

PRACS Institute Canada B.C. LTD.

SECOND REPORT OF THE RECEIVER

June 6, 2013

Court File No. CV 13-10046-ooCL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

FREEPORT FINANCIAL LLC

Applicant

- and -

PRACS INSTITUTE CANADA B.C. LTD.

Respondent

APPLICATION UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990,
c. C.43, AS AMENDED and SECTION 243(1) OF THE BANKRUPTCY AND
INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED

**SECOND REPORT OF PRICEWATERHOUSECOOPERS INC.
AS RECEIVER OF
PRACS INSTITUTE CANADA B.C. LTD.**

June 6, 2013

A. INTRODUCTION

1. On March 22, 2013, (the “**Date of Appointment**”), pursuant to an application (the “**Application**”) by Freeport Financial LLC (“**Freeport**”) and an order (the “**Receivership Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), PricewaterhouseCoopers Inc. (“**PwC**”) was appointed as receiver (the “**Receiver**”), without security, over all of the assets, undertakings and property (the “**Property**”) of PRACS Institute Canada B.C. LTD. (“**PRACS Canada**” or the “**Company**”), 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. A copy of the Receivership Order is attached hereto as Appendix “A”.

2. This is the second report of the Receiver (the “**Second Report**”), the purpose of which is to provide the Court with information with respect to the Receiver’s notice to employees who would be adversely affected by the Freeport Motion (as defined herein) to lift the stay in the receivership proceedings for the purpose of making an application for a bankruptcy order (“**Bankruptcy Application**”).
3. In preparing this Second Report, the Receiver has relied upon certain unaudited financial information of the Company, the Company’s books and records, information obtained from former personnel of the Company and other sources (collectively, the “**Information**”).

In accordance with industry practice, except as described in this Report:

- a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook; and
- b) the Receiver has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.

4. Unless otherwise noted, all currency amounts contained in this report are expressed in Canadian dollars. Capitalized terms not defined herein are defined in the Receivership Order.

B. BANKRUPTCY APPLICATION

5. Freeport is the agent to certain lenders that provided funding (“**PRACS Canada Obligations**”) to PRACS Canada, which was secured by first registered liens and security interests (“**Security**”) granted pursuant to a general security agreement between Freeport and PRACS Canada. As set out in the Bankruptcy Application, the

PRACS Canada Obligations subject to Freeport's Security were approximately \$4.2 million in aggregate at the Date of Appointment.

6. On May 1, 2013, the Court issued a sale approval and vesting order in the receivership approving the sale of substantially all the Property of PRACS Canada ("Sale Transaction"). The Sale Transaction closed on May 3, 2013 and the Receiver realized gross proceeds from the Sale Transaction of approximately \$3.6 million. Other than the collection of certain accounts receivable, the completion of sundry post-closing matters and the distribution of proceeds, the receivership proceedings are substantially complete.
7. Pursuant to the affidavit of Donald T. Bobbs sworn May 28, 2013, which is included in Freeport's motion materials, Freeport expects to sustain a deficiency in its Security in the amount of at least \$680,000.
8. On May 28, 2013, Freeport made a motion ("Freeport Motion") to the Court to lift the stay in the receivership proceedings for the sole purposes of filing the Bankruptcy Application in respect of PRACS Canada and waiving the notice period provided for in Rule 70(1) of the General Rules of the BIA.

PRIORITY CLAIMS

9. There are certain deemed trust claims (the "Priority Claims") which, according to the Company's books and records, total approximately \$146,000 and which would rank in priority to PRACS Canada's Security in the receivership proceedings. These Priority Claims include the following:
 - a) the deemed trust for harmonized sales tax in the amount of approximately \$70,300; and
 - b) the deemed trust for vacation pay under *Employment Standards Act of Ontario, 2000* in the amount of approximately \$27,300.¹

¹ Approximately \$29,741 of accrued but unpaid vacation pay owing to former PRACS Canada employees is secured by the super-priority Employee Remuneration Charge provided for in section 81.4 of the BIA.

10. In a bankruptcy, the Priority Claims would be subject to the distribution scheme set out in the BIA and would be unsecured claims ranking behind Freeport's Security. Accordingly, a bankruptcy would reverse the priority of these claims and increase recoveries for Freeport as PRACS Canada's senior secured creditor.

NOTICE TO AFFECTED EMPLOYEES

11. On May 24, 2013, at a scheduling hearing in respect of the Freeport Motion and Bankruptcy Application, Madam Justice Mesbur was advised that the Receiver intended to provide notice via letter of the Freeport Motion and Bankruptcy Application to all employees whose priority claim for vacation pay would be adversely impacted or reversed by the bankruptcy of PRACS Canada (the "**Affected Employees**").
12. On May 28, 2013 the Receiver sent a notice ("**Notice**") by regular mail to 28 Affected Employees. A copy of the Notice is attached as Appendix "**B**".
13. Pursuant to the Notice, Affected Employees were advised that their rights may be affected, and were provided with a link to a PwC website where the motion materials in respect to the Freeport Motion and Bankruptcy Application are posted. Affected Employees were also provided with contact information for the Receiver in order to address any questions or concerns they may have in respect of the Freeport Motion or Bankruptcy Application.
14. As of the date of this Second Report, the Receiver has not received any calls or emails from Affected Employees in respect of the Notice.
15. One of the letters to the Affected Employees was returned as the employee was no longer at the address provided by the Company.

The \$27,300 referenced above represents the amounts in excess of the \$2,000 per employee cap provided for in the BIA and is thus only secured by the provincial deemed trust.

C. CONCLUSION AND RECOMMENDATION

16. As of the date of this report none of the Affected Employees have contacted the Receiver with questions on the Freeport Motion and/or Bankruptcy Application.
17. The Receiver does not oppose the relief sought in the Freeport Motion and has consented to act as trustee if the Bankruptcy Application is granted.

All of which is respectfully submitted on this 6th day of June, 2013.

PricewaterhouseCoopers Inc.
In its capacity as Court appointed Receiver of
PRACS Institute Canada B.C. Ltd.

Michelle M. Pickett
Michelle Pickett
Senior Vice President

APPENDIX “A”

Court File No. *CV-13-10046-0001*
NJms

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) FRIDAY, THE 22nd DAY
)
JUSTICE WILTON-SIEGEL) OF MARCH, 2013

B E T W E E N :



FREEPORT FINANCIAL LLC

Applicant

- and -

PRACS INSTITUTE CANADA B.C. LTD.

Respondents

APPLICATION UNDER SECTION 101 OF THE *COURTS OF JUSTICE ACT*, RSO 1990, c C43, AS AMENDED and SECTION 243 OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

ORDER

THIS APPLICATION made by the Applicant 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. ("PwC") as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and property of PRACS Institute Canada B.C. LTD. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Anthony Marino sworn March 22, 2013 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant and Respondent, and on reading the consent of PwC to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and Application Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, PwC is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

- (d) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (e) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (f) to settle, extend or compromise any indebtedness owing to the Debtor;
- (g) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (h) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, 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;
- (k) 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 \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; 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;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (l) 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 such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

4. THIS COURT ORDERS that the Receiver shall not manage, operate, or carry on the business of the Debtor.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

6. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due

to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

7. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in

respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this

Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

The employment of all persons who are currently

14. THIS COURT ORDERS that ~~all~~ employees of the Debtor shall be ~~deemed to be~~ *effective* terminated immediately upon the appointment of the Receiver. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or

collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge 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, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

21. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$100,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

22. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

GENERAL

25. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

26. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

27. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

28. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

29. THIS COURT ORDERS that the Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

30. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO.:
LE / DANS LE REGISTRE NO.:


MAR 22 2013

W. Hon - M.J.

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that [RECEIVER'S NAME], the receiver (the "Receiver") of the assets, undertakings and properties [DEBTOR'S NAME] acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the ____ day of ____, 20____ (the "Order") made in an action having Court file number ____-CL-____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____, 20__.

[RECEIVER'S NAME], solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name:

Title:

FREEPORT FINANCIAL LLC
Applicant

PRCS INSTITUTE CANADA B.C. LTD.
and
Respondent

Court File No: CV 13-10046-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

ORDER

McMILLAN LLP
Brookfield Place
181 Bay Street, Suite 4400
Toronto, ON, M5J 2T3

Brett Harrison LS#: 44336A
Tel: 416-865-7932
Fax: 416-865-7048
email: Brett.Harrison@McMillan.ca

Lawyers for the Applicant

APPENDIX “B”



May 28, 2013

VIA MAIL

Affected Employee
Address

Re: Bankruptcy of PRACS Institute Canada B.C. LTD.

Dear XXXX:

On March 22, 2013, the Ontario Superior Court of Justice (Commercial List) appointed PricewaterhouseCoopers Inc. ("PwC") as receiver, without security, over all of the assets, undertakings and property (the "**Property**") of PRACS Institute Canada B.C. LTD. ("**PRACS Canada**"). The Receiver took possession and control of PRACS' Property and subsequently sold it with the intention of applying the net proceeds towards satisfying the claims of PRACS' creditors.

This purpose of this letter is to advise you that Freeport Financial LLC ("**Freeport**"), the agent of PRACS Canada's senior secured creditors, has brought a motion to lift the stay of proceedings in the receivership and seek a bankruptcy order against PRACS Canada. This motion may affect your legal rights and, accordingly, you may wish to consult legal counsel. Neither Freeport nor PwC can provide advice to you with respect to your rights. A complete copy of the motion materials is available online at www.pwc.com/car-pracsbankruptcy. If you wish to file any materials in response to the motion, you must do so by June 3, 2013 at 4:00 p.m. The motion is to be heard at the Ontario Superior Court of Justice on June 10, 2013 at 10:00 a.m. on the 8th floor of the court house at 330 University Avenue, Toronto, Ontario.



Please contact Michelle Pickett of PwC at (416) 815-5200 if you have any questions with respect to the foregoing.

Sincerely,

PricewaterhouseCoopers Inc., in its capacity as Court-appointed Receiver of PRACS Institute Canada B.C. LTD., and not in its personal capacity

A handwritten signature in black ink that reads "Michelle M. Pickett". The signature is fluid and cursive, with "Michelle" on the top line and "M. Pickett" on the bottom line.

Michelle Pickett
Senior Vice President

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

SECOND REPORT OF THE RECEIVER
Dated June 6, 2013
(Motion returnable June 10, 2013)

BLAKE, CASSELS & GRAYDON LLP
Commerce Court West
199 Bay Street, Suite 4000
Toronto, Ontario M5L 1A9

Line A. Rogers – LSUC No. 43562N
Tel: 416-863-4168
Fax: 416-863-2653
Email: line.rogers@blakes.com

Matthew Kanter – LSUC No. 61250D
Tel: 416-863-5825
Email: matthew.kanter@blakes.com

Lawyers for the Court-appointed Receiver of
PRACS Institute Canada B.C. LTD.