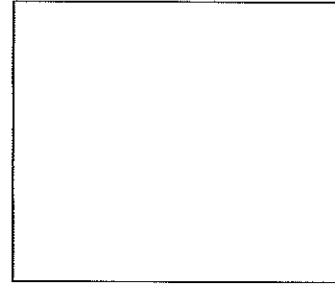


Clerk's stamp:



Court File Number      Q.B. No. 721 of 2012

Court                      COURT OF QUEEN'S BENCH OF SASKATCHEWAN

Judicial Centre         SASKATOON

Plaintiff                 THE TORONTO-DOMINION BANK

Defendants                101142701 SASKATCHEWAN LTD. AND CAVA  
SECRETATA WINES AND SPIRITS LIMITED

Document                SECOND REPORT OF PRICEWATERHOUSECOOPERS  
INC. in its capacity as Interim Receiver of 101142701  
Saskatchewan Ltd. and Cava Secretata Wines and Spirits Ltd.  
dated June 4, 2012

Address for Service and  
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FILED IN THE OFFICE OF THE  
LOCAL REGISTRAR, THE 5<sup>th</sup>  
DAY OF June 2012  
V Groll  
DEPUTY LOCAL REGISTRAR

## INTRODUCTION

1. This report (the "Second Report") is filed by PricewaterhouseCoopers Inc. ("PwC"), in its capacity as interim receiver (the "Receiver") of all of the assets, undertakings and properties of 101142701 Saskatchewan Ltd. ("1011") and Cava Secreta Wines and Spirits Ltd. ("Secreta"), (collectively "Cava" or the "Companies").
2. The Receiver was appointed by an Order granted by the Court of Queen's Bench of Saskatchewan (the "Court") on May 8, 2012 ("Interim Receivership Order").
3. In preparing this Second Report, the Receiver has relied upon unaudited financial information, the Companies' records and information obtained from the Companies. Other than conducting a physical count of the inventories found at the Cava locations identified below, the Receiver has not performed an audit, review or other verification of such information. The Receiver does not express an opinion on the financial information contained herein.
4. It is recommended that this report be read in conjunction with the Receiver's First Report dated May 16, 2012 (the "First Report"). Capitalized words in this Second Report not otherwise defined carry the same meaning as in the First Report.
5. The purpose of this report is to provide the Court with an update on the activities of the Receiver and to provide information that may be of interest to the Court and the interested parties when considering whether to terminate or extend the interim receivership or expand the powers of the Receiver.

## ACTIVITIES OF THE RECEIVER

6. The Receiver continues to secure the assets of the Companies at the following locations:
  - (i) 1011 retail location located at 110 – 19<sup>th</sup> Ave. W., Saskatoon, Sask.
  - (ii) 1011 warehouse located at Bay 5, 2510 Jasper Ave., Saskatoon, Sask.
  - (iii) Secreta retail location located in the Saskatoon Farmer's Market, Saskatoon, Sask.
  - (iv) Secreta retail location located in the Ideas Inc. building, located at 103 – 120 Sonnenschein Way., Saskatoon, Sask.
7. The Receiver engaged an independent third party, WIS International Ltd. ("WIS") to inventory all assets of the Companies.

## CREDITORS

8. The Receiver reviewed the Companies financial records to locate a list of accounts payable. The Receiver has determined that numerous transactions subsequent to July 1, 2011 may not have been recorded in the Companies' financial statements.
9. Notwithstanding the Companies records were not current; the Receiver compiled a list of creditors and sent the notice required by paragraph 30 of the Interim Receivership Order to the known creditors of the Companies on May 16, 2012.
10. The Receiver arranged for Canada Revenue Agency ("CRA") to conduct an audit of payroll records as well as Goods and Service Tax. CRA have provided a letter advising the outstanding employee withholdings are \$11,074 for 1011 and \$8,114 for Secreta. To date a copy of CRA's report with respect to GST has not been made available to the Receiver.
11. The Receiver also arranged for Saskatchewan Finance to conduct an audit of Saskatchewan Liquor Consumption Tax. They identified a total amount due of \$200,573.79 of which \$39,500.86 as owing in the last year, and for which priority is being claimed under a statutory deemed trust.

## CLAIMS PROCESS

12. As a result, on May 18, 2012 this Honourable Court approved the Claims Process, directing that:
  - (i) On or before May 23, 2012 the Receiver send to the Claimants known to the Receiver, a notice informing them of their right to file a Notice of Claim;
  - (ii) On or before May 23, 2012 a notice be placed in the Saskatoon Star-Phoenix notifying potential Claimants of the Claims Process;
  - (iii) All Claimants were to file claims by 5:00 pm CST on May 31, 2012;
  - (iv) The Receiver was to determine the validity of the claims and advise the Claimants and those on the Service List of the Receivers decision by June 5, 2012;
  - (v) Any Claimant or interested party who wishes to contest the Receiver's decision is to file a Notice of Motion to that effect by June 11, 2012; and
  - (vi) Such Notice of Motion is to be returnable before this Honourable Court on June 14, 2012.
13. The Claims Process Order excluded Canada Revenue Agency as a Claimant. On May 25, 2012 this Honourable Court directed that the Property Claims Process Order be amended so that "the claims of employees of the Companies pursuant

## REALIZATIONS OF THE ESTATE

22. Until the Claims Process is concluded it is uncertain who has priority to the assets and for what amounts. There is a possibility there are insufficient assets to satisfy the amounts secured by the Receivers Charge and the Receivers Borrowings Charge.
23. Based on the draft realization schedule in Appendix A, the secured creditors could suffer a shortfall of \$653K or a potential recovery of \$2.1 million. These realizations are preliminary estimates as there are numerous issues to be determined, the actual results could be materially higher or lower depending on the circumstances.

Respectfully submitted,

*Price Waterhouse Coopers Inc.*

PRICEWATERHOUSECOOPERS INC.  
in its capacity as Interim Receiver of  
101142701 Saskatchewan Ltd. and  
Cava Secreta Wines and Spirits Ltd.

Appendix "A"  
 Estimated Realizations  
 As of May 31, 2012

	Low Realization	High Realization
<b>Revenue</b>		
Accounts receivable	10,000	10,000
Wine Inventory Sales	331,500	623,250
Wine Futures	4,000,000 *	4,000,000 *
Other Assets	30,000	75,000
<b>Total Revenue</b>	<b>361,500</b>	<b>4,708,250</b>
<b>Expenses</b>		
Operating Expenses	74,533	114,947
Costs to secure Wine Futures	2,000,000 **	2,000,000 **
Security	19,800	28,800
<b>Total Expenses (excluding professional fees)</b>	<b>94,333</b>	<b>2,143,747</b>
<b>Professional Fees</b>		
Receiver's Expenses	15,000	20,000
Receiver's Fees	150,000	200,000
Legal Fees	75,000	100,000
Receiver and Legal Contingency (25%)	60,000	80,000
<b>Total Professional Fees</b>	<b>300,000</b>	<b>400,000</b>
<b>Net Realizations before Potential Priorities</b>	<b>(32,833)</b>	<b>2,164,503</b>
<b>Potential Priority Creditors</b>		
Property Claims		
CRA Employment	19,189	19,189
3rd Party Wine Claims	40,000	-
Sask Finance - Liquor Consumption Tax (Deemed Trust)	39,501	39,501
Secured Claims		
WCB	2,115	
WEPPA	19,838	19,838
Saskatchewan Labour Priority	42,618	
CRA GST	295,805	
Sask Finance - Liquor Consumption Tax	161,073	
<b>Total Potential Priority Payments</b>	<b>620,139</b>	<b>78,527</b>
<b>Funds Available for Secured Creditors</b>	<b>(62,972)</b>	<b>2,085,975</b>

Notes

\*\* €2.7million is the cost of the wine futures. The Receiver understands that the value of the wine futures may have significantly increased. A conversion to Canadian has been included.

\*\* The costs to secure and realize on the wine futures are unknown at this time. \$1.0 million estimated cost plus \$1.0 million in costs is a place holder to demonstrate the significant costs that may be involved.