

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

BETWEEN:

THE TORONTO-DOMINION BANK

Applicant

and

JBT TRANSPORT INC., WAYDOM MANAGEMENT INC., MELAIR MANAGEMENT INC., HERITAGE TRUCK LINES INC., DRUMBO TRANSPORT LIMITED, HERITAGE NORTHERN LOGISTICS INC., and HERITAGE WAREHOUSING & DISTRIBUTION INC.

Respondents

FIRST REPORT OF BDO CANADA LIMITED, IN ITS CAPACITY AS COURT APPOINTED RECEIVER AND MANAGER OF JBT TRANSPORT INC., WAYDOM MANAGEMENT INC., MELAIR MANAGEMENT INC., HERITAGE TRUCK LINES INC., DRUMBO TRANSPORT LIMITED, HERITAGE NORTHERN LOGISTICS INC., and HERITAGE WAREHOUSING & DISTRIBUTION INC.

April 4, 2025

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INTRODUCTION AND BACKGROUND

1. JBT Transport Inc. (“**JBT**”), Waydom Management Inc., Melair Management Inc., Heritage Truck Lines Inc. (“**HTL**”), Drumbo Transport Limited (“**Drumbo**”), Heritage Northern Logistics Inc. (“**HNL**”), and Heritage Warehousing & Distribution Inc. (“**HWD**”) (collectively the “**JBT Group**” or the “**Companies**”) was in the business of end-to-end supply chain services, transportation logistics and warehousing services for customers across North America.
2. The JBT Group operated from leased premises located at 60 Steckle Street (“**Steckle**”) and owned premises at 425 Melair Dr. (“**Melair**”) and together with Steckle, the “**Premises**”). HWD’s warehousing operations are conducted from Steckle and all other operations were conducted from Melair.
3. In February 2022, the JBT Group commenced an expansion of its business including the purchase of Drumbo, HTL, HNL and HWD. Shortly after the expansion, market conditions declined and the JBT Group began experiencing financial difficulties.
4. On January 24, 2025 (the “**NOI Filing Date**”), each of the entities within the JBT Group filed a Notice of Intention to Make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) (the “**NOI Proceedings**”). Dodick Landau Inc. (“**DLI**”) was the proposal trustee. The motion material in respect of the NOI Proceedings indicated that the purposes of those proceedings were to allow the JBT Group to conduct a sale and investment solicitation process with a view to maximize recovery for the stakeholders while maintaining going concern operations to safeguard employment of the employees and preserve value for the stakeholders.
5. The JBT Group made application to the Court to convert the NOI Proceedings to proceedings under the *Companies’ Creditors Arrangement Act* (“**CCAA**”) (the “**CCAA Application**”). On February 8, 2025, DLI issued a pre-filing monitor’s report in support of the conversion of the NOI Proceedings to CCAA proceedings. On February 10, 2025, the Court converted the NOI Proceedings to CCAA proceedings pursuant to an initial order (“**Initial Order**”), which, among other things, appointed DLI as the monitor of the Companies.
6. The Toronto-Dominion Bank (“**TD Bank**”), senior secured lender to the JBT Group, brought a concurrent application to appoint a receiver over the assets, properties and undertakings of the Applicants (the “**Receivership Application**”).

7. Pursuant to the terms of the Initial Order, inter alia, the Court:
 - a. granted a stay of proceedings in favour of each of the Applicants up to and including February 28, 2025;
 - b. ordered that all receivables received by the Applicants on or after the NOI Filing Date shall be treated in accordance with the provisions of the Highway Traffic Act, RSO 1990, c. H. 8 (the “HTA”), including section 190.0.1(3) therein;
 - c. stayed all Carriers (as defined in the HTA) from contacting customers of the Applicants in respect to the business of the Applicants, including but not limited to, requiring customers to make payments to the Carriers, soliciting business from such customers, from taking any enforcement action with respect to the amounts owed to them or from holding and refusing to deliver the Applicants’ load freight product on account of any outstanding indebtedness owed by the Applicants to the Carriers prior to the Filing Date;
 - d. granted the following charges:
 - i. a charge securing Carrier’s right to payment for the supply of services rendered to the Applicants in respect of shipments in connection with which such Carrier was engaged by the Applicants for the carriage of goods on or subsequent to the NOI Filing Date (the “**Carrier Charge**”). The Carrier Charge was granted on the applicable receivable associated with such shipment received by the Applicants or any of them, from and after the NOI Filing Date, and the charge on the applicable receivable was in the amount owing to the respective Carrier; and
 - ii. the Administration Charge in the amount of \$150,000 on all of the Applicants’ current and future assets, property and undertaking (collectively, the “**Property**”) to secure the fees and disbursements of the Applicants’ legal counsel, as well as the fees and disbursements of the Monitor and its independent legal counsel.
8. The comeback date was set for February 27, 2025 (the “**Comeback Date**”). The Court issued its endorsement dated March 4, 2025 (the “**March 4 Endorsement**”) granting the Receivership Application and dismissing the CCAA Application. A copy of the March 4 Endorsement is attached hereto as **Appendix “A”**.
9. Paragraph 70 of the March 4 Endorsement provided that if there was no agreement as to the for of Receivership Order by March 6, 2025 (the expiration of the stay period then in place), then the Court

would sign the originally proposed form of Receivership Order.

10. No agreement was reached between counsel as to the form of Receivership Order. On March 7, 2025, the Court issued a supplemental endorsement specific to the Receivership Order, a copy of which is attached as **Appendix “B”**.
11. On March 6, 2025 (the **“Date of Receivership”**), the Court granted the receivership order, appointing BDO Canada Limited (**“BDO”** or the **“Receiver”**) as the Receiver (the **“Receivership Order”**). A copy of the Receivership Order is attached hereto as **Appendix “C”**. All other information regarding the receivership proceedings can be accessed on the Receiver’s website at <https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/jbt>

PURPOSE OF REPORT

12. This report constitutes the first report of the Receiver (the **“First Report”**), and is filed in support of the Receiver’s motion to this Honourable Court, seeking an order(s):
 - a. approving this First Report and the reported actions of the Receiver since the Date of Receivership in respect of administering these receivership proceedings;
 - b. approving the HWD Transaction (as defined herein) as between the Receiver as vendor and 1001172780 Ontario Limited as purchaser (the **“Purchaser”**);
 - c. amending the Receivership Order to include:
 - i. the Receivables Entitlement Process (as defined herein) in respect of shipments delivered by third party carriers and payments received from customers;
 - ii. expanding the administrative charge to include the unpaid professional fees of DLI, its counsel and the Applicants’ counsel (the **“CCAA-Professionals”**) incurred prior to the granting of the Receivership Order. Such charge is to rank pari passu with the Receiver’s administrative charge, is limited to \$75,000, pertains to unpaid fees incurred prior to the granting of the Receivership Order and is subject to customary review and taxation by the Court; and
 - d. sealing the Confidential Appendices to this First Report until the closing of the Transaction, or further order of this Court.

TERMS OF REFERENCE

13. In preparing this First Report, the Receiver has relied upon unaudited financial information, the books and records of the Companies, and discussions with former management of the Companies ("**Management**") and the stakeholders of the Company.
14. The financial information of the Companies has not been audited, reviewed or otherwise verified by the Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this First Report may not disclose all significant matters about the Companies. Additionally, none of the Receiver's procedures were intended to disclose defalcations or other irregularities. If the Receiver were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Receiver's attention. Accordingly, the Receiver does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this First Report.
15. Unless otherwise stated, all monetary amounts contained in this First Report are expressed in Canadian dollars.

ACTIVITIES OF THE RECEIVER

16. Since the Date of Receivership, the Receiver has undertaken the following activities with respect to the Companies and their property (the "**Property**"):
 - a. attended onsite at the Premises on the Date of Receivership and met with Mr. Denis Mederios ("**Mederios**"), Mr. Kyle Mederios, Mr. Randy Bowman and various accounting personnel (collectively "**Management**");
 - b. took possession and control of the Melair premises;
 - c. Arranged for locks to be changed at Melair;
 - d. Arranged for security at Melair;
 - e. engaged in discussions with Mederios who expressed an interest in purchasing the HWD business and assets through a newly incorporated entity;
 - f. reviewed the proposed agreement of purchase and sale between the Receiver and the

Purchaser;

- g. entered into an operating agreement with the Purchaser and finalized the agreement on April 4, 2025;
- h. terminated the employees of all entities within the JBT Group with the exception of those employed by HWD as at March 7, 2025, and made arrangements with certain former employees to assist the Receiver on an as needed basis including a limited number of truck drivers;
- i. arranged from insurance over all assets with the exception of those used in HWD's operations;
- j. arranged for the redirection of mail for all entities other than HWD;
- k. arranged for the transfer of funds from the Companies accounts at Royal Bank of Canada to the Receiver's trust accounts;
- l. completed the statutory reporting and notice requirements under the BIA;
- m. engaged in discussions with the JBT Group's customers and carriers, excluding customers of the warehouse business, as necessary;
- n. corresponded with third parties who asserted an interest in certain property located on the Melair premises;
- o. corresponded with auctioneers and prospective parties who expressed an interest in the Property;
- p. contacted various liquidators and invited them to view the Debtor's assets and submit either offers to purchase or liquidation proposals;
- q. requested equipment financiers to provide their financing or leasing agreements together with their pay-out statements (the "**Security Documents**");
- r. requested legal counsel to review the Security Documents and engage in discussions with the financiers as appropriate;
- s. registered the Receivership Order on title to Melair; and
- t. prepared, reviewed, and finalized this First Report.

JBT GROUP'S OPERATIONS

17. On the Date of Receivership, the Receiver together with its counsel, Harrison Pensa LLP (“**HP**”) held discussions with JBT Group’s counsel, Reconstruct LLP (“**Reconstruct**”) who advised that except for HWD’s operations, essentially all operations had ceased. Reconstruct also advised that the Companies’ insurance policies including fleet, brokerage and liability had expired on March 1, 2025 and that at the Date of Receivership the Companies’ Property was not insured. Given the nature of Companies’ primary operations, transporting goods using tractors and trailers on highways, the Receiver could not continue operations without adequate insurance.
18. Discussions with Management on or about the Date of Receivership indicated that the JBT Group was completing a limited number of shipments with its own fleet and was engaged in recovering and returning trucks and trailers which were on the road or at customer locations to the Melair premises. Management advised that the transport operations had been negatively impacted by the non-payment of carriers and the insolvency proceedings which led customers to transition their transportation needs to other carriers due to concerns regarding interrupted supply and third-party carriers potentially demanding payment from the customers or holding goods hostage.
19. In addition, the Receiver engaged in discussions with the Companies’ insurer and attempted to arrange insurance. The insurance cost for limited operations, liability and property insurance was cost prohibitive (i.e. ~\$180,000 per month). The cost of insurance, together with the loss of the transportation customer base, led the Receiver to immediately cease the transport operations of JBT, HTL and Drumbo.
20. The Receiver worked with the insurer and arranged property insurance which covered the Melair buildings and premises and the fleet of trucks and trailers. Other insurance was arranged by the Receiver to permit a limited number of vehicles to be used to recover off-site trucks and trailers.
21. The Receiver did not consider a sale of the JBT Group transportation operations as a going concern appropriate as the majority of the operations had ceased, customers had switched to new carriers and third party carriers were reluctant to continue to work with the JBT Group.

HERITAGE WAREHOUSE & DISTRIBUTING TRANSACTION

22. HWD provides warehousing and third-party logistics services to its customers. HWD does not use third party carriers in its business and does not have the same carrier issues as the other entities within the JBT Group.
23. The Receiver did not take possession of either HWD or the Steckle facility.

24. On Date of Receivership, Mederios through its counsel advised the Receiver that he was interested in purchasing HWD's operations and submitted an offer to purchase the assets (the "**HWD Transaction**"). Mederios holds the controlling interest in 1001172780 Ontario Limited, the purchaser in the HWD Transaction. The offer is comprised of:
- a. Receivables – payment of 90% of the Canadian dollar equivalent of the accounts receivables (A/R) as detailed in the March 14, 2025 A/R listing.
 - b. Forklifts – payment of the appraised value for 10 forklifts. The appraisal was prepared by a third-party appraiser.
 - c. Computers, furniture and fixtures –\$1,500 for the computers, furniture and fixtures.
 - d. Employee liabilities – assumption of the 13 employees including their respective wages, vacation pay, benefits and pension contributions (the "**Employee Costs**").
 - e. Steckle lease – assumption of the Steckle lease.
 - f. Other Liabilities – assumption of certain liabilities including utilities, software, cybersecurity services, etc.
25. The HWD Transaction is an all-cash offer and subject only to an approval and vesting order. A copy of the redacted HWD agreement of purchase and sale (the "**HWD APA**") is attached hereto as **Appendix "B"**. The unredacted HWD APA is attached hereto as Confidential **Appendix "A"**.
26. A summary of the appraised values for the Forklifts is attached hereto as Confidential **Appendix "B"**.
27. The Receiver recommends the HWD Transaction for the following reasons:
- a. HWD's customers had expressed their intention to switch warehouses given the insolvency proceedings without immediate certainty of the stability and continuation of the warehouse business. Absent certainty that the warehouse customers would continue with HWD, the Receiver could not operate the warehouse business given the costs and risks (no insurance, and *Occupational Health and Safety Act* concerns) associated with this business line which also prevented the Receiver from conducting a protracted sale process. The immediate closure of the warehouse business would erode any going-concern value and would likely lead to set-offs of the existing warehouse accounts receivable.
 - b. the aggregate consideration of the HWD Transaction is likely to achieve the highest

realization for the HWD assets while also preserving the employment of 13 employees. The Receiver's view is based upon the fact that it will not have to pay commissions to a collection's agent or to a liquidator to monetize the HWD receivables and fixed assets;

- c. commissions rates for collection agencies and liquidators have ranged between 20% to 30% and 6 to 12%, respectively. These costs and the associated Receiver costs will be avoided as a result of the Court's approval of the HWD Transaction, thereby maximizing recoveries for stakeholders, including the HWD creditors whose liabilities will be assumed;
 - d. the Receiver's costs or the costs of employing a collection agency to collect the HWD receivables would erode the cash collections and would likely result in an amount lower than a 90% recovery rate on the HWD accounts receivable.
 - e. the sale of the forklifts at or around their appraised value is reasonable and would be expected from any purchaser;
 - f. HWD would continue to operate resulting in 13 individuals retaining their employment;
 - g. approval of the HWD Transaction will avoid the costs of vacating the Steckle premises and disrupting customers warehousing needs;
 - h. the HWD Transaction is an unconditional all-cash offer and subject only to an approval and vesting order; and
 - i. TD Bank, the senior secured creditor, supports the HWD Transaction.
28. The Receiver entered into an operating agreement with the Purchaser dated March 28, 2025. A copy of which is attached hereto as **Appendix "E"**.
29. Section 5 of the Receivership Order empowers and authorizes the Receiver to:
- a. 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 \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$100,000; 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,

- b. 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 the Property.

As such, the Receiver seeks the approval of the HWD Transaction as the purchase price exceeds \$100,000.

- 30. The Purchaser has agreed to pay for the ongoing HWD Employee Costs and other operating costs from the Date of Receivership. The Receiver has placed the Steckle landlord on notice of the HWD Transaction and the Purchaser has engaged in discussions with the Steckle landlord for the assumption of the Steckle lease.

SECURED CLAIMS - HWD

- 31. Attached hereto as **Appendix "D"** is a summary of registrations made under the *Personal Property Security Act ("PPSA")* as against HWD. All secured creditors with registrations as against HWD under the PPSA have been served with this motion.
- 32. The HWD Transaction includes 10 forklifts. Of these 10 forklifts, TD is the only secured creditor with asset/VIN specific registrations over the following forklifts:
 - a) 2019 CROWN ENCORE RM6025-45 (VIN: 1A550423)
 - b) 2015 CROWN ENCORE SC5245-40 (VIN: 9A219585)
 - c) 2013CROWNENCORESC5245-40(VIN: 9A198864)

CARRIER TRUST OBLIGATIONS

- 33. As more fully described in the Proposed Monitor's Pre-Filing Report, the JBT Group coordinated customer shipments using a variety of independent carriers throughout North America. These were carrier lanes which the JBT Group did not service with its own fleet, but to service its customers trucking needs it contracted third-party carriers that serviced those particular geographies. The customer then paid the JBT Group, JBT Group retained a commission (which averaged 15%) and paid the balance (85% on average) to the carrier ("**Carrier Arrangements**").
- 34. Under the Highway Traffic Act, where Carrier Arrangements are contracted, the JBT Group is obligated to hold customer payments in trust until the underlying carrier has been paid. Prior to the NOI Filing Date, these customer payments were not held in a separate trust bank account and were comingled with operating funds. The Proposed Monitor's Pre-filing Report states that, after

the NOI Filing Date and resulting stay of proceedings, certain carriers were not paid and became unsecured creditors in the NOI proceedings and questioned how payment will be protected going forward.

35. Management advised the Receiver and the Proposed Monitor reported that after the NOI Filing Date, the JBT Group created separate trust accounts by legal entity to deposit all customer payments in respect of receipts associated with the carrier broker business (“**Receivable Trust Account(s)**”). The customer payments were then released only as payment to the carrier account relating to the shipment for which payment was received, and the associated JBT Group commission was transferred to the JBT Group operating account.
36. Discussions with JBT Group’s accounting personnel indicated that they developed a tracking sheet which identified customer shipments by carrier to enable them to identify which customer payments should be deposited into the Receivable Trust Account and the quantum of the receivable which would be paid to carriers (the “**Carrier Tracking Sheet**”). Based upon a review of the Carrier Tracking Sheet and discussions with JBT Group’s accounting personnel, it appears the tracking sheet was last updated in mid-February, 2025.
37. The Receiver understands that just prior to the Date of Receivership, the JBT Group made payments to carriers in respect of Carrier Arrangements leaving approximately \$173,000 in the Receivable Trust Accounts.
38. Since its appointment, customers have engaged in discussions with the Receiver and have requested direction on how to make payment of their outstanding accounts. The customers have expressed concern that they are uncertain whether they should pay the receivables to the Receiver or to the carriers who are contacting them directly for payment.
39. The Receiver’s discussions with two customers with outstanding receivables totaling in excess of \$1 million, indicated that they are hesitant to pay their outstanding receivable balances as they are uncertain who to pay and are concerned that they may have to pay the accounts twice, once to the Receiver and a second time to the carrier who may hold shipments hostage in exchange of payment. In addition, these customers have expressed concern regarding uncertainty whether carriers have been previously paid by the JBT Group and do not want to be responsible to make a decision as to who to pay and if they pay the carriers, the amount they should be paying carriers.
40. The Receiver believes a Receivable Entitlement Process should be commenced which will provide customers direction as to whom payments should be made and provides comfort that the amounts are subsequently distributed to the appropriate party. Accordingly, the Receiver proposes that the Receivership Order be amended to incorporate similar language that was included in the CCAA

Order. Specifically, the Receiver proposes the following provisions should be added to the Receivership Order:

- a. THIS COURT ORDERS that all transportation carriers and owner operators that were engaged by the Applicants to provide carrier services (each, a “**Carrier**”, and collectively, the “**Carriers**”), be and are hereby stayed from contacting customers of the Debtors in respect to the business of the Debtors, including but not limited to, requiring customers to make payments to the Carriers, from taking any enforcement action with respect to the Carrier Trust Funds (as defined herein) or from holding or refusing to deliver the Debtors’ load freight product on account of any outstanding indebtedness owing by the Debtors to Carriers prior to March 6, 2025, the Date of Receivership.
 - b. THIS COURT ORDERS that all receivables received by the Debtors on or after the Date of Receivership shall be treated in accordance with the provisions of the Highway Traffic Act, RSO 1990, c. H. 8 (the “**HTA**”), including section 190.0.1(3) therein. Specifically, the Receiver shall confirm that funds impressed with a trust pursuant to section 191.0.1(3) of the HTA (“**Carrier Trust Funds**”) shall be held in a segregated account and valid claims will be paid to the Carriers pursuant to and in accordance with the HTA.
 - c. THE COURT ORDERS that customers shall pay r outstanding receivables owing to Debtors to the Receiver and that those payments be subject to review by the Receiver to determine the appropriate distribution of such amounts.
41. This trust mechanism will allow the Receiver to manage the JBT Group carrier trust obligations, thereby protecting the contract carriers and providing direction to customers to pay their outstanding accounts to the Receiver.
 42. The Receiver also requests that it only be responsible to reconcile the funds remaining in the Receivable Trust Accounts at the Date of the Receivership and for any payments paid to the Receiver after the Date of Receivership. Specifically, the Receiver should not be obligated to investigate any customer payments prior the NOI Filing Date.
 43. The Receiver also requests the amended order include provisions directing customers to make payments to the Receiver as opposed to carriers in order to permit the Receiver to control the process and ensure all carriers are similarly and equitably treated. Absent the Receivable Entitlement Process, customers will be hesitant to make payments to the Receiver which will negatively impact recoveries of receivables and prejudice carriers who are entitled to their trust amounts pursuant to the HTA.

ADMINISTRATIVE CHARGE

44. The CCAA-Professionals advised that they have unpaid professional fees associated with the failed CCAA proceedings of approximately \$71,000. The CCAA-Professionals are requesting an Administrative Charge in these Receivership proceedings in respect of their unpaid fees which would rank pari passu with the Receiver's charge.
45. Neither TD nor the Receiver oppose the CCAA-Professional's request provided that:
- a. the charge is limited to \$75,000;
 - b. the charge pertains to professional time incurred prior to the Date of Receivership;
 - c. the charge ranks pari passu with the Receiver's charge; and
 - d. the CCAA-Professionals' accounts are subject to the customary review, taxation and approval of the Court.

CONCLUSION

46. Based on the foregoing, the Receiver recommends and respectfully requests that this Honourable Court make the Orders as requested in paragraph 12 above.

All of which is respectfully submitted this 4th day of April 2025

BDO CANADA LIMITED
in its capacity as Court-Appointed Receiver
of the JBT Group and without personal
or corporate liability



Name: Josie Parisi, CPA, CA, CBV, CIRP, LIT
Title: Senior Vice President