

**CARNIVAL NATIONAL LEASING LIMITED AND
CARNIVAL AUTOMOBILES LIMITED**

FIRST REPORT OF THE RECEIVER

April 15, 2011

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

BETWEEN:

BANK OF MONTREAL

Applicant

-AND-

CARNIVAL NATIONAL LEASING LIMITED AND

CARNIVAL AUTOMOBILES LIMITED

Respondents

**FIRST REPORT OF PRICEWATERHOUSECOOPERS INC. IN ITS CAPACITY AS
COURT-APPOINTED RECEIVER OF THE PROPERTY, ASSETS AND
UNDERTAKING OF CARNIVAL NATIONAL LEASING LIMITED AND CARNIVAL
AUTOMOBILES LIMITED**

April 15, 2011

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I. INTRODUCTION

1. This report is the Receiver's first report (the "**First Report**") to the Ontario Superior Court of Justice (Commercial List) (the "**Court**").
2. Pursuant to a Notice of Application issued by the Court on December 16, 2010, Bank of Montreal ("**BMO**"), a secured creditor, brought an application for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing PricewaterhouseCoopers Inc. as receiver of all the property, assets and undertaking of Carnival National Leasing Limited ("**CNLL**") and Carnival Automobiles Limited ("**CAL**", and together with CNLL, "**Carnival**" or the "**Company**"). The application was heard on February 11, 2011 and was opposed by Carnival.
3. By Order of Justice Newbould dated February 15, 2011 (the "**Receivership Order**"), PricewaterhouseCoopers Inc. was appointed as receiver (the "**Receiver**") without security, of all the property, assets and undertaking of Carnival. Attached hereto as Appendix "A" is a copy of the Receivership Order.
4. The Royal Bank of Canada ("**RBC**") is also a secured creditor of Carnival and consented to the appointment of the Receiver. BMO and RBC (together, the "**Banks**") are the two senior secured creditors of Carnival. The Enquiry Response Certificate issued under the *Personal Property Security Act* (the "**OPPSA**") in respect of CNLL as at February 15, 2011, shows a registration in favour of Deerhorn Family Holdings Inc. ("**Deerhorn**"), a corporation related to the Company's principal, Mr. David Hirsh, which the Receiver

understands has subordinated its security interests to the security in favour of the Banks, and a number of third-party registrations against particular Carnival vehicles, principally under the *Repair and Storage Liens Act* (“**RSLA**”).

II. PURPOSE OF THIS REPORT

5. The purpose of this First Report, is to:

- (a) Report on the activities of the Receiver since its appointment on February 16, 2011;
- (b) Recommend that this Honourable Court approve the proposed sale of approximately 90 motor vehicles in Carnival’s inventory (each a “**Vehicle**” and collectively the “**Vehicle Inventory**”) currently in the possession of the Receiver by way of a public auction (the “**Vehicle Auction**”), and issue a vesting order in respect thereof;
- (c) Recommend that this Honourable Court approve the Receiver’s proposed sales process for the Carnival portfolio of “Performing Leases” as that term is defined and more particularly described in section VII of this Report;
- (d) Report on the Receiver’s proposed process for marketing and disposing of the Carnival portfolio of “Delinquent Leases” as that term is defined and more particularly described in section VIII of this Report;
- (e) Report on the security opinions on the Banks’ security, prepared by Fasken Martineau DuMoulin LLP (“**Faskens**”), independent counsel to the Receiver in this matter;

- (f) Recommend that this Honourable Court approve the Receiver's proposed distribution process in respect of ordinary course lease and residual payments collected by the Receiver since its appointment, and future lease and residual payments to be collected by the Receiver, in respect of Carnival leases which have been financed by BMO and RBC;
- (g) Recommend that this Honourable Court authorize the Receiver (or its counsel) to examine under oath any persons who may have knowledge of the property, assets or undertaking of the Company;
- (h) Recommend that this Honourable Court authorize the Receiver to continue to occupy the Carnival premises at 79 Martin Ross Avenue, North York (the "**Premises**"), to August 15, 2011 pursuant to the Receivership Order; and
- (i) Request the approval of the activities of the Receiver as set out in this First Report and approval of the First Report itself.

III. BACKGROUND

- 6. Carnival operates a Vehicle and equipment leasing business that is headquartered in North York, Ontario. All of the Company's administrative and management functions operate out of the Premises, and substantially all of the Company's books and records are located at the Premises. CAL is an inactive company that formerly carried on business as the retail vehicle sales division of the Company, and ceased operations in or about 2005.
- 7. Carnival has been in the vehicle and equipment leasing business since the 1980's. The Company's current lease portfolio is comprised primarily of multi-year open-ended

leases of Vehicles ranging from motorcycles, luxury SUVs and automobiles, and exotic vehicles (e.g. Ferraris, Bentleys).

8. As at the date of the BMO receivership application, Carnival was indebted to BMO in the amount of approximately \$17.7million, and was indebted to RBC in the approximate amount of \$5.6million. The indebtedness to the Banks principally arises from the financing of individual vehicles acquired by Carnival and leased to customers, pursuant to leased vehicle credit facilities. Carnival also has an operating line with BMO with a maximum credit facility amount of \$1.15million.
9. As at the date of the Receivership Order, the Company managed a portfolio of approximately 1,350 vehicle/equipment leases and had an inventory of approximately 78 vehicles in storage at the Premises or located at third party storage or repair facilities. The Company's vehicle leasing files are in paper format, organized by lessee name, and stored at the Premises.

IV. RECEIVER'S ACTIVITIES TO DATE

10. On February 15, 2011, Justice Newbould released his reasons in the BMO receivership application, granting the BMO application for the appointment of the Receiver. On the morning of February 16, 2011, counsel to BMO, RBC and the Receiver's counsel attended before Justice Newbould to have the Receivership Order signed and issued. Though the Receivership Order was dated February 15, 2011 by Justice Newbould, it was signed by him and issued by the Commercial List Court office on February 16, 2011.

11. Immediately upon the issuance of the Receivership Order, the Receiver attended at the Premises in order to take possession and secure the Company assets and files located therein. Following its appointment, the Receiver's initial activities included:
- (a) Arranging for Carnival's bank accounts to be frozen and opening new bank accounts under the Receiver's name;
 - (b) Terminating the employment of certain Carnival employees and contractors and continuing the employment and engagement of others on a term and task basis to assist the Receiver in its administration, asset recovery and sales processes;
 - (c) Engaging Carnival's principal, Mr. David Hirsh on a term and task basis to assist the Receiver in its administration, asset recovery and sales processes;
 - (d) Taking possession of the books and records of the Company located on the Premises and updating the Company's accounting records in respect of accounts receivable, accounts payable and Vehicle Inventory;
 - (e) Establishing vehicle buy-out, cash collection and vehicle ownership transfer protocols for expiring leases and/or past due overholding lease accounts;
 - (f) Establishing new statutory accounts with the Canada Revenue Agency for GST and various other taxes and statutory deductions;
 - (g) Arranging for the changing of locks of the Premises and engaging 24 hour security to ensure that any onsite Vehicle Inventory from time to time, leasing documents and other Company records are secure;

- (h) Arranging for the relocation of approximately 78 automobiles from the Premises and other locations to a secure storage facility retained by the Receiver;
- (i) Processing approximately 37 lease end vehicle buy-outs by lessees, and the disposition of approximately 18 motor vehicles by way of private sales consistent with the ordinary course of the Company's business in accordance with paragraph 3(c) of the Receivership Order;
- (j) Numerous discussions and correspondence with defaulting lessees and/or their lawyers on the payment of outstanding amounts and/or the retrieval of vehicles;
- (k) Working with bailiffs engaged by the Receiver to organize and facilitate the retrieval of approximately 5 vehicles from defaulting lessees, repair shops, vehicle dealers and third party storage facilities across the GTA and the surrounding regions. In addition, bailiffs have been engaged to search for an additional 9 vehicles from defaulting lessees;
- (l) Arranging for the payment of rent to Deerhorn;
- (m) Entering into an occupation agreement with a third-party lease broker who rents space from Carnival;
- (n) Arranging for the continuation of all utilities to the Premise;
- (o) Arranging for the continuation of tenant's insurance for the Premises and the Carnival inventory and assets located thereon;

- (p) Dealing with various vehicle insurance companies and adjustors relating to unresolved claims of Carnival or new claims being submitted by the Receiver;
 - (q) Weekly update calls with the Banks as to the status of the receivership;
 - (r) Preparation and daily updating of a master vehicle inventory schedule;
 - (s) Preparation and daily updating of a master lease schedule for all active, expired and delinquent leases, and residual guarantee claims thereunder;
 - (t) Updating of a master accounts receivable schedule that captures all leases, outstanding payments and payments received;
 - (u) Sending to all creditors on record the *Notice and Statement of Receiver* required under Section 245(1) of the BIA; and
 - (v) Completing a computer back-up of all of Carnival's electronic records stored on the computers located at the Premises.
12. To inform creditors and all other stakeholders, the Receivership Order and other general information on these proceedings have been posted on the Receiver's website at www.pwc.com/ca/en/car/carnival-leasing. The Receiver has also identified on its website a point of contact at PwC for any enquiries, including a telephone number and email address.
13. As noted above, the Receiver has created and is managing its accounting records in such a manner so as to permit tracking of accounts receivable and lease payments and other funds received, on a lease by lease basis and vehicle by vehicle basis, to the extent the

Carnival, BMO and RBC records permit, in accordance with paragraph 3(o) of the Receivership Order (“**Vehicle Accounting**”).

V. EMPLOYEES

14. On the date of the Receivership Order, Carnival had four (4) employees, three (3) contract employees and four (4) contractors. In order to assist the Receiver with taking possession of the Vehicle Inventory and management of the leasing portfolio, three (3) of the employees and two (2) of the contractors (collectively the “**Retained Employees**”) were retained by the Receiver.
15. The Receiver terminated one (1) of Carnival’s employees (“**Former Employee**”) and the contracts with the remaining contract employees on February 18th, 2011. No services were extended by contract employees to the Receiver during that period and thus no payments were owed by the Receiver. The Receiver with the consent of BMO and RBC, allowed for the clearing of a previously issued Company payroll check to one (1) of the contract employees in the amount of \$487.
16. According to Carnival’s books and records, outstanding wages and vacation pay of \$4,583 and \$5,927 respectively, were owed to the Retained Employees and the Former Employee, as at the date of the Receivership Order. In order to facilitate an orderly wind-down of Carnival, the Receiver, with the consent of BMO and RBC, paid all outstanding wages and vacation pay owing to the Retained Employees and former employees.
17. The Receiver has completed the calculation of amounts that the terminated employee and one additional employee who resigned in December of 2010 (collectively the “**Former Employees**”), are entitled to pursuant to, and as required by, the *Wage Earner*

Protection Program Act (“**WEPPA**”), according to information available to the Receiver from the Company’s books and records. On April 1, 2011, the receiver sent a package of information to the Former Employees, which included:

- (a) A notice of their rights under WEPPA;
 - (b) A schedule setting out the amount of that Former Employee’s claim pursuant to WEPPA; and
 - (c) A proof of claim form.
18. The Receiver is in the process of completing the calculation of amounts that the Retained Employees are entitled to, pursuant to WEPPA, and will complete the same process it undertook in respect of the Former Employees, as soon as it can practically do so.
19. As at the date of this First Report, the Receiver has not calculated the actual secured claims pursuant to section 81.4 of the BIA (the “**81.4 Claims**”). However, based upon the number of Retained and Former Employees, the Receiver believes it will have sufficient assets to satisfy the potential 81.4 Claims.

VI. SALES PROCESS – VEHICLE INVENTORY

20. The Receiver is empowered by section 3(k) of the Receivership Order to market any or all of the Property of Carnival, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.

21. The Receiver is currently in possession of approximately 87 Vehicles, including; cars, motorcycles and SUVs that range widely in condition and in value. This Vehicle Inventory is located at a third party secure warehouse facility engaged by the Receiver. This Vehicle Inventory does not include vehicles which are subject to Performing Leases since those vehicles are in the possession of the lessees and not the Receiver (discussed in next section).
22. It is expected that the number of vehicles in the Vehicle Inventory will increase prior to the date of the sale of the Vehicle Inventory, as vehicles are recovered from third parties, and if so; these additional vehicles will be included in the Vehicle Inventory sales process.
23. The Receiver has discussed with both BMO and RBC the proposed sales process for the Vehicle Inventory. The Receiver believes the best course of action in order to maximize realizations and eliminate storage costs was to solicit offers from the community of leading auctioneers and liquidators in the GTA (the “**Auctioneers**”) to either purchase the entirety of the Vehicle Inventory from the Receiver *en bloc*, or to conduct a one-day public auction of the Vehicle Inventory that will be advertised to the general public, automobile dealership network and wholesalers. In either event, the Vehicle Inventory will be sold “as is, where is”.
24. The Receiver contacted five (5) Auctioneers and asked for three quotes from each of them, namely an outright purchase price for the Vehicle Inventory *en bloc*, and two quotes to conduct an auction sale, based on the following;

- (a) Fixed Fee Quote: A quote that covers off all profit and estimated costs of the auctioneer to conduct a sale.
 - (b) Percentage of Gross Sales: A commission based structure that the auctioneer would be willing to enter into that would be paid on a net realization basis to the auctioneer.
25. Each Auctioneer was also requested to provide details on the costs they were expected to incur such as; moving costs, cleaning costs, advertising costs and any other miscellaneous costs. Furthermore, each Auctioneer was requested to provide a summary on how it intends to advertise the vehicles and the details on the potential location for hosting the auction.
26. The Receiver received 4 responses from Auctioneers, one declining to put in an offer. Based on a review of the quotes provided, and a review of the estimated costs, advertising strategy and proposed auction venue, the Receiver has selected the auction proposal of Asset Engineering (“AE” and the “**AE Proposal**”) for the Vehicle Inventory in possession of the Receiver as at the date of the auction. A copy of the AE Proposal, the proposed AE Auction Services Agreement to be entered into by the Receiver, and the Receiver’s summary and comparative analysis of the proposals received from Auctioneers will be filed as a Confidential Supplement to this First Report, subject to a request that it be sealed pending the completion of the Vehicle Inventory auction.
27. The choice of AE as auctioneer, and the terms of the AE Proposal recommended by the Receiver was discussed with both BMO and RBC, both of whom approve of the choice

of Auctioneer and the terms of the AE Proposal. The Receiver also discussed the proposed terms of the sale of the Vehicle Inventory with Mr. Hirsh.

28. Subject to the approval of the Court, the Receiver expects that the AE auction will take place on or about April 30, 2011.

VII. PERFORMING LEASE PORTFOLIO SALES PROCESS

29. The Receiver has identified approximately 650 Carnival leases that it classifies as performing (“**Performing Leases**”). The Receiver defines a Performing Lease, as a lease in respect of which the lessee makes payment to Carnival on a timely basis in normal course, or a lessee who has missed no more than two consecutive lease payments.
30. The Receiver has identified a significant number of non-performing and delinquent Carnival leases (collectively the “**Delinquent Leases**”) and has segregated these from the Performing Lease category. The Receiver’s proposed course of action for dealing with Delinquent Leases is discussed in the next section.
31. The Receiver has discussed with both of the Banks and Mr. Hirsh the marketing and sales process it proposes for the portfolio of Performing Leases. It is the intention of the Receiver to solicit offers for the outright purchase of the Performing Lease portfolio *en bloc*, and offers for the administration and wind-down of the Performing Lease portfolio. The Receiver is of the view that its advantageous for the Receiver to run an expedited (i.e., less than 60 days) marketing and sales process for the Performing Lease portfolio for the following principal reasons:

- (a) There are a relatively small number of qualified prospective purchasers or administrators of a vehicle lease portfolio of this magnitude, each of whom is a sophisticated party capable of conducting due diligence on the Performing Lease portfolio in an expedited manner;
- (b) Managing an active 650 lease portfolio in the context of the Carnival receivership requires a significant amount of the Receiver's professional time and involves additional overhead costs (i.e., Retained Employees), and an infrastructure that each of the qualified prospective purchasers will already have in place;
- (c) As time passes, without the involvement of a new leasing company to administer the Performing Lease portfolio, there is the potential that delinquencies may increase, thus impacting the value of the Performing Lease portfolio and creating more costs to be incurred by the Receiver;
- (d) Each month additional leases in the Performing Lease portfolio come due and are removed from the Performing Lease portfolio. Part of the financial value of the Performing Lease portfolio is its size and the opportunity for interaction by the purchaser with the lessees associated with the 650 Performing Leases and as such the Performing Lease portfolio diminishes in value every month since no new leases are being written.
- (e) The Performing Lease portfolio due diligence data room has been substantially completed by the Receiver. Because the Carnival portfolio of Delinquent Leases will require a significant amount of compilation, summary and analysis by the Receiver in order to prepare them for the due diligence required in a sales process,

this additional time requirement to include the Delinquent Lease portfolio in this sales process would detrimentally impact the value of the Performing Lease portfolio. As such, the Receiver will deal with the marketing and sale of the Delinquent Lease portfolio separately.

32. The Receiver is proposing the following time lines for Performing Lease portfolio marketing and sales process:

- (a) Preparation of an information memorandum prepared by the Receiver to describe the Performing Lease portfolio and the sales process and terms of sale¹ of Performing Leases to be circulated to a list of potential purchasers prepared by the Receiver in consultation with Mr. Hirsh, which list will include parties that have already approached the Receiver as well as an extensive list of additional potential strategic and financial purchasers, by April 15, 2011.
- (b) Place an advertisement in the National Edition of the Globe & Mail and in the Toronto Star on or before April 18, 2011.
- (c) Establishment of an electronic Performing Lease portfolio data room on or about April 18, 2011 in order for potential purchasers to conduct due diligence. The Receiver will hold discussions and meetings, and arrange for access to Carnival's office for a review of the lease documentation.

¹ Including a provision to permit the Receiver to (i) accept, subject to this Court's approval, an offer for the Performing Leases prior to the formal deadline for offer submission, (ii) reject any and all offers, and (iii) accept an offer which may not be the highest offer.

- (d) Preparation of a form of confidentiality agreement, to be executed by potential purchasers prior to obtaining access to the Performing Lease portfolio electronic data room.
- (e) Preparation of a form of asset purchase agreement, to be included in the electronic data room and which will be recommended to be completed by potential purchasers interested in submitting offers for the Performing Lease portfolio;
- (f) Receive binding offers, together with a 10% deposit, by no later than 5:00 p.m. ET on May 16, 2011;
- (g) The Receiver will discuss the offers received and the Receiver's analysis and evaluation of same with both BMO and RBC, negotiate transaction terms with prospective purchasers, and make its recommendation to the Court for approval of the ultimate proposed transaction; and
- (h) Closing of the sale of the Performing Lease portfolio will take place on or about May 31, 2011, or on such earlier or later date as may be agreed upon by the Receiver (after consultation with the Banks and Mr. Hirsh) and the purchaser, in any event no later than July 15, 2011 without further order of this Honourable Court.

VIII. SALES PROCESS FOR DELINQUENT LEASES

33. The Receiver is administering and analyzing approximately 575 Delinquent Leases as at the date of this Report. A Delinquent Lease is defined by the Receiver as having 3 or

more missed lease payments from the Lessee, and/or accounts with write offs of greater than \$10K and/or vehicles returned/repossessed/bought-out from the lessee.

34. As the Receiver prepares for the Performing Leases portfolio sale process, the total number of Delinquent Leases may increase as Performing leases go into default, or decrease as Delinquent Leases are paid out or written-off as uncollectible.
35. The Receiver has discussed with both BMO and RBC that it is the Receiver's intention to sell any returned or repossessed vehicles which are subject to Delinquent Leases at either the aforesaid Vehicle Inventory sale, or if the vehicles are recovered too late to be included in the Vehicle Inventory sale, to dispose of the vehicles through a further vehicle auction, private sales or at one of the third-party industry auction houses (i.e., ADESA).
36. To the extent that the Receiver is successful in rehabilitating any Delinquent Leases into leases which qualify as Performing Leases, with the Court's approval, it is the intention of the Receiver to contact the purchaser and those parties that expressed an interest in the Performing Lease portfolio sale to see if they are interested in purchasing this portfolio of rehabilitated leases ("**Rehabilitated Leases**").
37. The Receiver does not believe that another complete and fulsome marketing and sales process is warranted for the Rehabilitated Leases, given their likely value. When the time is appropriate, the Receiver will open the Rehabilitated Leases electronic data room with details on the Rehabilitated Leases and contact the same list of prospective purchasers it had contacted in respect of the Performing Lease portfolio to solicit offers for the Rehabilitated Leases portfolio.

38. If a qualified purchaser is identified for the Rehabilitated Leases, the Receiver will advise both the Banks and Mr. Hirsh, and seek the approval of the Court for this sale.
39. The Receiver is updating the Delinquent Leases summary on an ongoing basis at the same time it updates the Performing Leases summary. Given the complications associated with packaging the Rehabilitated Lease portfolio in an intelligible manner for the electronic data room, a sale of the Rehabilitated Lease portfolio is not expected until June 2011 at the earliest.

IX. SECURITY OPINION

40. The Receiver has obtained legal opinions on the security interests of BMO and RBC over the assets of Carnival. The receiver's independent counsel, Fasken's, has provided its opinions to the Receiver that the security interests of both BMO and RBC are valid and enforceable as against the property of Carnival located in the Province of Ontario, and have been properly perfected by registration under the OPPSA, subject to the standard assumptions, qualifications and limitations contained in the opinion. Fasken's has not reviewed the security granted by Carnival in favour of Deerhorn, which the Receiver understands is subordinated to the security interests in favour of the Banks, but will do so should recoveries and distributions warrant such a review.

X. PROPOSED ORDINARY COURSE DISTRIBUTIONS TO THE BANKS

41. Since its appointment, Receiver continues to collect "Lease Payments" as that term is defined in paragraph 15 of the receivership Order, including monthly lease payments and residual guarantee payments from lessees in the ordinary course of Carnival's business ("**Ordinary Course Receipts**"). A substantial proportion of the leases (and associated

vehicles) in respect of which Ordinary Course Receipts are being collected by the Receiver have been financed by one or the other of BMO or RBC (and in a limited number of cases, by both) (“**Bank Financed Leases**”). The Receiver is duly tracking all Ordinary Course Receipts collected by it and has linked the funds received to the particular Carnival leases to which they relate, in accordance with the Receiver’s Vehicle Accounting methodology.

42. Having now received an opinion on the validity of the Banks’ security interests, the Receiver recommends that, subject to the availability of cash on hand to fund the operating costs of the Receivership, the Receiver be authorized by the Court to distribute to BMO and RBC, as applicable, on an ongoing basis during the course of the receivership the lesser of: (i) the Ordinary Course Receipts collected by the Receiver in respect of a Bank Financed Lease; and (ii) the remaining financing amount outstanding in respect of a Bank Financed Lease, subject to any disputes with lessees, which will be held back by the Receiver pending resolution or order of the Court (collectively the “**Ordinary Course Distributions**”).
43. The Ordinary Course Distributions will continue until the sale of the applicable leases under the Performing Lease, Delinquent Lease or Rehabilitated Lease portfolio sales processes are completed and approved by the Court.
44. Ordinary Course Distributions to the Banks will be tracked in accordance with the Receiver’s Vehicle Accounting methodology.

XI. EXPANDED POWERS OF THE RECEIVER

45. During its administration of the receivership, the Receiver has uncovered a wide variety of evidence of unusual transactions involving the purchase, leasing of, and financing of, vehicles. In many cases, the books and records of the Company do not accord with the Company's financial records, or with the records of the Ministry of Transportation (Ontario). Such transactions include the apparent misappropriation of vehicles, falsification and/or alteration of documents relied upon by the Banks in granting financing to Carnival, and vehicles that are missing or which have been potentially transferred out of Carnival's name by means of falsified documents and/or transfers for little or no value.
46. As such, the Receiver is of the view that it is in the best interests of all stakeholders of Carnival that the Receiver be given the powers, analogous to those given to a Trustee in Bankruptcy under section 163 of the BIA, to examine persons with knowledge of the property and affairs of Carnival.
47. Accordingly, the Receiver respectfully requests that this Honourable Court extend the powers of the Receiver to authorize the Receiver or its counsel, after consultation with the Banks, to examine under oath any persons, including Carnival management, employees, contractors, suppliers, business partners, customers, or any other persons that the Receiver believes may have knowledge of the property or affairs of Carnival, including the whereabouts of assets and documents pertaining to the business and assets (including the disposition thereof) of Carnival. As the Receiver discovers more information regarding the aforesaid issues, it is the Receiver's intention to update the Court and seek appropriate direction from the Court.

XII. EXTEND OCCUPATION RIGHTS

48. Pursuant to paragraph 8 of the Receivership Order, the Receiver is entitled to occupy the Premises for a period of ninety (90) days from the date of the Receivership Order. During its occupation of the Premises, it has become apparent to the Receiver that a large number of lessees actually attend the Premises to drop off Ordinary Course Receipts each month, and drop off vehicles at the expiry of their leases. The Premises are also the mailing address and address for notification for all of Carnival's leases, and a wide variety of Carnival's government records and registrations.
49. If the Receiver is required to vacate the Premises prior to completing the sale of the Performing Lease portfolio and the Delinquent Lease portfolio, it will be required to send to all Carnival lessees one notice to redirect lease payments, communications, and vehicle returns to the Receiver's new location, and then a second notice to redirect payments, communications and vehicle returns to the purchaser's business location, all of which will cause a significant administrative burden. Thirdly, the monthly rent for the Premises is \$9,000 plus HST, which is likely lower than any new premises that the Receiver could rent to relocate the personnel administering the Carnival receivership and the Carnival books and records.
50. Accordingly, the Receiver is requesting that the Court grant an extension of an additional ninety (90) days so as to allow the Receiver sufficient time to close the Performing Lease portfolio sale, the Delinquent Lease portfolio sale, and to complete its duties, properly organize the affairs of Carnival and give it sufficient time to transition the massive volume of leasing files on-site at the Premises to the relevant purchasers or to storage.

51. The Receiver is paying all rent accruing and occupation costs associated with the property to the landlord, Deerhorn. The Receiver has advised Deerhorn (through Mr. Hirsh) and the Banks that it will require an additional ninety (90) days of occupancy at the Premises, with the potential need to request an additional extension depending upon the timelines of the aforementioned sales processes and other issues that may need to be managed by the Receiver to complete the administration of the receivership.

XIII. CONCLUSION AND RECOMMENDATION

52. The Receiver respectfully requests that this Court grant an order which provides for the following:

- (a) Approval of the Receiver's activities to date;
- (b) Approval of the First Report of the Receiver;
- (c) Approval of the Motor Vehicle Inventory Auction Sale process;
- (d) Approval of the Performing Lease portfolio sale process;
- (e) Authorization for the Receiver to effect the Ordinary Course Distributions to the Banks;
- (f) Authorization for the Receiver to examine certain persons under oath; and
- (g) Authorization for the Receiver to occupy the Premises for an additional 90 days.

Dated the 15th day of April, 2011.

RESPECTFULLY SUBMITTED,

A handwritten signature in dark ink, consisting of a large, stylized 'P' followed by a horizontal line and a small flourish.

Paul van Eyk, CA.CIRP, CA.IFA
Senior Vice President

PricewaterhouseCoopers Inc.
In its capacity as Receiver of
the property, assets and undertaking of
Carnival National Leasing Limited and
Carnival Automobiles Limited

