

IN THE MATTER OF THE BANKRUPTCY OF

KYOTO FUELS CORPORATION  
OF THE CITY OF CALGARY,  
IN THE PROVINCE OF ALBERTA

REPORT ON THE TRUSTEE'S  
PRELIMINARY ADMINISTRATION

ESTATE NO. 25-2053219

**Introduction**

On April 30, 2014, the Court of Queen's Bench of Alberta ("**Court**") issued an order ("**Initial Order**") granting Kyoto Fuels Corporation ("**Kyoto**" or the "**Company**") protection pursuant to the Companies' Creditors Arrangement Act ("**CCAA**") (the "**CCAA Proceedings**"). Ernst & Young Inc. ("**EY**") was appointed monitor ("**Monitor**") under the Initial Order.

The Initial Order was granted upon the application of T&E Ventures Inc. ("**T&E**"), a secured creditor of Kyoto.

Subsequently, on May 29, 2014, the Court issued a Receivership Order appointing EY as Receiver (the "**Receiver**") of the property, assets, and undertakings (the "**Property**") of Kyoto. Although the Kyoto receivership proceedings are ongoing, the Receiver sold all of Kyoto's assets which was approved by the Court on May 12, 2015.

On October 28, 2015, the Court issued a Bankruptcy Order appointing EY as Trustee in bankruptcy of Kyoto (the "**Trustee**") pursuant to an application by one of Kyoto's secured creditors, Capital Power LP ("**CP**").

**Background**

Kyoto's plan was to become a commercial producer of biodiesel fuel, a fuel made from feedstock such as plants oils or animal fats. Background information regarding the company and the CCAA Proceedings and the Receivership Proceedings can be found on EY's website at the following link: <http://documentcentre.eycan.com/Pages/Main.aspx?SID=298>.

Kyoto's major secured creditors at the time of bankruptcy are as follows:

- a) CP and Agricultural Financial Services Corporation ("**AFSC**") ranking pari passu in the total amount of approximately \$10.2 million. This amount does not include interest and fees accumulating on the debt subsequent to the Receivership date; and
- b) T&E in the amount of approximately \$3.9 million.

The only remaining asset of Kyoto is cash on hand of approximately \$1.1 million. The majority of this amount will be paid to CP and AFSC once those two parties have agreed on the appropriate split of the remaining funds. It is not available for the bankrupt estate. The Trustee's fees will be funded from the Receivership.

### **Canada Revenue Agency's Claim**

The CRA filed a claim in the receivership in the approximate amount of \$325,000. As a result of Kyoto's bankruptcy, CRA's claim represents an unsecured claim against the estate.

### **Preliminary Evaluation of Property, Assets and Undertakings**

As previously noted in this Report, Kyoto's only asset at the date of bankruptcy is cash held by the Receiver of approximately \$1.1 million.

### **Conservatory and Protective Measures**

As all assets and the books and records of Kyoto were held by the Receiver at the date of Bankruptcy, no conservatory or protective measures are required of the Trustee.

### **Books and Records**

Kyoto's books and records are in the possession of the Receiver and are available to the Trustee should the Trustee wish to review the books and records.

### **Provable Claims and Secured Claims**

Based on information available to the Trustee, amounts owed to Kyoto's creditors are as set out in the Statement of Affairs. The Trustee has not received any proofs of claim indicating that the Statement of Affairs does not accurately set out Kyoto's liabilities.

### **Legal Proceedings**

The Trustee is not aware of any legal proceedings against the estate.

### **Anticipated Realization and Projected Distribution**

The Trustee has not prepared an estimated statement of realization as there will be no funds available in the estate other than the fees of the Trustee which are to be funded from Kyoto's receivership account.

### **Other Matters**

Ernst & Young Inc. acts as both Receiver and bankruptcy Trustee of Kyoto. In connection with the sale of Kyoto's assets and the distribution of funds therefrom, the Receiver obtained an independent legal opinion on both CP's and AFSC's security which indicated the security was duly registered, properly perfected and forms a secured claim against Kyoto's assets. Based on the opinion obtained by the Receiver, the Trustee is of the view that it can rely on such opinion and that a second opinion on CP's and AFSC's security by the Trustee is not warranted.

Dated at Calgary, Alberta on the 9<sup>th</sup> day of November, 2015.

**ERNST & YOUNG INC.**

**In its capacity as Trustee in the bankruptcy  
of Kyoto Fuels Corporation and not its  
personal capacity**

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

Robert J. Taylor, FCA, CA, CIRP  
Senior Vice- President