



ACTION NUMBER 0703 - 01641  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE EDMONTON  
PLAINTIFF IRONMAN & COMPANY INC., ROBERT JOHNSON, ORAN JOHNSON, and BETTY JOHNSON  
DEFENDENT GLENN KREGER and GLENCO METALS AND PROCESSING INC.  
DOCUMENT LIQUIDATOR'S SECOND REPORT  
SUBMITTED BY BDO CANADA LIMITED IN ITS CAPACITY AS LIQUIDATOR OF GLENCO METALS AND PROCESSING INC.

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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LIQUIDATOR'S SECOND REPORT  
JULY 26, 2013

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## Introduction and History

1. Glenco Metals and Processing Inc. ("Glenco" or the "Company") was a metal cutting and fabrication business operating out of premises located at 9838 and 9834 - 60<sup>th</sup> Avenue, Edmonton, Alberta. Day-to-day operations were controlled by Mr. Glenn Kreger, the sole Director of Glenco. Ironman and Company Inc. ("Ironman") were investors in Glenco and sought the transfer of 50% of the shares of Glenco which lead to the filing of an Originating Notice on February, 2, 2007. A Consent Order dated March 13, 2007 was granted providing the terms under which Mr. Kreger and Ironman would continue to operate.
2. The dispute between Ironman and Glen Kreger continued, which lead to the Honourable Mr. Justice V. Ouellette granting a "Liquidation Order" (the "Order") of Glenco on June 29<sup>th</sup>, 2007. It was declared in the Order that Browning Crocker Inc. be appointed as Liquidator and that Ironman and Glen Kreger were determined to be the shareholders of Glenco with each party holding 50% of the voting shares.
3. Subsequent to the Liquidation Order being granted, the Liquidator applied to the Court for advice and direction regarding the disposition of the property of Glenco. Direction was provided by way of Consent Order dated September 19, 2007. The property of Glenco was disposed of in accordance with the September 19, 2007 Consent Order.

## Purpose of Report

4. The purpose of this report (the "Second Report") is to:
  - i. advise this Honourable Court (the "Court") that effective the 1st day of October 2009, Browning Crocker Inc. merged its professional practice with BDO Dunwoody Limited which now operates as BDO Canada Limited (herein referred to as "BDO" or the "Liquidator"). A copy of the Court Substitution Order granted by the Court of Queen's Bench of Alberta is attached hereto as Exhibit "1";
  - ii. advise the Court of the Liquidator's actions since the Liquidator's First Report and to update the Court regarding the realizations to date;
  - iii. report on the status of amounts owed to creditors and the Liquidator's proposed course of action.

and to seek an Order of this Court that:

- i. approves the Liquidator's activities to date and the Liquidator's interim statement of receipts and disbursements for the period from June 29, 2007 to November 7, 2012, as set out in the Liquidator's First and Second report;
- ii. approves the Liquidator's fees and disbursements for the period from June 29, 2007 to May 27, 2012;

- iii. approves the fees and disbursements of the Liquidator's legal counsel for the period from July 10, 2007 to May 22, 2012;
- iv. approves the transfer of funds from Glenco's Merchant Account to the Liquidator's trust account; and
- v. authorizes the Liquidator to assign the Company into bankruptcy at which time the Liquidator will receive its discharge.

#### **Terms of Reference**

5. In developing this report, the Liquidator has relied upon the Company's unaudited financial information, the Company's books and records, and discussions with, and representations made by management of the Company. The Liquidator has not audited or otherwise verified the information as to its accuracy and completeness, nor has the Liquidator attempted to confirm that the financial information prepared by the Company has necessarily been prepared in accordance with generally accepted accounting principles. Future oriented financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved may vary from this information and the variations may be material. This report may not disclose all significant matters about the Company and the Liquidator reserves its right to alter or refine its observations as further information is obtained.

#### **Asset Realizations**

6. Attached hereto as Exhibit "2" to the report is the Liquidator's Interim Statement of Receipts and Disbursements for the period June 29, 2007 to November 7, 2012. Total Receipts to date are approximately \$230,000 with significant asset realizations discussed below.

##### **Cash on Hand**

7. Cash on Hand represents funds recovered from the ATB Financial bank account and funds recovered on the premises.

##### **Funds Held in Trust - Glenco Merchant Account**

8. The Liquidator retains funds in a separate interest bearing trust account that were received from Ironman as they complied with paragraph 5 of the September 19, 2007 Consent Order. Ironman provided \$14,283.50 to the Liquidator which represented the remaining funds from Glenco's Merchant account. Prior to the Liquidation, Ironman took control of the merchant account, which received all credit and debit payments made by customers of Glenco for goods and services provided by Glenco. Ironman used this account to make payments on the equipment leases that Ironman undertook for use in Glenco's operations.
9. Based upon information available to the Liquidator it appears that funds in the Merchant Account are from the customers of Glenco. The Liquidator recommends

that the Court authorize the transfer of these funds to the Liquidator's trust account for the benefit of the general body of creditors of Glenco.

#### **Accounts Receivable**

10. To date the Liquidator has collected \$43,163.24 of accounts receivable and it is unlikely that any further amounts will be collected.

#### **Fixed and Other Assets**

11. Further to the Liquidator's First Report to Court, the Fixed Assets were disposed of in accordance with the September 19<sup>th</sup>, 2007 Consent Order.
12. Plant and Equipment were sold via public auction that yielded \$119,865 after applicable taxes, auctioneer commissions, and auctioneer set-up fees. An additional \$7,434.67 was obtained from customers with special circumstances that requested product from the Liquidator at retail pricing prior to the auction sale. These sales were approved by the shareholders.
13. On October 5, 2007, following an Invitation for Offers process to negotiate a private sale between the shareholders, the Court approved the sale of the business name, phone number, email addresses and real property leases to Ironman for \$15,100 plus applicable taxes.
14. The Liquidator confirms that all realizable assets of Glenco have been liquidated.

#### **Glenco Books and Records**

15. In the opinion of the Liquidator, the Glenco electronic accounting records and the physical books and records were in poor condition. Based upon this poor condition of the records, assessments by Canada Revenue Agency were higher than initially anticipated. This matter is discussed further in the section below.

#### **Creditors**

##### **Canada Revenue Agency ("CRA") - Source Deductions and GST**

15. At the onset of the engagement the Liquidator was advised by the Company that there were no outstanding amounts owed to CRA.
16. CRA completed an audit of the Glenco books and records and submitted a claim for outstanding source deduction arrears for \$86,436.89 of which, \$44,655.82 represents the deemed trust portion for source deductions. We enclose a copy of CRA's source deductions claim as Exhibit "3" to the report.
17. CRA also filed a GST claim for \$103,863.48 which we attach as Exhibit "4" to the report. The Liquidator has confirmed with representatives from CRA that this balance was a notional assessment as the books and records were in poor

condition. Three quarterly returns were not filed by Glenco from October 1, 2006 to June 30, 2007.

#### **Accounts Payable and Unsecured Creditors**

18. The books and records of Glenco indicate that at the date of the liquidation, there was approximately **\$127,000** of unsecured creditors. The Liquidator, through the liquidation process, obtained confirmation from a small sample of trade creditors that the amounts owing to them were similar to the amounts recorded in the company's payable listing.

#### **Liquidator's Fees and Legal Fees**

19. Due to the strained relations between the shareholders and the highly litigious nature of this engagement, the Liquidator spent a significant amount of time to ensure a fair and equitable process between the shareholders.
20. Pursuant to paragraph 12 of the Order, any expenditure or liability shall be properly be made or incurred by the Liquidator, including the fees of the Liquidator and the fees and disbursements of its legal counsel, incurred at the standard rates and charges of the Liquidator and its legal counsel, shall be allowed to it in passing its accounts and 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 except the Canada Revenue Agency.
21. Pursuant to paragraph 14 of the Order, the Liquidator has paid its account for the period from June 29, 2007 to May 27, 2012. Attached hereto as Exhibit "5" are the details of the Liquidator's fees and expenses along with the Liquidator's time dockets. Based on the time spent and the services rendered, the Liquidator considers the accounts to be fair and reasonable.
22. Attached as Exhibit "6" to the report are 23 invoices submitted by Miller Thomson LLP ("MT") for legal services rendered in connection with the liquidation for the period July 10, 2007 to May 22, 2012, amounting to \$38,630.24 inclusive of GST and disbursements. The Liquidator has paid these invoices from funds on hand and based on the time spent and services rendered, the Liquidator considers the accounts of MT to be fair and reasonable. The Liquidator has accrued \$5,250 as an estimate of the remaining legal costs to complete the administration of the liquidation.

#### **Conclusion and Recommendation**

23. The monies realized from the liquidation of assets of Glenco will not be sufficient to pay all of the creditors of Glenco in full. Attached as Exhibit "7" to this report, is a Projected Distribution Schedule with an estimated shortfall of \$280,000 to the creditors of Glenco.
24. The Liquidator has discussed the options available with legal counsel and is of the opinion that pursuant to the provisions of the Order, an assignment in bankruptcy

is necessary. The Liquidator contacted CRA to discuss their willingness to provide an Administrative Agreement to allow the Trustee's reasonable fees and expenses to be paid in priority to their deemed trust claim and has received an executed Administrative Agreement. As noted in paragraph 16 above, CRA's source deduction claim is \$44,655.82 and CRA has agreed to postpone its claim to the Liquidator's fees and legal fees in the amount of \$15,015.09, without prejudice to CRA's rights to pursue other persons to collect the balance of its claim.

25. Based upon the matters outlined in the Second Report, the Liquidator respectfully requests an Order from the Court that:

- i. approves the Liquidator's activities to date and the Liquidator's interim statement of receipts and disbursements for the period from June 29, 2007 to November 7, 2012, as set out in the Liquidator's First and Second report;
- ii. approves the Liquidator's fees and disbursements for the period from June 29, 2007 to May 27, 2012;
- iii. approves the fees and disbursements of the Liquidator's legal counsel for the period from July 10, 2007 to May 22, 2012;
- iv. approves the transfer of funds from Glenco's Merchant Account to the Liquidator's trust account; and
- v. authorizes the Liquidator to assign the Company into bankruptcy at which time the Liquidator will receive its discharge.

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Respectfully submitted the 26th day of July 2013,

**BDO Canada Limited**  
**(Formerly Browning Crocker Inc.)**  
In its capacity as Court-Appointed Liquidator of  
**Glenco Metals and Processing Inc.**  
and not in its Personal Capacity

Per:

  
Craig A. Fryzuk, B.Comm., CIRP, Trustee  
Senior Vice-President