Court File No. CV-16-11369-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

CANADIAN IMPERIAL BANK OF COMMERCE

Applicant

and

1299746 ONTARIO INC. o/a COMPUQUEST2000 and
2252709 ONTARIO INC.

Respondent

NINTH REPORT OF THE RECEIVER

FEBRUARY 28, 2018

GrantThornton

Grant Thornton Limited
Receiver of the Respondents

200 King Street West, 11th Floor
Toronto, Ontario M5H 3T4

TABLE OF CONTENTS

APPENDICES

1. Receiver's Final Statement of Receipts and Disbursements dated February 27, 2018

2. Affidavit of Jonathan Krieger sworn February 23, 2018

3. Affidavit of Kenneth Kallish sworn February 26, 2018

4. Affidavit of Miranda Spence sworn February 28, 2018

INTRODUCTION AND BACKGROUND

1. This report (the "**Ninth Report**") is being filed by Grant Thornton Limited ("**GTL**") in its capacity as the receiver (in such capacity, the "**Receiver**") of 1299746 Ontario Inc. o/a Compuquest2000 ("**Compuquest**") and 2252709 Ontario Inc. ("**225**") (together, the "**Debtors**") and as Receiver of a real property at 7472 Ashburn Road, Whitby, Ontario (the "**Ashburn Property**"). GTL was appointed as Interim Receiver of Compuquest pursuant to the Order of Madam Justice Mesbur dated April 29, 2016 (the "**IR Order**"). The IR Order was sought by Canadian Imperial Bank of Commerce ("**CIBC**") due to, among other things, serious concerns with the financial viability of the Debtors, the lack of financial reporting as required by the Debtors' security agreement, and the apparent absence of ongoing operations at Compuquest's premises. Compuquest was engaged in the business of purchasing used electronics and selling them as refurbished units, or disassembling the units to salvage key parts for resale. Compuquest's assets consisted mainly of computer equipment, furniture and warehouse support equipment.

2. GTL filed a report as Interim Receiver on May 13, 2016 which discussed, among other things, the Debtors' minimal assets, limited business operations and deteriorating financial position (the "**Interim Receiver's Report**").

3. GTL was appointed as Receiver of the Debtors by Order of Mr. Justice Newbould dated May 17, 2016.

4. GTL was appointed as licensed insolvency trustee (in such capacity, the "**Trustee**") of Compuquest and Gary Bodimeade ("**Gary**") (the principal of the Debtors) pursuant to Orders made by Mr. Justice Newbould dated May 25, 2016, on application by CIBC.

5. As discussed in the Interim Receiver's Report and the Receiver's first report dated September 16, 2016, there appeared to have been limited business operations for several months leading up to the Receiver's appointment. Compuquest had minimal inventory and accounts receivable, as compared to close to $6 million in assets represented on its most recent financial statements at the time.

6. The Receiver filed its Second Report as Receiver dated November 24, 2016 (the "**Second Report**") in support of a motion brought by CIBC for an Order appointing GTL as receiver, without security, of the Ashburn Property, with the power to market and sell the Ashburn Property and hold the proceeds of any such sale pending a further Order of the Court.

7. The Ashburn Property was the former matrimonial home of Gary and his wife, Aimee Bodimeade ("**Aimee**"). Gary and Aimee separated several months before GTL's appointment as Interim Receiver, Receiver and Trustee.

8. In addition to holding first-position security against Compuquest, CIBC held a conventional first mortgage over the Ashburn Property and is a major creditor in Gary's personal bankruptcy. CIBC is owed in excess of $1.7 million under a revolving line of credit provided to Compuquest and guaranteed by Gary.

9. CIBC sought the appointment of GTL as Receiver of the Ashburn Property based on, among other things:

    a. Gary's spousal interest in the Ashburn Property, which was registered on title and vested in the Trustee;

    b. Admissions made by Gary (found in Compuquest's email records) that Compuquest had funded the construction of improvements to the Ashburn Property and other personal expenses of the Bodimeades;

c. Substantial corroborating evidence uncovered by Receiver in the form of, among other things, cheques issued by Compuquest to pay for improvements to the Ashburn Property as well as other personal expenses of the Bodimeades;

d. Registrations against title by Dean Salem ("**Salem**") and Norris Technologies LLC ("**Norris**") claiming an interest in the Ashburn Property;

e. Aimee's failure to list the Ashburn Property for sale on a timely basis, despite having initially agreed to do so.

10. Salem and Norris issued a Notice of Application bearing Court File No. CV-16-555283 (the "**Norris Application**") against Aimee on June 22, 2016 and obtained and registered a Certificate of Pending Litigation ("**CPL**") against the Ashburn Property on or about June 30, 2016. Thereafter, Salem and Norris obtained an Order of Mr. Justice Glustein dated August 9, 2017, which they also registered against the Ashburn Property (the "**Glustein Order**"). Both the CPL and the Glustein Order were obtained by Salem and Norris after Gary's bankruptcy and without prior notice to the Trustee or the Receiver.

11. After cross-examinations of Gary and Aimee on their affidavits, CIBC's motion was heard on January 25, 2017. By Order of Madam Justice Conway, GTL was appointed as Receiver of the Ashburn Property (the "**Ashburn Appointment Order**").

12. The Receiver actively marketed the Ashburn Property for sale, through a listing agent and with Aimee's cooperation, and entered into an Agreement of Purchase and Sale on May 26, 2017 (the "**Ashburn Sale Agreement**"), which was conditional on court approval.

13. Following the delivery of the Receiver's motion returnable on July 17, 2017, Salem and Norris purported to file secured claims in the estates of

Compuquest and Gary, based on Revolving Line of Credit agreements signed by Gary and Aimee. The parties agreed that the validity of the secured claims would be dealt with on the Receiver's motion on July 17, 2017.

14. The Ashburn Sale Agreement was approved on July 17, 2017 and a vesting order was issued. The Ashburn Sale Agreement closed on September 12, 2017 (the "**Approval, Possession and Vesting Order**").

15. The issues related to the claims of Salem and Norris were initially scheduled to be heard on July 17, 2017, but were rescheduled for a hearing on August 10, 2017, then rescheduled again to be heard on November 6, 2017 .

16. On August 23, 2017, by Order of Mr. Justice Hainey, the Receiver was authorized and directed to make an interim distribution of $250,000 to Aimee from the proceeds of the sale of the Ashburn Property.

17. On September 13, 2017, the Trustee issued Notices of Disallowance of Claim to Norris and Salem. Norris and Salem appealed the disallowance of their claims. The appeal was scheduled to be heard on the November 6, 2017 hearing.

18. On October 4, 2017, Salem and Norris delivered appeals from the Notice of Disallowance of their secured proofs of claim.

19. On November 6, 2017, Mr. Justice McEwen directed a *viva voce* hearing of the issues involving Norris and Salem, to be heard on January 8 to 10, 2018. Additionally, Justice McEwen directed a further attendance on November 20, 2017.

20. On November 7, 2017, the Receiver/Trustee brought a motion against Salem and Norris pursuant to the *Assignments and Preferences Act*, the

Fraudulent Conveyances Act and sections 95 and 96 of the *Bankruptcy and Insolvency Act* (the "**Preference Motion**").

21. On November 20, 2017, Mr. Justice McEwen ordered the parties to attend a Judicial Mediation with Mr. Justice Hainey on December 7, 2017.

22. On December 7, 2017 the parties attended a mediation session with Mr. Justice Hainey. The mediation resulted in confidential settlement of all claims by Salem, Norris and Aimee to an interest in the Ashburn Property and in the estates of Gary and Compuquest, the settlement of the Preference Claim and the exchange of full and final mutual releases. (collectively, the "**Settlement**").

23. As part of the Settlement, each of the Salem/Norris Application, the Receiver's Dismissal Motion, the Salem/Norris Appeals, and the Preference Motion were dismissed, with prejudice and without costs.

24. As a result of the Settlement, neither Salem/Norris nor Aimee have any further interest in the receivership or bankruptcy estates.

25. The same defined terms will be used herein as in the Receiver's previous reports, unless otherwise defined.

PURPOSE OF THIS NINTH REPORT

26. The purpose of this Ninth and Final Report to Court (the "**Final Report**") is to is to advise the Court on the Receiver's activities since the beginning of the Receivership and to support the Receiver's request or an order:

    a. Approving the Final Report and the activities of the Receiver described therein;

    b. Approving the fees and disbursements of the Receiver and those of its counsel including the Final Fees (as described herein);

c. Approving the Receiver's final statement of receipts and disbursements dated February 27, 2018 (the "**Final R&D**");

d. Authorizing the Recever to transfer the sum of $10,000 to the account of the Trustee, in order to fund the costs of the Compuquest bankruptcy administration;

e. Authorizing the Receiver to distribute to CIBC the surplus of Receipts less Disbursments (the "**Remaining Proceeds**"), as noted in the Final R&D;

f. Authorizing the Receiver to deliver or destroy the Books and Records (as defined herein) in the manner described herein; and

g. Effective upon filing of a certificate by the Receiver certifying that all outstanding matters to be attended to in connection with the Receivership of the Debtors have been completed to the satisfaction of the Receiver, discharging GTL as Receiver and releasing GTL from any and all liability that GTL has or may hereafter have by reason of, or in in any way arriving out of, the acts or omissions of GTL while acting in its capacity as Receiver.

SCOPE AND TERMS OF REFERENCE

27. In preparing this Final Report, the Receiver has relied upon certain unaudited financial information, the Debtors' records, the Debtors' bank statements and supporting records received from its financial institutions and other financial information. While the Receiver has performed extensive work in respect of the conduct of Compuquest and its principals, including the use of Compquest funds, such review does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**"). Accordingly, the

Receiver expresses no opinion or other form of assurance pursuant to GAAP or IFRS with respect to such information.

28. This Final Report has been prepared for the use of this Court for the sole purpose of approving the relief sought in this Final Report. Accordingly, the reader is cautioned that this Final Report may not be appropriate for any other purpose. The Receiver will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Final Report for any other purpose.

29. All references to dollars in this Final Report are in Canadian currency unless otherwise noted.

ACTIVITIES OF THE RECEIVER

Sale of the Ashburn Property and Interim Distribution

30. In accordance with the July 27, 2017 Approval, Possession and Vesting Order, the sale of the Ashburn Property was completed on September 12, 2017. The following interim distributions were made subsequent to the receipt of the Ashburn Property closing proceeds:

   a. All sums required to discharge the first mortgage held by Canadian Imperial Bank of Commerce pursuant to Instrument No. DR1334796 registered on January 23, 2015;

   b. $250,000.00 to Aimee Bodimeade; and

   c. $500,000.00 to GTL in its capacity as Receiver of Compuquest, pursuant to the Order of Mr. Justice Newbould dated May 17, 2016.

Priority Claims

31. As noted in the Receiver's First Report, Compuquest has amounts owing to Canada Revenue Agency ("**CRA**") on account of source deductions and

HST. The HST claim will rank as unsecured in light of the Compuquest bankruptcy.

32. CRA has filed a claim for arrears of source deductions in Compuquest for \$20,082.38 which has been paid as noted on the Final R&D.

33. The super-priority balance for WEPP of \$5,837.21 has been paid and is noted in the Final R&D.

34. The Receiver has obtained an independent legal opinion from Minden Gross which states that, subject to standard assumptions and qualifications, that the CIBC Security is valid and enforceable. There are currently no other known claims that rank in prioirity to the claims of CIBC.

The Salem/Norris Claims

35. As noted in the Introduction to this Final Report, there was a number of motions filed and submissions made relating to Salem and Norris's claims against Compuquest and the Ashburn Property.

36. The Receiver's dealings with Salem and Norris were hotly contested, requiring the Receiver to prepare numerous reports to Court to put evidence before the Court in order to dispute allegations and evidence advanced by Salem and Norris.

37. Each of the Salem/Norris Application, the Receiver's Dismissal Motion, the Salem/Norris Appeals, and the Preference Motion have been dismissed. The Minutes of Settlement and Mutual Release are confidential and specific details cannot be disclosed.

Book and Records

38. The Receiver is in possession of certain books and records of the Debtors (the "**Books and Records**").

39. The Debtors' businesses have not operated since April 29, 2016. To the extent the Books and Records are not required by GTL as Trustee to administer the bankruptcies of Compuquest or Bodimeade, the Receiver seeks the Court's authorization to destroy the Books and Records 30 days after its discharge, unless any other party makes an application to the Court for an order requiring the Receiver to release the Books and Records.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

40. The Receiver has prepared the Final R&D, a copy of which is attached hereto as **Appendix "1"**.

PROFESSIONAL FEES

41. The Receiver and its legal counsel have maintained detailed records of their professional time and costs since the Receivership Order was granted.

42. Pursuant to paragraph 18 of the Receivership Order, the Receiver and its legal counsel shall be paid their reasonable fees and disbursements. In addition, pursuant to the Receivership Order, the Receiver was granted a first charge on the Debtors' assets as security for such fees and disbursements.

43. The total fees and disbursements of the Receiver during the period August 1, 2016 to January 31, 2018 amount to $141,283.25 together with HST in the amount of $18,366.83, totaling $159,650.08. Time spent by the Receiver is more particularily described in the affidavit of Jonathan Krieger, Senior Vice-President of Grant Thornton Limited having carriage of this proceeding as Receiver, sworn February 23, 2018. In support hereof, a copy of which is attached hereto as **Appendix "2"**.

44. The total legal fees incurred by Minden Gross during the receivership for services provided to the Receiver from June 17, 2016 to January 31, 2018 amount to $340,511.00, disbursements of $11,691.19,and HST in the amount of $45,738.22, totaling $397,940.41. Time spent by Minden Gross is more particularly described in the affidavit of Kenneth Kallish sworn February 26, 2018 in support hereof, a copy of which is attached hereto as **Appendix "3"**.

45. The total legal fees incurred by Aird & Berlis during the receivership for services provided to the Receiver from July 25, 2016 to January 11, 2017 amount to $10,126.50, disbursements of $1,346.48, and HST in the amount of $152.16, totaling $12,931.45. Time spent by Aird & Berlis is more particularly described in the affidavit of Miranda Spence sworn February 28, 2018 in support hereof, a copy of which is attached hereto as **Appendix "4"**

46. The Receiver and Minden Gross estimate that they will each incur additional fees and disbursements in the amount of $15,000.00 inclusive of HST to conclusion of the receivership (the "**Final Fees**"). The Final Fees are included as an accrual in the Final R&D.

47. Given the extent of work required by the Receiver and its counsel, the Receiver believes that the fees described in the fee affidavits are fair and reasonable and respectfully requests that the Court approve same.

PROPOSED DISTRIBUTION

48. The amount owing to CIBC as of February 26, 2018 is $2,066,599.47 with per diem interest of $213.68 (the "**CIBC Indebtedness**").

49. As noted, earlier in this report, the Receiver has obtained an independent legal opinion from Minden Gross which states that, subject to standard

assumptions and qualifications, the CIBC Security is valid and enforceable.

50. The Receiver respectfully requests that the Court issue an Order authorizing the Receiver to distribute the Remaining Proceeds to CIBC as noted in the Final R&D, and any further residual amount recovered by the Receiver from its administration, provided that such amount does not exceed the CIBC Indebtedness. The Remaining Proceeds are significantly less than the CIBC Indebtedness.

REMAINING ACTIVITIES

51. The following activities remain to be completed prior to the discharge of the Receiver:

    a. File all statutory notices and requisite tax filings, including the final 246(3) Notice for the Creditors;

    b. Destroy or release the Books and Records in accordance with the order sought herein; and

    c. Distribute the Remaining Proceeds to CIBC in accordance with the order sought herein.

RELIEF REQUESTED

52. Based upon the foregoing, the Receiver respectfully requests that the Court issue for the relief out as set out in Paragraph 26 hereof.

All of which is respectfully submitted to the Court.

GRANT THORNTON LIMITED,
Court-Appointed Receiver of
1299746 Ontario Inc. o/a Compuquest2000
and 2252709 Ontario Inc.

Per:

J. Krieger, CPA, CA, CIRP, LIT
Senior Vice President

B E T W E E N

CANADIAN IMPERIAL BANK OF COMMERCE -and- 1299746 ONTARIO INC. o/a COMPUQUEST2000, et al.

Applicant Respondents

Court File No. CV-16-11369-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

NINTH REPORT OF THE RECEIVER

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