

COURT FILE NUMBER 1603 – 13737

COURT COURT OF QUEEN’S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE EDMONTON

PLAINTIFF(S) ALBERTA MOTOR ASSOCIATION

DEFENDANTS JAMES GLADDEN, DANA GLADDEN, SPROCKIT APPS INC.,
1926378 ALBERTA LTD., MARATHON MARKETING INC.,
QUIET LIGHT BROKERAGE INC., AND EASETIME SOFTWARE
LTD.

DOCUMENT **FOURTH AND FINAL REPORT OF THE RECEIVER**

**ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT**

Counsel

Bennett Jones LLP
4500, 855, 2nd St SW
Calgary AB T2P 4K7

Attention: Mathieu LaFleche

Telephone: (780) 917 - 5249
Fax: (780) 421 - 7951
File No.: 000681 - 00019

Receiver

Deloitte Restructuring Inc.
1500 Manulife Place
10180 101 Street
Edmonton, Alberta T5J 4K1

Attention: Darren Crocker

Telephone: (780) 421 - 3687
Fax: (780) 421 - 3782
Email: dcrocker@deloitte.ca

Table of contents

Introduction	1
Purpose of this report	1
Notice to reader	2
Terms of reference	2
Currency	2
Activities of the Receiver	2
Apps	2
GST	3
Corporate tax	3
Books and records	3
Conclusion	4

Appendices

Final Statement of Receipts and Disbursements of Spockit Apps Inc. and 1926378 Alberta Ltd.....	"A"
Receiver's Fees and Disbursements	"B"

Introduction

1. On August 4, 2016, the Court of Queen's Bench of Alberta appointed Deloitte Restructuring Inc. (the "**Receiver**") as Receiver of the current and future assets, undertakings and properties of every nature and kind whatsoever of Sprockit Apps Inc. ("**Sprockit**") and 1926378 Alberta Ltd. ("**1926378**") (collectively, the "**Companies**").
2. Since its appointment, the Receiver managed operations of the Companies. Sprockit's operations consisted of the management and sale of mobile device applications ("**Apps**"), which were primarily offered for sale on the Apple App Store. 1926378 operated as the owner/landlord of a five story commercial building located in downtown Edmonton (the "**Commonwealth Building**").
3. Following the sale of the Commonwealth Building, the Court granted an Order on December 8, 2017 (the "**Interim Distribution Order**"), which directed the Receiver to pay the Alberta Motor Association ("**AMA**") an interim distribution of \$123,918.40 from the Sprockit Estate and \$875,344.80 from the 1926378 Estate to AMA.

Purpose of This Report

4. The purpose of this Fourth and Final Report of the Receiver ("**Final Report**") is to provide the Court with the Receiver's comments in support of:
 - 4.1. the Receiver's activities since the Third Report of the Receiver dated November 16, 2017;
 - 4.2. the Receiver's application for taxation of its fees and disbursements;
 - 4.3. the Receiver's application for the Court's approval of the Final Statement of Receipts and Disbursements ("**FSRD**") of the Receiver;
 - 4.4. the Receiver's application for discharge; and
 - 4.5. the Receiver's application for a Court Order directing the Receiver to serve notice to Mr. James Gladden requiring him to make arrangements with the Receiver to take delivery of the Companies' books and records within the 30 days after service of the notice at his last known address, failing which the Receiver will be authorized to destroy the books and records after its discharge.

Notice to Reader

5. In developing this Final Report, the Receiver has relied upon unaudited financial information prepared by the Companies' management, the Companies' books and records and discussions with its management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the information.
6. The Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this Final Report. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this projection. Any use which any party makes of this report, or any reliance or decision to be made based on this projection, is the sole responsibility of such party.

Terms of reference

7. Capitalized terms not otherwise defined herein have the meanings given to them in reports previously filed with the Court by the Receiver.

Currency

8. All currency references in this report are in Canadian dollars.

Activities of the Receiver

Apps

9. The Receiver continues to receive periodic payments flowing from one app on the Apple Store by way of direct deposit into the Receiver's trust account. On average, the estate has received approximately \$30 per month for this app since November 2017. The Receiver believes it is unlikely that the app will produce significant revenues in the future.

10. The Receiver has not found a private buyer for the app, and the Receiver believes that the app has no net realizable value. The administrative costs to maintain the \$30 per month revenue stream will also exceed what is to be received by the Receiver. As contemplated in the Third Report, the Receiver will discontinue the direct deposit of revenues from the Apple Store, and take no further action with respect to the app, as the Plaintiffs have advised that they have no interest in taking an assignment of the app or the \$30 per month revenue stream.

GST

11. The Receiver has filed GST returns for the Companies up to October 31, 2019, and is in receipt of GST refunds totaling approximately \$3,921 for Sprockit and approximately \$681 for 1926378.
12. As the Receiver is seeking to distribute funds and obtain its discharge, the returns for the year ending October 31, 2020, will not be filed. The refund that would result from keeping the receivership estate active to file the return would not be material.

Corporate tax

13. The Receiver has filed corporate tax returns for the Companies up to April 2, 2018, and is in receipt of tax refunds totaling approximately \$140,238 for Sprockit and approximately \$17,231 for 1926378. No further tax returns will be filed as no material refunds or tax owing are anticipated.

Books and records

14. The Receiver is in possession of certain books and records of the Companies that will not be required by the Receiver after its discharge. AMA has advised the Receiver that it has no desire to retain the books and records after the conclusion of these proceedings. Aside from AMA, the Receiver believes that the only party who may have an interest in the books and records of the Companies is Mr. Gladden, in his capacity as director of the Companies.
15. The Receiver sent an email to the email address through which it had previously corresponded with Mr. Gladden to determine if Mr. Gladden wished to have the books and

records returned to him after the Receiver's discharge. However, Mr. Gladden's email appears to no longer be valid, and he is no longer represented by counsel. Should the Court deem it appropriate, the Receiver intends to serve Mr. Gladden, at the last known address shown on his former counsel's notice of withdrawal as lawyer of record, with notice requiring him to make arrangements with the Receiver to take delivery of the Companies' books and records. If no response is received after 30 days of the notice being served upon Mr. Gladden, the Receiver believes it would be appropriate to proceed with destroying them upon the conclusion of these proceedings.

Conclusion

16. All property of the Companies has been dealt with, and the Receiver's FSRD is attached as Appendix "A".
17. After the Receiver's fees and disbursements, projected final distributions of \$34,379.12 from Sprockit and \$94,912.62 from 1926378 will be available to AMA, for a total of \$129,291.74. Including prior distributions to AMA in this receivership, AMA is projected to receive \$1,128,554.94 on its judgment of \$8,127,581 from the receivership proceedings. The Receiver is advised by AMA that realizations from the receivership and other sources will be insufficient to satisfy its judgement.
18. This Final Report is made in support of an Order:
 - 18.1. approving the FSRD for Sprockit and 1926378 attached as Appendix "A", and the fees and disbursements contemplated therein up to the maximum accrued amounts, with any residual funds to be distributed to AMA or its designee;
 - 18.2. approving and passing the Receiver's fees attached as Appendix "B";
 - 18.3. approving the Receiver's actions to date;
 - 18.4. directing the Receiver to serve notice upon Mr. Gladden at his last known address requiring Mr. Gladden to make arrangements with the Receiver to take delivery of the Companies' books and records within the 30 days after which the notice is served, failing which the Receiver is authorized to destroy the Companies' books and records; and

18.5. discharging the Receiver upon the filing of a Certificate executed by the Receiver as to the completion of all administrative matters with respect to these proceedings.

All of which is respectfully submitted this 14th day of September, 2020.

DELOITTE RESTRUCTURING INC.,
In its capacity as Court Appointed Receiver of
Sprockit Apps Inc. and 1926768 Alberta
Ltd. And not in its personal capacity



Darren M. Crocker, CPA, CGA, CIRP, LIT
Senior Vice-President