FKI Parts Inventory

49. Based on the inventory count conducted by the Receiver, the parts inventory has a book value of approximately \$149,000 of which approximately \$90,000 is believed to be obsolete based on discussions with former FKI parts and service staff. The majority of this inventory consists of service parts, which are individually insignificant in value.
50. In addition, the Receiver was informed that two trailers containing parts inventory and other items belonging to FKI were removed from the Belleville Location on January 29, 2010, prior to the receivership. The Receiver contacted Chanderkant and Eric on February 6, 2010 to request that property belonging to FKI be returned. On February 16, 2010, the trailers were returned to the Belleville Location. Based on discussions with FKI's former service manager, it does not

appear that the goods that were returned on February 16, 2010 represent all of the items that were removed on January 29, 2010. The Receiver is following up this discrepancy with Chanderkant and Eric.

51. The Receiver has requested appraisals for the parts inventory, shop tools and equipment from three appraisers and expects to receive these offers during the week of February 22, 2010.

FKI Belleville Vehicles

52. Located at the Belleville Location were various trailers, trucks, snow plows and small cargo vans. Many of the vehicles (trucks and trailers) do not appear to be in drivable condition.
53. Based on the Receiver's count, there were a total of thirty vehicles. Three of the vehicles on site did not belong to FKI. The Receiver has contacted the respective owners and requested that they remove their vehicles from the Belleville Location.
54. As FKI's records did not appear to be properly maintained, the Receiver performed a VIN search through MTO in order to identify all vehicles registered to FKI. Based on the search, the Receiver identified a total of 48 vehicles (tractors and trailers) which were missing from the records of FKI. The Receiver has contacted Chanderkant to request an explanation/reconciliation for this discrepancy. To date, the Receiver has not received a reply to its enquiry.
55. The Receiver has invited three appraisers to submit offers to purchase the vehicles and expects to receive the offers during the week of February 22, 2010.
56. The Receiver noted that the ownership of a vehicle (2002 BMW 520i) that had been registered in the name of FKI was transferred to Chanderkant on February 2, 2010. This vehicle was in the possession of FKI's general manager. The general manager has returned the vehicle to the Belleville Location and it remains in possession of the Receiver at this time.
57. The Receiver has been advised by Freightliner that there were six Freightliner tractors purchased by FKI over the last year that had not been paid for. Five of these have been sold and one remains unsold and is in the possession of a Freightliner dealer in St. Catharines, Ontario. A VIN search has revealed that this tractor has not yet been registered with the MTO. The Receiver has contacted Freightliner to inquire whether it has any security interest against the one remaining tractor.

FKI Priority Payables

58. FKI's GST payable for December 2009 was approximately \$2,337 and for January 2010 was approximately \$19,000. The PST payable for January 2010 is approximately \$18,000. All amounts remain outstanding. The amounts owing for GST and PST for the month of January are a result of the sale of two tractors during the month of September 2009 which were not recorded by FKI until January 2010.

59. FKI used a third party provider for its payroll services. All payroll remittances to Canada Revenue Agency have been made by the payroll provider. Total wage arrears at the time of the receivership were approximately \$10,700 and outstanding vacation pay was \$31,000.

C- 6181732 CANADA INC.

60. 618's balance sheet shows two assets as at December 31, 2009: accounts receivable of \$47,608 and the Tomken Property with a book value of \$4.6 million.
61. The Receiver has been advised that the accounts receivable consists of property tax refunds due from the City of Mississauga.
62. The Tomken Property is a 9.25 acre site which was purchased in 2005 for \$2,685,000. Approximately 75% of the site has been upgraded for truck parking. Management has advised that due to zoning issues, 618 has not been able to rent the site for truck parking, and the site is currently unoccupied. The Tomken Property is currently vacant land zoned as "D" -- Development which does not permit the erection of new buildings or structures. An application was commenced in March 2006 to have the site rezoned; however, to date, the rezoning has not been obtained.
63. As part of the Global Settlement (discussed later herein), the Bank paid approximately \$2 million to Comerica, resulting in Comerica discharging its first mortgage on the Tomken Property in favour of the Bank. The Bank now holds a first mortgage on the Tomken Property in the amount of \$3,675,000.
64. 618 had arranged for liability coverage for the Tomken Property but had failed to remit the annual premium. The Receiver has since paid the outstanding premium and arranged for the Receiver to be added as named insured and loss payee.

D – GLOBAL TRANSPORT INSURANCE BROKERS INC.

GTIB Possession and Control

65. Upon its appointment, the Receiver attended at GTIB's head office in order to secure the assets located therein. The Receiver was met by Hilbert, who advised that the only employee of GTIB was asked by him to go home for the day. Hilbert further advised that the books and records of GTIB were located at its external accountant's offices and that no books and records relating to the accounts of GTIB were on site; however, copies of customer policies were located on-site.

-
66. The Receiver changed the locks to the premises and obtained electronic copies of GTIB's computer hard drives and server.
 67. The Receiver engaged GTIB's sole employee on a temporary basis to ensure that existing customers of GTIB were appropriately serviced and to aid with the administration of the receivership.
 68. On February 5, 2010, the Receiver contacted the offices of Robert E. Loudon, C.A., GTIB's external accountant (the "External Accountant"), in order to take possession of GTIB's books and records. The Receiver attended at the offices of the External Accountant on February 8, 2010 and was provided with GTIB's books and records for the period January 2009 to November 2009. The External Accountant confirmed that no records for the months of December 2009 and January 2010 were provided to him by Hilbert.
 69. The Receiver convened a conference call with representatives of the Registered Insurance Brokers of Ontario ("RIBO") to discuss the nature and purpose of the receivership proceedings, advise that the GTIB employee retained by the Receiver was scheduled to go on vacation during the week of February 22, 2010 and to obtain RIBO's advice regarding the manner in which to proceed to ensure that GTIB's customers were serviced appropriately.
 70. RIBO advised the Receiver to contact each insurance company dealing with GTIB to determine whether they would deal directly with GTIB's customers and/or facilitate the transfer of GTIB's customers' accounts to another approved broker. GTIB had only 16 customers with active insurance policies, 9 of which were with Markel Insurance Company of Canada ("Markel"). The other 7 policies were with Nordique Insurance ("Nordic") or Jevco Insurance Company ("Jevco"). On the advice of RIBO, Markel, Nordic and Jevco, the Receiver is in the process of writing to each of GTIB's customers to advise them of the receivership proceedings and that they should contact their insurer directly for any day-to-day insurance needs or to contact RIBO for any further assistance, should they require it.
 71. The Receiver left a message for GTIB's landlord, Georgian Properties Corporation (the "GTIB Landlord"), to advise them of the receivership and that the locks to the premises occupied by GTIB had been changed. As at February 19, 2010, the Receiver has not heard back from the GTIB Landlord. The Receiver intends to disclaim the lease during the week of February 22, 2010 and to vacate the premises by March 5, 2010.

GTIB Assets and Recent Operations

72. The Receiver reviewed the books and records of GTIB for the 11-month period ended November 30, 2009. According to the accounting records provided by the External Accountant, GTIB earned gross revenues of approximately \$2.2 million and incurred expenses of approximately \$2.1 million during this period. Net revenue was \$58,488 of which \$47,500 was drawn by Hilbert for compensation for this 11-month period.
73. GTIB's capital assets consist of 3 computers, a server, miscellaneous kitchen appliances and a Cadillac Escalade. The Receiver has taken possession of the vehicle and its ownership documents. The net book value of accounts receivable is \$17,464 most of which is overdue by 90 days or more. Accounts receivable relate to insurance premiums due from customers. The Receiver does not believe these accounts will be collected as customers will likely deal directly with insurers or engage another broker as a result of the receivership. GTIB's former employee has advised that the office furniture on-site is owned by the previous lessee of the premises, Freight Trans Ltd. ("Freight Trans"). The Receiver has not been able to confirm this with Freight Trans, which has the same mailing address as GTIB and maintains a telephone line in GTIB's offices. Between February 4 and 19, 2010, the Receiver observed that a representative of Freight Trans attended at the GTIB premises to pick up mail on only one occasion.

GTIB Customers and Markets

74. The Receiver is advised that at the peak of its business in 2007, GTIB had approximately 60 customers. As a result of economic conditions and the poor state of the trucking industry, GTIB's customer base decreased to approximately 40 customers by mid-2009.
75. In July 2009, Markel terminated its broker agreement with GTIB. As such, GTIB does not have the ability to write new insurance policies or place renewals with Markel. Markel was GTIB's primary market for writing local and cross-border policies and the Receiver understands that Markel is the leading insurer in the trucking industry in North America. As a result of the termination of the broker agreement between GTIB and Markel, the Receiver is advised that GTIB has lost at least 10 significant customers to date. GTIB has not entered into an agreement with another insurance company to replace Markel.
76. As at February 4, 2010, GTIB had 15 customers remaining, including its largest customer, Concord Transportation Inc. ("Concord"). On February 10, 2010, GTIB received notice that

Concord appointed a new Broker of Record effective February 1, 2010. Concord's annual insurance premium was approximately \$750,000 and at a 10% commission rate, GTIB's profit from this premium amounted to \$75,000. Total commissions earned during the 11-month period from January 1, 2009 to November 30, 2009 were \$212,000. Of GTIB's 14 remaining customers, approximately 7 have insurance policies with Markel which will expire on or before August 29, 2010 and which will not renew with GTIB as the Broker of Record.

77. As a result of the erosion of GTIB's customer base, Markel's cancellation of its broker agreement with GTIB and GTIB's inability to replace Markel, the Receiver believes that GTIB is not a viable business and cannot continue operations.
78. Upon review of GTIB's monthly trust and operating account bank statements that had been provided to the External Accountant by Hilbert, the Receiver noted that these bank statements did not match the bank statements received by the Receiver directly from the Bank. A discussion of the Receiver's findings to date in respect of GTIB's trust and general bank accounts follows.

GTIB Trust account review

79. As an insurance broker, GTIB was supposed to act in a fiduciary capacity and maintain a trust account for the purpose of receiving and remitting funds from and to various parties. The Receiver compared the monthly trust account bank statements received from the Bank (the "Original Statements") to the copies of the statements received from the External Accountant (the "Altered Statements") for the period February 2009 to November 2009 and found that opening and closing balances did not match and that the Altered Statements contained additional, altered or omitted transactions in comparison to the Original Statements. Copies of an Original Statement and Altered Statement for the month of September 2009 in respect of GTIB's trust account are attached hereto as Exhibits "D" and "E".
80. On several occasions, the Altered Statements excluded transactions relating to the transfer of funds from GTIB's trust account to GTIB's general account and deposits to the trust account from FTI. Several of these transfers and deposits were for amounts exceeding \$100,000. In addition to the omission of individual transactions that were inconsistent with the purpose of a trust account, the Altered Statements also concealed the fact that the trust account had been in an overdraft position on several occasions between September and November 2009. For the period February to November 2009, the Receiver found that over 40 transactions were excluded from the Altered Statements. On a number of occasions, transactions were added to the Altered

Statements and the amount of one deposit was changed. A summary of the differences in month-end balances between the Original Statements and Altered Statements in respect of GTIB's trust account for the period February 2009 to November 2009 is set out below. In each case except one, the Altered Statement reflects an inflated month-end bank balance.

81. A summary of month-end balances from GTIB's Trust Account # 2416 1084-774 is as follows:

Month	Closing Balance Per Original Statements	Closing Balance Per Altered Statements	Difference
February-09	\$52,675.47	\$245,079.47	\$192,404.00
March-09	\$29,237.20	\$621,641.20	\$592,404.00
April-09	\$36,012.13	\$83,416.13	\$47,404.00
May-09	\$5,407.67	\$5,407.67	\$-
June-09	\$27,560.06	\$264,300.06	\$236,740.00
July-09	\$141,402.01	\$378,142.01	\$236,740.00
August-09	\$23,059.20	\$140,097.31	\$117,038.11
September-09	\$67,805.27	\$166,971.48	\$99,166.21
October-09	\$14,887.98	\$35,059.19	\$20,171.21
November-09	\$524.00	\$20,700.21	\$20,176.21

82. On February 12, 2010, two representatives of the Receiver discussed the foregoing with Hilbert, who admitted to falsifying the bank statements provided to the External Accountant for the purposes of concealing inappropriate transactions and presenting a trust account balance that was "on-side" for reporting purposes to RIBO.
83. The Receiver is in possession of e-mail correspondence between Hilbert and an employee of FTI (the "FTI Employee"), who assisted him with the preparation of the Altered Statements. The e-mails between Hilbert and the FTI Employee in this regard date back to mid-2008. Hilbert maintains that the External Accountant knew nothing of the falsified documents.
84. During the meeting between Hilbert and the Receiver on February 12, 2010, Hilbert stated that the transfers in and out of GTIB's trust account began as early as 2008 and were made at the request of Chanderkant in order to help fund the operations of related companies, including FTI and FKI. Transfers were made from GTIB's trust account to its operating account, and funds were then transferred to related companies' bank accounts. Amounts were subsequently deposited back into GTIB's trust account when payments to insurance companies were required to be made.
85. GTIB was required to report its trust account balance and other asset and liability balances on a monthly basis to RIBO. The Receiver understands that the External Accountant prepared GTIB's reporting to RIBO. The Receiver reviewed the reports filed by GTIB with RIBO for the months

of February to October 2009, which reporting was provided to the Receiver by Hilbert. GTIB's reports to RIBO indicate that the bank balances on the Altered Statements, which were provided to the External Accountant, were the balances reported to RIBO. As such, the reporting received by RIBO was incorrect.

86. In addition to the altering of bank statements, Hilbert has also admitted to falsifying accounts receivable balances for the purposes of reporting to RIBO and to using a customer's insurance premium deposit in the amount of \$1,146.60 to purchase Christmas gifts. Hilbert further advised the Receiver that current payments due to be paid from GTIB's trust account exceed the trust account balance by approximately \$12,000.
87. The Receiver has requested that the insurers with whom GTIB did business provide the Receiver with a listing of the transactions between them and GTIB for the last 120 days in order for the Receiver to reconcile GTIB's trust account. To-date, the Receiver is aware of payments totalling \$38,969 that are due for payment from the trust account; however, the balance in the trust account is only \$17,420, which is a shortfall of \$21,549. The Receiver has advised the insurers and the insurance premium finance company used by GTIB that it will not be making any payments from GTIB's trust account until it has been fully reconciled.

GTIB General operating account review

88. The Receiver also reviewed GTIB's monthly general operating account bank statements for the period February to November 2009 and found that, similar to the trust account, the statements provided by GTIB to the External Accountant did not match the original bank statements provided by the Bank. Copies of an Original Statement and Altered Statement for the month of September 2009 in respect of GTIB's general operating account are attached hereto as Exhibits "F" and "G".
89. The Altered Statements provided to the External Accountant excluded several transactions which were on the Original Statements. These excluded transactions consisted primarily of transfers from GTIB's trust account and various amounts paid to and received from related companies including FTI, FKI, JTL, 618, and 210 (the "Intercompany Transfers"). For the period February to November 2009, the Receiver found that over 100 transactions were excluded from the general operating account Altered Statements. A number of transactions were also added to the Altered Statements which were not on the Original Statements. Month-end balances for the period February 2009 to November 2009 were repeatedly overstated on the Altered Statements. A

summary of the differences in month-end balances between the Original Statements and Altered Statements in respect of the GTIB's general operating account for the period February 2009 to November 2009 is set out below.

90. A summary of month-end balances from GTIB's Operating Account #2416 1084-758 is as follows:

Month	Closing Balance Per Original Statements	Closing Balance Per Altered Statements	Difference
February-09	\$8,289.09	\$18,289.09	\$10,000.00
March-09	\$5,227.86	\$15,227.86	\$10,000.00
April-09	\$11,631.43	\$22,011.43	\$10,380.00
May-09	\$3,299.52	\$15,039.52	\$11,740.00
June-09	\$2,414.45	\$2,414.45	\$-
July-09	\$21,312.43	\$21,312.43	\$-
August-09	\$5,319.93	\$13,354.36	\$8,034.43
September-09	\$(41,685.74)	\$4,348.69	\$46,034.43
October-09	\$22,192.08	\$3,715.69	\$(18,476.39)
November-09	\$(45,827.64)	\$7,239.97	\$53,067.61

91. The Receiver is in the process of performing a detailed analysis of the bank accounts of the Companies, which will include an analysis of the Inter Company Transfers.
92. The Receiver's counsel is in receipt of a letter dated February 18, 2010 from Hilbert's counsel (the "Hilbert Letter") which *inter alia* proposes that Hilbert is prepared to repay the amount of GTIB's debt owing to the Bank in exchange for the release of Hilbert from any claims associated with GTIB and has also requested that the Receiver pay \$11,800 to Nordic immediately in connection with insurance premiums received by GTIB. By letter dated February 22, 2010 (the "Receiver's Response"), the Receiver's counsel advised Hilbert's counsel that the Receiver is not in a position to accommodate Hilbert's requests as a result of the questionable transactions involving GTIB's bank accounts. Attached hereto as Exhibits "H" and "I" are copies of the Hilbert Letter and the Receiver's Response.

E - JAIN TRUCK LEASE LTD.

93. A MTO vehicle history report indicates that JTL does not own any vehicles. JTL administers a fleet of vehicles, mostly trailers that it rents out. The rental files indicate that these vehicles are owned by either Irwin Commercial Finance Canada Corporation ("Irwin") or FTI.
94. Of the twenty five vehicles in JTL's portfolio, nineteen are rented to the same customer, AMJ Campbell Inc. ("AMJ"), under seven separate rental agreements. The rental income for the AMJ leases appears to be assigned to either Irwin or FTI. Chanderkant has advised that JTL acted as a

clearing house for AMJ with respect to the AMJ/Irwin agreements and that JTL derives no ongoing benefit from this arrangement.

95. The current accounts receivable balance is approximately \$24,000 after deduction of a credit balance of \$222,500. The accounts receivable sub ledger shows that this credit balance is the net deposit for a customer account called "*Freight Trans – Trucks*". The Receiver will be reviewing the JTL receivables in greater detail in order to understand the nature of the transactions and to determine the collectability of the accounts.

F – 2105810 ONTARIO INC.

96. In December 2009, 210 consented to an Order for possession of the Kingston property to Comerica Bank ("**Comerica**") as part of a global settlement of litigation between Comerica and 210, 618, FKI, FTI, Alumi, the Landlord and other related parties (the "**Global Settlement**"). 210 is still on title as the owner of the property as Comerica has not yet proceeded with its power of sale.
97. 210's balance sheet shows an accounts receivable balance of \$25,873 as at December 31, 2009. The Receiver has been advised that this balance is comprised of rent payable by FKI for its occupancy of the Kingston property.

NOTICES TO CREDITORS

98. On February 12, 2010, the Notice and Statement of the Receiver ("**Receivership Notice**") was issued in accordance with sections 245(1) and 246(1) of the BIA. A copy of the Receivership Notice is attached hereto as Exhibit "**J**".

REVIEW OF GENERAL BANKING ACTIVITY

Analysis performed to date

99. The Receiver obtained the following banking documentation for January 2009 to January 2010 including bank statements, deposit books, cash receipts records (remittance advices, copies of cheques, accounting entries), general ledger activity reports, and cheque books, for the Companies:
- a. FTI (BMO Accounts 2416-1082-170 and 2416-4612-172)
 - b. FKI (BMO Accounts 2416-1085-654, 2416-4612-623 and 2416-8108-548)
 - c. JTL (BMO Accounts 2416-1083-077 and 2416-4612-244)
 - d. GTIB (BMO Accounts 2416-1084-758 and 2416-1084-774)

- e. 618 (BMO Accounts 2416-1085-742 and 2416-4612-754)
- f. 210 (BMO Account 2416-1086-198)

100. The Receiver has undertaken an analysis of the sources and uses of funds by the Companies for the period July 2009 to January 2010. This period saw an increase of the total debt owing to the Bank from \$6 million to approximately \$10 million. The objective of the Receiver's analysis is to understand the sources and use of funds by the Companies, identify the extent of funds transferred during this period to entities related to the Companies, and to assess whether the Companies or others related thereto may have benefited from any apparent kiting activity which may have occurred during this period.
101. The Receiver's analysis for the period July 2009 to November 2009 is substantially complete; however the source of certain transfers in and out of the Companies' accounts remain unidentified due to lack of documentation found to date. The analysis for December 2009 and January 2010 has yet to be completed.
102. There were transfers identified during July to November 2009 between the Companies and the following parties, who have been identified as being potentially related parties to the Companies:
 - a. Truck Depot Expedite
 - b. Freight Trans Limited
 - c. 6145086 Canada Inc.
 - d. 6356532 Canada Inc.
 - e. 2215296 Ontario Inc.
 - f. 1354198 Ontario Inc.
 - g. Alumi-Bunk Corporation
 - h. Truck Depot.Com
103. The Receiver may require additional information from these parties and others which may be identified pending the completion of its analysis in order to ascertain the nature and purpose of these transactions. The Receivership Order granted the Receiver the right to bankrupt any of the companies and the Receiver expects that it may do so as required to enable examination of persons having knowledge of the affairs of the Companies, and to fix review dates for reviewable transactions.
104. There were a significant number of transfers between the Companies for the entire period of review, although the Receiver did observe an increase in this activity starting in September 2009.

Further analysis is required in order to determine whether the Companies benefited from the alleged kiting activity.

Proposed Activities

105. The Receiver proposes to complete the sources and uses of funds analysis for the period July to January 2010, which will include the following activities:
 - i. Complete the analysis of the Companies' bank activity for December 2009 and January 2010;
 - ii. Obtain and review additional supporting documentation in order to identify the source of any significant inflows or outflows to/from any of the Companies' accounts for which a source cannot be readily identified from the documentation on hand; and
 - iii. Obtain additional supporting documentation and information for any outflows identified through the course of the analysis which were disbursed to companies potentially related to the Companies in order to determine the nature and purpose of these transactions. This may include performing corporate searches on companies for which the Receiver does not have information in order to identify whether the entity is related to the Companies.

IV. Proposed Marketing and Sales Process

FTI – Inventory of Vehicles

106. The Receiver recommends that the vehicles at the Dixie Location be liquidated by means of an auction in order to effect the sale of all the vehicles in a timely fashion and minimize realization costs. While a retail sale may possibly attain a higher sale price per vehicle, any potential gains would be eroded by the additional costs (rent or storage, insurance, sales staff, advertising) that would be incurred over the length of time required to sell 30 to 40 vehicles on a retail basis.
107. The Receiver has invited two auctioneers/liquidators who deal extensively in the trucking industry to attend at the Dixie Location to review the inventory and to submit a proposal for the liquidation of FTI's inventory of vehicles.
108. The Receiver anticipates that the aggregate consideration for such transaction(s) will exceed \$250,000, based on the current inventory of vehicles. As such, the Receiver will require the

approval of this Honourable Court to proceed as provided for in paragraph 3(1) of the Receivership Order.

109. The Receiver hereby seeks the approval of this Honourable Court to enter into an agreement with an auctioneer/liquidator for the sale of the FTI vehicles. Prior to any sale, the Receiver will seek the consent of any party holding a valid security interest over any of the vehicles.

FTI – Lease Portfolio

110. If the Receiver determines that the Lease Portfolio is saleable, it hereby seeks this Honourable Court's approval of the Receiver's sales process which would consist of:

- Preparation of a one page "Team Document" outlining the investment opportunity for distribution of interested parties;
- Advertising the investment opportunity in the national edition of the Globe and Mail;
- Preparation of a confidential information memorandum which would outline all of the terms and conditions of sale to be distributed to potential purchasers subject to their signing a confidentiality agreement;
- Seeking this Honourable Court's approval of an executed purchase agreement between the Receiver and the potential purchaser.

111. If, after the Receiver completes its analysis of the Lease Portfolio, it determines that the Lease Portfolio is not of a size or quality that it could realistically sell to a third party, the Receiver intends to administer the leases until the end of their respective terms.

618 - Property

112. 618's principal asset is the Tomken Property. The Receiver hereby seeks this Honourable Court's approval to obtain an appraisal of the Tomken Property and have it listed for sale with a nationally recognized licensed real estate firm. Any sales transactions for the Tomken Property will be presented to this Honourable Court for approval.

FKI

113. Since its appointment, the Receiver has received multiple formal and informal offers on the vehicles, inventory, parts and tools located at the Belleville Location. In addition, the Receiver has requested proposals for the sale of FKI's assets from three third party liquidators.

-
114. Once the Receiver has received offers from the three liquidators, it will be in a better position to assess the realizable value of FKI's assets.
 115. The Receiver does not anticipate that the inventory, vehicles, tools and shop equipment will realize more than \$250,000.
 116. The Receiver recommends that a sale of the assets be completed as soon as possible in order to minimize the cost of remaining in possession of the Belleville Location.

V. Receiver's Cash Receipts and Disbursements

117. Attached hereto as Exhibit "K" is an interim statement of the Receiver's cash receipts and disbursements for the period February 4 to 19, 2010 which shows a surplus of cash receipts over disbursements of \$273,861. Included in the Receiver's receipts is \$250,000 from the issuance of a Receiver's Certificate to the Bank which was required in order to fund the costs of administering this receivership estate.

VI. Conclusion

118. The Receiver respectfully requests that this Honourable Court grant an Order which provides for the following:
 - a) approval of the activities of the Receiver since its appointment on February 4, 2010;
 - b) approval of the proposed Sales Process to be carried out by the Receiver as described in paragraphs 106-116 of this report; and
 - c) authorizing the Receiver to complete its proposed review and analysis of the sources and uses of funds for the period July 2009 to January 2010.

All of the foregoing is respectfully submitted to this Honourable Court as of this 23th day of February, 2010.

Deloitte & Touche Inc.

In its capacity as Court-appointed Receiver of
Financial Transport Inc., Freightliner of Kingston Inc.,
6181732 Canada Inc., Global Transport Insurance Brokers Inc.,
Jain Truck Lease Ltd. and 2105810 Ontario Inc.
and not in its personal capacity

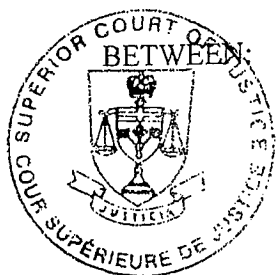


Robert J. Bougie, CA • CIRP
Senior Vice-President

EXHIBIT C – ORDER DATED FEBRUARY 26, 2010

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) FRIDAY, THE 26TH DAY
)
JUSTICE WILTON-SIEGEL) OF FEBRUARY, 2010



BANK OF MONTREAL

Applicant

- and -

FINANCIAL TRANSPORT INC., FREIGHTLINER OF KINGSTON INC.,
6181732 CANADA INC., GLOBAL TRANSPORT INSURANCE BROKERS INC.,
JAIN TRUCK LEASE LTD. and 2105810 ONTARIO INC.

Respondents

APPLICATION UNDER Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3,
and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

ORDER

THIS MOTION, made by Deloitte & Touche LLP, in its capacity as court appointed Receiver (the "**Receiver**") of the assets, undertakings and properties of Financial Transport Inc., Freightliner of Kingston Inc., 6181732 Canada Inc., Global Transport Insurance Brokers Inc., Jain Truck Lease Ltd. and 2105810 Ontario Inc. (collectively the "**Debtors**") appointed pursuant to an Order dated February 4, 2010 (the "**Receivership Order**"), for an order, among other things, accepting and approving the First Report of the Receiver dated February 23, 2010 (the "**First Report**"), and the activities of the Receiver and its counsel described therein, and

approving the disposition strategy with respect to the assets, undertakings and properties of the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the First Report, including the Exhibits thereto and on hearing the submissions of counsel for the Receiver and counsel for the Debtors, ^{and CIT-12} ~~and counsel for Corporation Alter Moneta/Alter Moneta Corporation and CIT Financial Ltd.~~, no one else attending although properly served as appears from the affidavit of service of Susy Moniz sworn February 24, 2010,


1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that that First Report of the Receiver dated February 23, 2010, be and is hereby accepted and approved, along with the activities of the Receiver and its counsel described therein. None of the statements of fact contained in the Receiver's Report shall be binding upon any party in this proceeding.
3. **THIS COURT ORDERS** that the disposition strategy with respect to the assets of the Debtors, including as set out in paragraphs 106-116 of the First Report, be and is hereby approved, provided that the Receiver shall return to the Court for approval for the liquidation/auction of the truck inventory.
4. **THIS COURT ORDERS** that the Receiver be and is hereby authorized to complete its proposed review and analysis of the sources and uses of funds of the Debtors prior to the date of the Receivership Order.
5. **THIS COURT ORDERS** that nothing in this Order shall prevent any party from requesting the trial of any issue in these proceedings.



Christina Irwin
Registrar, Superior Court of Justice

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO..

MAR 0 1 2010

PER / PAR 

BANK OF MONTREAL

Applicant

- and -

**FINANCIAL TRANSPORT INC., FREIGHTLINER OF KINGSTON INC.,
6181732 CANADA INC., GLOBAL TRANSPORT INSURANCE BROKERS
INC., JAIN TRUCK LEASE LTD. and 2105810 ONTARIO INC.**

Respondents

Court File No: CV-10-8556-00CL

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

Proceeding commenced at Toronto

ORDER

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Solicitors for the Court-Appointed Receiver,
Deloitte & Touche Inc.

**EXHIBIT D – SECOND REPORT OF THE RECEIVER DATED
MARCH 15, 2010**

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
IN BANKRUPTCY AND INSOLVENCY

BANK OF MONTREAL

Applicant

- and -

FINANCIAL TRANSPORT INC., FREIGHTLINER OF KINGSTON INC.,
6181732 CANADA INC., GLOBAL TRANSPORT INSURANCE BROKERS INC.,
JAIN TRUCK LEASE LTD. and 2105810 ONTARIO INC.

Respondents

SECOND REPORT OF THE RECEIVER

March 15, 2010

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Exhibits

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First Report of the Receiver dated February 23, 2010	B
Order dated February 26, 2010	C
Ritchie Bros. Auctioneers (Canada) Ltd. Proposal	D

I. Introduction

1. By Order of the Honourable Justice Cameron dated February 4, 2010 (the "Receivership Order"), Deloitte & Touche Inc. was appointed receiver (the "Receiver"), without security, of all of the assets, undertakings and properties of the Respondents (the "Companies") pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act* ("BIA") and Section 101 of the *Courts of Justice Act*. A copy of the Receivership Order is attached hereto as Exhibit "A".
2. There are six related respondents in this matter, namely:
 - Financial Transport Inc. ("FTI")
 - Freightliner of Kingston Inc. ("FKI")
 - 6181732 Canada Inc. ("618")
 - Global Transport Insurance Brokers Inc. ("GTIB")
 - Jain Truck Lease Ltd. ("JTL")
 - 2105810 Ontario Inc. ("210")
3. By Order of the Honourable Justice Wilton-Siegel dated February 26, 2010 (the "February 26 Order"), the Receiver was authorized to implement the disposition strategy with respect to the assets of the Companies as outlined in the Receiver's First Report to Court dated February 23, 2010 (the "First Report") provided that the Receiver return to the Court for approval of the sale of the truck inventory. Attached hereto as Exhibits "B" and "C" are copies of the First Report and the February 26 Order, respectively.
4. The Receiver considers it advisable to inform this Honourable Court of the status of matters since the First Report; to obtain approval of the Receiver's conduct to date; and to seek this Honourable Court's approval of the Receiver's acceptance of the proposal submitted by Ritchie Bros. Auctioneers (Canada) Ltd. ("Ritchie") for the liquidation of the Companies' truck and trailer inventory.

II. Background

5. FTI is an Ontario corporation incorporated in 1995 that provides lease financing and sells new and used transport vehicles to operators in Canada and the United States. FTI operates from premises located at 7280 Dixie Road, Mississauga, Ontario (the "**Dixie Location**") which it leases from a related company and shares with other related companies. FTI is wholly owned by 6145086 Canada Inc., which itself is owned in equal shares by Eric Jain ("**Eric**") and Chanderkant Jain ("**Chanderkant**"), who are brothers.
6. FKI is an Ontario corporation and operates Jain Truck Centres from leased premises located at 21 Enterprise Drive, Belleville, Ontario (the "**Belleville Location**"). The Belleville Location is owned by a related company. FKI was a retail dealer of Freightliner brand trucks and trailers as well as a service centre offering service and parts sales. FKI's franchise agreement with Freightliner was terminated by Freightliner at the beginning of January 2010. FKI is owned by Eric (20%) and Chanderkant (80%).
7. 618 is a federally incorporated company incorporated in 2004, originally for the purpose of holding title to a commercial property located at 4298 Tomken Road, Mississauga, Ontario (the "**Tomken Property**"). 618's office is located at the Dixie Location. 618 is owned in equal shares by Eric and Chanderkant. The Tomken Property was developed for use as a parking facility for tractor trailers. To date, 618 has been unable to obtain the required rezoning to allow the property to be rented for parking lot purposes.
8. GTIB is an Ontario corporation incorporated in 2004 as an independent insurance brokerage for companies in the trucking industry who operate within Ontario. GTIB operates from premises leased from a third party located at 1215 Meyerside Drive, Mississauga, Ontario (the "**Meyerside Location**"). Robert Hilbert ("**Hilbert**"), GTIB's Managing Partner, started GTIB in 2005 with the assistance of a loan from Chanderkant. GTIB's shares are owned by Soniya Jain, the spouse of Chanderkant.
9. JTL is an Ontario corporation that was incorporated in 2007. JTL is in the business of maintaining vehicles. JTL also rents trailers which it does through related and third party leasing companies. JTL was formerly located in Belleville, Ontario with one person managing the operations. The business was transferred to the Dixie Location some time in 2008.

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10. 210 is an Ontario corporation and is the owner of a rental property located at 29 Dalton Road, Kingston, Ontario which was previously occupied by FKI. 210's office is located at the Dixie Location.

III. Activities of the Receiver

GTIB – Vacating the Meyerside Location and Trust Account Reconciliation

11. As outlined in the First Report, GTIB was not able to continue servicing its customers. Accordingly, the Receiver made arrangements for the transfer of all of GTIB's remaining customers to other registered insurance brokers or directly to the insurance companies providing coverage.
12. GTIB's office furniture and equipment at the Meyerside Location were sold for \$750.00 plus GST to a former tenant who undertook to remove the purchased assets by March 5, 2010.
13. The Receiver has arranged for the removal and offsite storage of GTIB's books and records and vacated the Meyerside Location on March 5, 2010.
14. The Receiver had taken possession of a 2009 Cadillac Escalade which was secured by a chattel mortgage in favour of the Bank of Montreal (the "Bank"). With the Bank's consent, the Cadillac was transferred to Manheim Toronto and sold via auction for approximately \$57,000 before costs.
15. During the process of reconciling GTIB's trust account, the Receiver contacted Markel Insurance Company of Canada ("Markel") to determine whether a cheque issued to GTIB by Markel dated January 22, 2010 in the amount of \$5,409 (the "Markel Cheque") had been cashed. The Receiver determined that the Markel Cheque was endorsed by Hilbert and deposited on February 4, 2010 to an account at the Bank of Nova Scotia ("BNS") in the name of Truckdepot Expedite Inc. ("TDX"), a company related to the Respondents as Chanderkant is a principal of TDX as well. The Receiver has advised BNS that the \$5,409 improperly deposited is to be returned to the Receiver and has requested that BNS conduct a review of all cheques deposited to the TDX account for the period November 1, 2009 to March 5, 2010 to determine whether any further funds belonging to any of the Companies were diverted to this account.

FTI and FKI Inventory of Vehicles

16. The Receiver has reviewed the books and records of FTI and FKI and has obtained Ministry of Transportation ("MTO") vehicle registration reports in order to determine the registered ownership of the vehicles in its possession and of vehicles listed on FTI's lease portfolio (the "Vehicles"). The general approach proposed by the Receiver is to rely on the ownership registry of the MTO as *prima facie* evidence of legal title.
17. In addition, the Receiver has obtained reports from the Personal Property Security Act Registration System ("PPSA") and the Used Car Dealer Association (which sources its information from the PPSA) to identify any party with a registered security interest in the Vehicles.
18. The Receiver contacted all parties who have registered PPSA liens against the Vehicles to request copies of the documentation to support their potential secured interest. In particular, the Receiver has requested that parties claiming a security interest over a vehicle for which FKI or FTI are the registered owner according to the MTO registration provide the Receiver with copies of all lease or finance documentation.
19. In addition, where the efficacy, perfection or priority of the security interest could be subject to question, the Receiver has requested the following documentation/details for each vehicle being claimed:
 - a) Proof of the advance of funding under the security agreement;
 - b) The amount and to whom any advances were made; and
 - c) Copies of all loan or lease statements indicating details of all payments received and the amount of the outstanding balance.
20. A number of potential priority and perfection concerns appear to exist including:
 - a) Some parties hold security from TDX whereas the vehicle remains registered to FTI or FKI and FTI or FKI has joined in the financing agreement as a party;
 - b) Some parties hold security from TDX or others, and, although FKI or FTI has executed the financing agreement, the vehicle is registered to FTI rather than FKI or vice versa thereby calling the validity of the security into question;
 - c) Although the Receiver has relied on MTO records as to title, several suppliers have taken the position or advised the Receiver that title was never given to FTI or FKI (as the case may be) but was fraudulently transferred to such entity.

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21. The Receiver is not in a position to adjudicate all of these claims and does not wish to incur significant incremental costs. As a result, the Receiver is deferring disposition of vehicles pending resolution of factual and legal issues surrounding each vehicle.
 22. Where the security interest of the claiming party is not clear, the secured parties contacted by the Receiver are being advised that the Receiver will be bringing a motion before the Court for direction on the disposition of vehicles where there appears to be conflicting claims.
 23. In order to address the disposition of the vehicles, the Receiver is asking this Honourable Court for approval of the following:
 - a) Authorizing the Receiver to return the vehicle where the security interest of the claiming party appears relatively clear and the party has requested the return of the vehicle, subject to payment by the recipient to the Receiver of \$1,000 per vehicle in order to defray the Receiver's costs of recovery and storage, or such other arrangement as may be acceptable to the Receiver at its own discretion.
 - b) Where the secured party requests the return of a vehicle and where the efficacy, perfection or priority of the security interest in the vehicle could be subject to question, authorizing the Receiver to sell the vehicle in accordance with the sales process set out herein and to provide a detailed accounting of the proceeds of sale of each vehicle. The Receiver will seek direction of this Honourable Court as to the appropriateness of the registration, efficacy, and/or priority of any security before releasing any of the proceeds of sale. Any funds that may be payable to a secured creditor will be subject to a deduction of \$1,000 per vehicle in order to defray the Receiver's costs of recovery and storage.
 - c) Where the secured party does not request the return of a vehicle, authorizing the Receiver to sell the vehicle as set out herein, and provide a detailed accounting of the proceeds of sale of each vehicle. Where the security interest of the claiming party appears relatively clear, the Receiver will pay the net proceeds of sale to the claimant less a charge of \$1,000 per vehicle in order to defray the Receiver's costs of recovery and storage. Where the efficacy, perfection or priority of the security interest in the vehicle could be subject to question, the Receiver will seek direction of this Honourable Court as to the appropriateness of the registration and efficacy of the security before releasing any of the proceeds of sale, and the Receiver intends to withhold \$1,000 per vehicle from any payments in order to defray the costs of recovery and storage.
 24. As of the date of this report, the Receiver has noted numerous anomalies including the following:

a) Missing vehicles

- i) Several lessees have advised the Receiver that they had previously returned the leased vehicle. These reported returns are not recorded in FTI's books, nor were these reported returned vehicles located at the Dixie Location or the Belleville Location upon the Receiver's appointment.
- ii) Several vehicles recorded in FTI's books as being returned from lease were not located at the Dixie Location or the Belleville Location upon the Receiver's appointment.
- iii) Several vehicles reported by a secured creditor as being sold under a conditional sales contract or leased to FTI were not located and are not listed on FTI's lease portfolio.

b) Registration Irregularities

Several vehicles that various lenders financed under lease to companies related to the Respondents were registered under FTI's name with the MTO and were included in the FTI lease portfolio.

25. Complicating the Receiver's task of determining proper title to the FTI and FKI vehicles is the fact that the documentation contained in FTI and FKI's records was often incomplete or the documentation was nonexistent.
26. The Receiver has still not received an answer to the Receiver's inquiries of Chanderkant with respect to the 129 missing FTI vehicles and the 48 missing FKI vehicles as noted in the First Report. Chanderkant has also not provided a response to the Receiver's questions concerning the location/disposition of other assets of the Companies.

FTI Lease Portfolio

27. The Receiver has contacted or attempted to contact all parties who are recorded on FTI's books as being lessees in order to notify them of the receivership, to require payment of outstanding lease payments and to confirm the location of the leased vehicles.
28. FTI's books and records indicate that there were 205 vehicles in FTI's lease portfolio. A summary of the status of these vehicles is set out below:

Vehicles returned and in the Receiver's possession	41
Vehicles on which the lessee is making lease payments	23
Vehicles to be picked up from the lessee (voluntary surrender or repossession)	12
Vehicles recorded as "off-lease" that are missing	15
Vehicles leased to Freight Trans – account in arrears	23
Vehicles leased to TDX or on which TDX was making lease payments (excludes ten Freight Trans vehicles) – account in arrears	38
Other vehicles where the account is in arrears	44
Vehicles that were leased out by FTI but which appear to have been sold to another lease financing company in 2008	5
Vehicles that were not purchased by FTI (leases were prepared but not signed)	3
Vehicle that was written off & disposed of	1
Total	205

29. FTI's lease files indicate that twenty-three vehicles are leased to a company by the name of Freight Trans, of which ten leases were being paid for by TDX. Lease payments on all 23 vehicles are in arrears.
30. FKI's lease files indicate that only four vehicles are leased to TDX but that TDX was making lease payments on thirty-four other vehicles (excluding the ten leases to Freight Trans mentioned above) which are leased to a driver working for them. As of the date of this report, the lease payments for these thirty-eight vehicles are all in arrears.
31. Of the forty four accounts that are in arrears, the Receiver has sent collection letters to each lessee and has also made collection calls. In several cases, mail has been returned and/or the telephone number for the lessee is not in service. The Receiver will be pursuing other avenues to locate these delinquent debtors and missing vehicles.
32. The Receiver has commenced the process of issuing formal notices pursuant to S.244 of the BIA to lessees of vehicles from FTI for enforcement of the lease security and has contacted a bailiff with respect to making arrangements for the repossession of vehicles where payments on the lease remain outstanding and in arrears.

FKI Parts Inventory and Shop Equipment

33. The Receiver solicited offers from various parties for the purchase of the Freightliner parts inventory, shop and other sundry equipment located at the Belleville Location. An offer for \$60,000 was accepted, as it offered the best recovery for these assets and was the only offer that provided for the removal of the purchased assets in a short time frame.

Bankruptcy of FTI and FKI

34. Pursuant paragraph 3 (q) of the Receivership Order, the Receiver filed assignments in bankruptcy on behalf of FTI and FKI on March 5, 2010 and Deloitte & Touche Inc. was appointed trustee in bankruptcy of both companies.
35. The Receiver considered it advisable to file the assignments in for bankruptcy in order that a trustee in bankruptcy could conduct or require examinations under oath, and, specifically, to examine the principals of the Companies and/or any other persons having knowledge of the affairs of the Companies.
36. Notice of the bankruptcy was sent to the creditors of FTI and FKI on March 8, 2010. The first meeting of creditors is scheduled for March 19, 2010.

IV. Sales Process

FTI and FKI Truck Inventory

37. The Receiver invited five auctioneers/liquidators to attend at the Dixie Location and the Belleville Location to review the inventory of vehicles, parts inventory and shop equipment, and to submit a proposal for the liquidation of all the assets of FTI and FKI.
38. A total of six offers were received; five offers were received from the liquidators/auctioneers and one from a related party. As noted earlier in this report, the parts inventory and shop equipment at the Belleville Location were sold separately to another party who submitted the best offer with respect to these assets.
39. The Receiver recommends that this Honourable Court approve the Receiver's acceptance of the offer submitted by Ritchie for the sale of the truck inventory (the "Ritchie Proposal") for following reasons:
 - a) The Ritchie Proposal contains a Net Minimum Guarantee ("NMG") that is higher than the NMG offered by the other liquidators;
 - b) The Ritchie Proposal provides for the removal of assets and an offsite auction which will allow the Receiver to vacate the Dixie Location sooner thereby reducing occupancy costs;

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- c) The Ritchie Proposal provides for the removal of vehicles at the Belleville Location within a week's time which will allow the Receiver to vacate the Belleville Location at the earliest possible date thereby saving occupancy costs in excess of \$1,000 per day;
 - d) Ritchie has the facilities and resources to facilitate the Receiver's repossession and sale of vehicles in the future as they are recovered by the Receiver; and
 - e) The Bank, as the principal general secured creditor and a major stakeholder, is supportive of the Ritchie Proposal.
40. A copy of the Ritchie Proposal, deleting any reference to the amount of the net minimum guarantee, is attached hereto as Exhibit "D".
 41. The Receiver believes that the amount of the Ritchie Proposal should be kept confidential until the closing of the transaction as disclosure of such detail could prejudice future sales efforts should the Ritchie Proposal not close for any reason.
 42. An un-redacted copy of the Ritchie Proposal will be provided to this Honourable Court which the Receiver respectfully requests be sealed until the transaction closes.

618 – Tomken Property

43. The Receiver is in possession of two property appraisals prepared by Hendren Mitchell Real Estate Appraisals Ltd. ("Hendren") on the Tomken Property. The first appraisal dated February 18, 2008 was addressed to the Bank of Montreal. The second appraisal dated August 10, 2009 was addressed to Jain Truck Centres (an operating name for FKI), which is not the registered owner of the Tomken Property. Both appraisals were for the purpose of "mortgage financing".
44. The Receiver engaged Hendren to provide an updated appraisal that could be used to assist the Receiver in establishing a realistic listing price for the Tomken Property ("the Hendren Appraisal").
45. The Receiver has engaged Royal LePage Innovators Realty to list the Tomken Property for sale. Based on discussions with Royal LePage, and the Hendren Appraisal, the Receiver has listed the Tomken Property for sale at a price of \$3.5 million.

V. Conclusion

46. The Receiver respectfully requests that this Honourable Court grant an Order which provides for the following:
- a) approval of the activities of the Receiver from February 23, 2010 to March 15, 2010;
 - b) approval of the Ritchie Proposal accepted by the Receiver in connection with the sale of the truck inventory;
 - c) approval of the process to deal with conflicting security interests over the Vehicles as described herein;
 - d) sealing of the un-redacted copy of the Ritchie Proposal until the closing of the transaction;
 - e) authorizing the Receiver to retain the services of Ritchie with respect to future dispositions of vehicles as they are recovered by the Receiver; and
 - f) approval of the listing price of \$3.5 million for the Tomken Property.

All of the foregoing is respectfully submitted to this Honourable Court as of this 15th day of March, 2010.

Deloitte & Touche Inc.

In its capacity as Court-appointed Receiver of
Financial Transport Inc., Freightliner of Kingston Inc.,
6181732 Canada Inc., Global Transport Insurance Brokers Inc.,
Jain Truck Lease Ltd. and 2105810 Ontario Inc.
and not in its personal capacity



Robert J. Bougie, CA • CIRP
Senior Vice-President

EXHIBIT E – ORDER DATED MARCH 23, 2010

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) TUESDAY, THE 23RD DAY
)
MADAM JUSTICE HOY) OF MARCH, 2010

BETWEEN:



BANK OF MONTREAL

Applicant

- and -

FINANCIAL TRANSPORT INC., FREIGHTLINER OF KINGSTON INC.,
6181732 CANADA INC., GLOBAL TRANSPORT INSURANCE BROKERS INC.,
JAIN TRUCK LEASE LTD. and 2105810 ONTARIO INC.

Respondents

APPLICATION UNDER Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3,
and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

ORDER

THIS MOTION, made by Deloitte & Touche Inc., in its capacity as court appointed Receiver (the "**Receiver**") of the assets, undertakings and properties of Financial Transport Inc., Freightliner of Kingston Inc., 6181732 Canada Inc., Global Transport Insurance Brokers Inc., Jain Truck Lease Ltd. and 2105810 Ontario Inc. (collectively the "**Debtors**") appointed pursuant to an Order dated February 4, 2010 (the "**Receivership Order**"), for an Order, among other things:

- (a) accepting and approving the Second Report of the Receiver dated March 15, 2010 (the "**Second Report**"), and the activities of the Receiver and its counsel described therein;
- (b) approving the offer from Ritchie Bros. Auctioneers (Canada) Ltd. ("**Ritchie**") dated March 11, 2010 and attached as Exhibit "D" to the Second Report (the "**Ritchie Proposal**"), in connection with the sale of the truck and trailer inventory of the Debtors (the "**Vehicles**");
- (c) sealing the unredacted copy of the Ritchie Proposal;
- (d) authorizing the Receiver to retain the services of Ritchie with respect to future dispositions of any Vehicles recovered by the Receiver;
- (e) approving the process to deal with the return of undisputed Vehicles and Vehicles with conflicting security interests; and
- (f) approving the listing price of the property located at 4598 Tomken Road, Mississauga, Ontario (the "**Tomken Property**");

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Second Report and the Supplement to the Receiver's Second Report, including the Exhibits thereto and on hearing the submissions of counsel for the Receiver and counsel for the Debtors, and counsel for Corporation Alter Moneta/Alter Moneta Corporation and CIT Financial Ltd., no one else attending although properly served as appears from the affidavit of service of Susy Moniz sworn March 16, 2010,

1. **THIS COURT ORDERS** that the Second Report be and is hereby accepted and approved, along with the activities of the Receiver and its counsel described therein.
2. **THIS COURT ORDERS** that the Ritchie Proposal in connection with the sale of the truck and trailer inventory of the Debtors as recorded with the Ministry of Transportation for the Province of Ontario as at February 4, 2010 (the "**Vehicles**") be and is hereby approved. The execution of the Ritchie Proposal by the Receiver is hereby authorized and approved and the

Receiver is hereby authorized and directed to take such additional steps and to execute such additional documents as may be necessary or desirable for the completion of the sale of Vehicles pursuant to the Ritchie Proposal and for the conveyance of any assets in accordance with the Ritchie Proposal.

3. **THIS COURT ORDERS** and declares that upon Ritchie completing the sale of any of the Vehicles to a purchaser in accordance with the terms of the Ritchie Proposal, and the delivery of proceeds of sale to Ritchie with delivery of a Bill of Sale to such purchaser ("Bill of Sale") all right, title and interest in and to the subject Vehicles described in the Bill of Sale shall vest absolutely in such purchaser free and clear of and from:

- (i) Any encumbrances created by the Order of the Honourable Mr. Justice Cameron of February 4, 2010;
- (ii) Any and all security interests including all charges, security interests, claims or claims to title evidence by registrations pursuant to the *Personal Property Security* (Ontario) or any other personal property security registration system; or
- (iii) Claims to ownership interests contrary to the title recorded with the Ministry of Transportation with the Province of Ontario as at February 4, 2010;

(collectively "Claims").

4. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of any Vehicle shall stand in the place and stead of that Vehicle, and that from and after the delivery to the relevant Purchaser of the Bill of Sale conveying such Vehicle, all Claims shall attach to the net proceeds from the sale of the Vehicle with the same priority as they had with respect to the Vehicle immediately prior to the sale, as if such Vehicle had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtors and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtors;

the vesting of the Vehicles in the Purchasers pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtors and shall not be void or voidable by creditors of the Debtors, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

6. **THIS COURT ORDERS AND DECLARES** that the Transactions are exempt from the application of the *Bulk Sales Act* (Ontario).

7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

8. **THIS COURT ORDERS** that the process to deal with the return of undisputed Vehicles and Vehicles with conflicting security interests as described in the Second Report is hereby approved.

9. **THIS COURT ORDERS** that any person or entity claiming to have an interest in any Vehicle may move in this proceeding on at least 4 days notice to the service list and any other

person known to have an interest in the Vehicle, no later than May 4, 2010, for an Order excluding such Vehicle from the sale by public auction under the Ritchie Proposal.

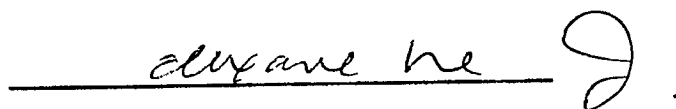
10. **THIS COURT ORDERS** that the unredacted copy of the Ritchie Proposal shall remain sealed until June 11, 2010.

11. **THIS COURT ORDERS** that the Receiver be and is hereby authorized to retain the services of Ritchie with respect to future dispositions of the Vehicles as they are recovered by the Receiver.

12. **THIS COURT ORDERS** that the listing price of not less than \$3.5 million for the Tomken Property be and is hereby approved.

13. **THIS COURT ORDERS** that the Supplement to the Receiver's Second Report shall be sealed pending the sale of the Tomken Property, and that the Receiver shall file a certificate with the Court, promptly following the completion of the sale, to the effect that such sale has been completed.

14. **THIS COURT ORDERS** that the Order is made without the Court making any findings of fact and without prejudice to the Respondents' entitlement to object to, contradict or otherwise oppose any of the statements made in Part III of the Receiver's Second Report, at any time, if they are so advised.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

MAR 23 2010

PER / PAR: 

BANK OF MONTREAL

- and -

**FINANCIAL TRANSPORT INC., FREIGHTLINER OF KINGSTON INC.,
6181732 CANADA INC., GLOBAL TRANSPORT INSURANCE BROKERS
INC., JAIN TRUCK LEASE LTD. and 2105810 ONTARIO INC.**

Applicant

Respondents

Court File No: CV-10-8556-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

ORDER

AIRD & BERLIS LLP
Barristers and Solicitors
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Suite 1800, Box 754
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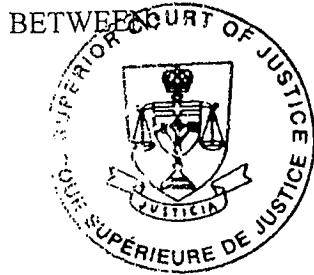
Stephanie A.F. Grace (LSUC # 45403D)
Direct: 416.865.7762
Fax: 416.863.1515
sgrace@airdberlis.com

Solicitors for the Court-Appointed Receiver,
Deloitte & Touche Inc.

EXHIBIT F – ORDER DATED APRIL 29, 2010

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) THURSDAY, THE 29TH DAY
)
JUSTICE MORAWETZ) OF APRIL, 2010



BANK OF MONTREAL

Applicant

- and -

FINANCIAL TRANSPORT INC., FREIGHTLINER OF KINGSTON INC.,
6181732 CANADA INC., GLOBAL TRANSPORT INSURANCE BROKERS INC.,
JAIN TRUCK LEASE LTD. and 2105810 ONTARIO INC.

Respondents

APPLICATION UNDER Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3,
and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

ORDER

THIS MOTION, brought by the moving party, Landmark Vehicle Leasing Corporation ("Landmark"), pursuant to paragraph 9 of the Order of the Honourable Madam Justice Hoy, made March 23, 2010, was heard this day, at Toronto, Ontario.

ON READING the Motion Record of Landmark Vehicle Leasing Corporation, including the Affidavit of Craig Stewart sworn April 26, 2010, filed, and on hearing the submissions of counsel for Landmark, counsel for Deloitte & Touche Inc., in its capacity as court appointed Receiver (the "Receiver") of the assets, undertakings and properties of Financial Transport Inc.,

Freightliner of Kingston Inc., 6181732 Canada Inc., Global Transport Insurance Brokers Inc., Jain Truck Lease Ltd. and 2105810 Ontario Inc. (collectively the "Debtors"), counsel for Bank of Montreal, and counsel for Little Bros. Leasing Limited,

ON CONSENT / RE
1. **THIS COURT ORDERS** that the two vehicles currently in possession of the Receiver and in which Landmark claims a security interest, bearing VIN 1FUJA6CV08LY74234 and VIN 1FUJA6CV68LY74237, are to be excluded from the Ritchie Bros. Auctioneers (Canada) Ltd. auction, pending further Order of the Court.

ON CONSENT / RE
2. **THIS COURT ORDERS** that no party is to sell, transfer, lease, rent, or encumber any of the vehicles appended in Schedule "A" attached hereto, without a further Court Order.

ON CONSENT / RE
3. **THIS COURT ORDERS** that four (4) days' notice of any motion relating to the vehicles listed in Schedule "A" is to be provided to the Receiver, Bank of Montreal, and to any party having either a PPSA registration or who has been included in the MTO Ownership History for the vehicles noted in Schedule "A".

Rm. Ittleman

R. Ittleman, Registrar
Superior Court of Justice

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

MAY 04 2010

PER / PAR: *[Signature]*

Schedule "A"

Make	Model	VIN
2008 Freightliner	CL -120	1FUJA6CV68LY74237
2008 Freightliner	CL -120	1FUJA6CV08LY74234
2006 Freightliner	ML -106	1FVACXCS26HW74828
2008 Freightliner	CL-120	1FUJA6CV48LY74236
2008 Freightliner	CST-120	1FUJBBCK88LY65194
2008 Freightliner	CL-120	1FUJA6CV28LY74235
2006 53' Great Dane	Reefer Trailer	1GRAA06236W705378
2006 53' Great Dane	Reefer Trailer	1GRAA06216W705377
2006 Freightliner	M2-106	1FVACXCT16HW10286
2006 Freightliner	CST-120	1FUJBBCV36LV95573
2007 Freightliner	M2-106	1FVACXCS77HY05091

BANK OF MONTREAL

and

**FINANCIAL TRANSPORT INC., FREIGHTLINER OF
KINGSTON INC., 6181732 CANADA INC., GLOBAL
TRANSPORT INSURANCE BROKERS INC., JAIN TRUCK
LEASE LTD. and 2105810 ONTARIO INC.**

Applicant

Respondents

Court File No. CV-10-8556-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceedings commenced at Toronto**

ORDER

AIRD & BERLIS LLP
Barristers and Solicitors
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**EXHIBIT G – ANALYSIS OF FTI DECEMBER 31, 2009 LEASE
PORTFOLIO**

Financial Transport Inc. - Analysis of December 31, 2009 Lease Portfolio based on current status of lease payments

MTO owner: FTI/FKI

Secured interest: No other claims

	Value	% of Total Portfolio
Lease matured and buyout exercised (4 detail records)	\$29,991	0.4%
Making lease payments (11 detail records)	\$416,367	4.9%
Not making payments (42 detail records)	\$1,349,315	15.9%
Vehicle is missing (2 detail records)	\$117,548	1.4%
Vehicle returned & off-lease (12 detail records)	\$491,200	5.8%
Vehicle scrapped/sold (1 detail record)	\$10,868	0.1%
Subtotal for 'Secured interest' = No other claims (72 detail records)	\$2,415,290	28.4%
Secured interest: Other secured party		
Making lease payments (4 detail records)	\$189,741	2.2%
Not making payments (32 detail records)	\$1,417,288	16.7%
Vehicle is missing (1 detail record)	\$9,360	0.1%
Vehicle returned & off-lease (10 detail records)	\$595,122	7.0%
Subtotal for 'Secured interest' = Other secured party (47 detail records)	\$2,211,511	26.0%
Subtotal for 'MTO owner' = FTI/FKI (119 detail records)	\$4,626,801	54.4%

MTO owner: Not FTI

Secured interest: Other secured party

	Value	% of Total Portfolio
Making lease payments (3 detail records)	\$178,892	2.1%
Not making payments (47 detail records)	\$3,281,470	38.6%
Vehicle is missing (1 detail record)	\$117,369	1.4%
Vehicle returned & off-lease (1 detail record)	\$63,326	0.7%
Vehicle scrapped/sold (1 detail record)	\$14,174	0.2%
VIN does not exist (3 detail records)	\$229,950	2.7%
Subtotal for 'Secured interest' = Other secured party (56 detail records)	\$3,885,180	45.6%
Subtotal for 'MTO owner' = Not FTI (56 detail records)	\$3,885,180	45.6%

Total Portfolio Value

\$8,511,982

EXHIBIT H – ADD CAPITAL E-MAIL AND INVOICE

Wong, Brenda (CA - Toronto)

From: Elrah [elrah.g@addcapital.ca]
Sent: Monday, April 05, 2010 3:30 PM
To: Wong, Brenda (CA - Toronto)
Subject: RE: Financial Transport Inc.

I faxed to you today the info on G857303 and HV47310.

It's the second time I am sending the info on HV47310, I sent it on March 15, to the attention of Bryan Litvac I have the fax transmittal as proof.

Vin # X64102 was bought out by Financial Transport on May 20th, 2009, you say they are on a lease, and in arrears, then that is not through ADD.

Also when can we pick up OUR equipment, we want to pick up all three (3) an once.

Tks Elrah
905-940-2151 x 253

From: Wong, Brenda (CA - Toronto) [mailto:brewong@deloitte.ca]
Sent: Thursday, April 01, 2010 3:50 PM
To: Elrah
Subject: FW: Financial Transport Inc.
Importance: High

Elrah,

Do you have any info yet on # X64102? The lessee wants to return the truck and does not want to be responsible for it any longer, but as ADD Capital is the registered MTO owner, we don't appear to have an interest in it. Please advise what you want to do with this truck.

Brenda

From: Wong, Brenda (CA - Toronto)
Sent: Thursday, March 25, 2010 11:36 AM
To: 'Elrah'
Subject: FW: Financial Transport Inc.

From: Wong, Brenda (CA - Toronto)
Sent: Friday, March 19, 2010 5:01 PM
To: 'Elrah'
Subject: Financial Transport Inc.

Elrah,

According to the books and records of Financial Transport, Add Capital has an interest in the following vehicles:

VIN # 1UYVS2534AG857303 – This is showing on Financial Transport's lease portfolio as being out on lease; however, the lessee claims not to know anything about it. Can you provide a copy of the lease?

VIN # 1FUJCRAV67PX64102 – Add Capital is showing as the owner. The vehicle is out on lease but the lease is in arrears. Can you provide a copy of the lease? This is the one which you thought had been transferred to the lessee.

VIN # 1FVACXCS86HV47310 – This is out on lease but the account is in arrears. MTO is showing Financial Transport is the owner as TruckDepot Expedite sold the vehicle to Financial Transport, but you have advised that Add Capital is the owner. We are still checking into the status of this one.

VIN # 1GRAA0622AW701251 – We have finished reviewing the paperwork on this unit. Please see the attached letter.

Also to confirm, you have advised that all Add Capital's leases are with TruckDepot Expedite as the primary lessee and that TruckDepot Expedite has been making the lease payments.

Brenda Wong

Senior Manager
Financial Advisory
Deloitte & Touche LLP

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www.deloitte.ca



Adri Capital Corp
 900 Cochrane Drive, Unit 2
 Markham, Ontario
 L3R 0E2
 ph:905-440-2791
 fax:905-440-1434

INVOICE

Bill to:
 Financial Transport Inc
 7240 Dixie Road
 Mississauga, Ontario
 L5B 1E1

Location: Same
 Lease # 10665

Inv # 200303

Quantity	BRAND/MODEL/Description	Unit Price	PST	GST	TOTAL
1	2007 Freightliner 1/FJJCRAV87P584102 Purchase Option	\$10,525.00	EXEMPT	\$526.29	\$11,052.09
	Payment due upon receipt				
* \$25.00 will apply to all late payments and \$65.00 to all net cheques				Sub total	\$10,525.00
				P.S.T.	EXEMPT
				G.S.T.	\$526.29
				TOTAL	\$11,052.09

GST # RT001626902949