

C A N A D A )  
PROVINCE OF SASKATCHEWAN )

IN THE COURT OF QUEEN'S BENCH FOR SASKATCHEWAN  
JUDICIAL CENTRE OF SASKATOON

BETWEEN:

**BANK OF MONTREAL**

PLAINTIFF

- and -

**SHANE SCOTT and MICHELLE SCOTT**

DEFENDANTS  
(RESPONDENTS)

**EIGHTH REPORT OF  
PRICEWATERHOUSECOOPERS INC.,  
RECEIVER OF SHANE SCOTT and MICHELLE SCOTT**

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## INTRODUCTION

1. This report (the “**Eighth Report**”) is filed by PricewaterhouseCoopers Inc. (“**PwC**”) in its capacity as receiver (the “**Receiver**”) of substantially all of the assets, undertakings and properties (collectively, the “**Property**”) of Shane Scott and Michelle Scott (collectively, the “**Debtors**”).
2. The Receiver was appointed as Interim Receiver by an Order granted by the Court of Queen’s Bench of Saskatchewan (the “**Court**”) on October 9, 2012 (the “**Interim Receivership Order**”), and its role was expanded to that of a full receiver effective February 19, 2013 (the “**Receivership Date**”) by an Order issued on February 15, 2013 (the “**Receivership Order**”).
3. It is recommended that this report be read in conjunction with the Receiver’s prior reports, which may be found on our website at [www.pwc.com/car-scott](http://www.pwc.com/car-scott).
4. The purpose of this report is to provide this Honourable Court with an update on the activities of the Receiver, the activities of the Debtors and the results to date of the sale of the Property.

## ACTIVITIES OF THE RECEIVER

### Taking possession and control of the Property

5. The Receiver, with the assistance of its agents and Heartland Livestock Services (“**Heartland**”) and a number of the Debtors’ neighbours, was successful in attending to the welfare, feeding, collecting and transporting the majority of the cattle formerly under the control of the Debtors (the “**Livestock**”) to the Heartland auction facility in Swift Current Saskatchewan. The Livestock included the Excluded Livestock and the Additional Livestock (as those terms are defined in the Supplementary Sixth and Seventh Reports of the Receiver).
6. The process of gathering, corralling and loading the Livestock onto transport vehicles was conducted under the direction and supervision of K. Wasilow, a veterinarian from Maple Creek Veterinarian Services (the “**Veterinarian**”).
7. The Livestock were situated at various locations leased by the Debtors. To minimize the fatigue and stress on the animals, the Livestock were gathered, corralled and loaded at two centralized locations: the existing cattle loading facility at the area leased by the Debtors near the town of Tompkins (the “**Tompkins Facility**”) and a temporary loading facility constructed by the Receiver at one of the Debtors’ other leased locations (“**Location 6**”). The loading process took 6 days to complete.
8. The Livestock were transported to Heartland in Swift Current where they remained under the care and control of Heartland until being sold at auction. The details of the sales process are summarized below in the next section of this report.
9. The Receiver understands that there are approximately 40 head of cattle (the “**Remaining Livestock**”) still situate on the land surrounding the Debtors’ residence (the “**Scott Land**”). As a result of the Debtors’ threats against the Receiver and its agents, the Receiver has only been able to access the Scott Land while accompanied by officers

from the Maple Creek RCMP detachment (the “RCMP”).

10. Taking possession of the Debtors’ vehicles and equipment was hampered by the harsh weather conditions and the Debtors’ interference with the process. However, the Receiver was able to successfully take possession of and relocate the majority of the vehicles and equipment from the Tompkins Facility and various vehicles and equipment (collectively the “**Relocated Equipment**”) from the Debtors’ other leased properties. The remaining vehicles and equipment (collectively the “**Remaining Equipment**”) are currently inaccessible as they are either frozen in place by snow and ice and/or are situate on the Scott Land.
11. The Remaining Livestock and Remaining Equipment have been left on the Scott Land and the Receiver’s counsel has sent correspondence to the Debtors’ counsel outlining the terms under which such assets have been left.

#### Security

12. As at the Receivership Date, the Receiver’s agents were conducting 24 hour patrols of the Debtors’ Property. This level of security continued until the Livestock were removed and all accessible vehicles and equipment were relocated.

#### Employees

13. The Debtors’ sole employee, Gerhard Neufeld, was terminated as at the Receivership Date.

#### **SALE OF THE LIVESTOCK**

14. The Livestock transported to the Heartland facility were sold at auction over the period between February 21, 2013, and March 12, 2013. The table below summarizes the results of the sales:

##### **Summary of Livestock auction results**

	# of head	Auction Proceeds <sup>1</sup>	Cost Recovery <sup>2</sup>	Net Proceeds
Total Livestock	1841	1,540,936	n/a	1,540,936
Excluded Livestock <sup>3</sup>	(93)	(87,535)	30,995	(56,540)
Net Livestock	1748	1,453,401	30,995	1,484,395

##### **Notes**

<sup>1</sup> Auction proceeds net of Heartland costs (preg testing, feed, chute, inspection etc.) and commission

<sup>2</sup> Allocated per-head costs of feeding during interim receivership, veterinary, collection, transportation etc.

<sup>3</sup> The Excluded Livestock was included in the auction at the request of the claimants

15. The 1,841 Livestock collected and sold comprised 71 fewer animals than the total of 1,912 Livestock estimated in the Receiver’s Seventh Report. This variance is partially due to approximately 40 head of Remaining Livestock that the Receiver has not yet taken possession of. The location of the remaining 31 animals has not been determined.
16. The Excluded Livestock is subject to the claims of Dirt Creek and the Guckerts. The net proceeds of the sale of the Excluded Livestock subject to the Dirt Creek claim have been paid to the claimant. The net proceeds of the Excluded Livestock subject to the Guckert claim have been held pending the outcome of the trial of the Guckert claim.

17. 118 head of cattle owned by Keith Chadwick were intermingled with some of the Livestock located on Mr. Chadwick's land. At the request of Mr. Chadwick, these animals were sold at auction along with the Livestock, which made the process of collecting the Livestock less challenging. The Receiver deducted a cost recovery amount for veterinary, collection and transportation from the proceeds paid to Mr. Chadwick.

#### **SALE OF THE HAY**

18. Approximately 1,325 bales of hay located at the Tompkins Facility (the "Tompkins Stack") were sold at the Heartland auction on "as-is where-is" terms for net proceeds of \$62,275.
19. Shortly after the sale, the purchaser attended the Tompkins Facility and began removing and transporting the purchased hay. After transporting approximately 300 bales, the purchaser noticed that the bales on the inside of the Tompkins Stack were different from the feed quality hay located on the ends of the stack. The inside bales were comprised mostly of curled dock and foxtail weeds. The purchaser advised the Receiver that these bales contained substances that were potentially poisonous to cattle. The purchaser stopped removing any further bales from the Tompkins Stack.
20. Although the Tompkins Stack was sold on an "as is where is" basis, the purchaser's claim that the inside bales were not usable prompted the Receiver to obtain independent laboratory analysis of the material in the bales. The preliminary analysis concluded that "this forage appears to be of extremely low quality and due to the testing, make up and age may be considered unmarketable".
21. The Receiver is currently in discussions with the purchaser to find a fair and equitable solution to this matter.

#### **ACTIVITIES OF THE DEBTOR**

22. The Debtors' deliberate actions during the period prior to and subsequent to the Receivership Date have frustrated and/or prevented the Receiver from performing some of its duties under the Receivership Order.

#### **Sabotage**

23. On February 15, 2013, the date that the February 19, 2013 Receivership Order was issued, Michelle Scott requested the Receiver to provide its workplan schedule in order to minimize the effects on the Scott family/children. The Receiver provided the Debtors with the schedule and plan (the "**Plan**") for the seizure of the Livestock and invited the Debtors to discuss the process.
24. Subsequent to receiving the Plan, the Debtors did not take the Receiver up on its offer to further discuss the process. Instead, the Debtors sought clarification, through their legal counsel, as to whether they were to continue feeding the Livestock over the weekend and up until the Receivership Date. The Receiver communicated with the Debtors regarding the need to continue feeding the Livestock up until the date of the Receivership. The Receiver also indicated that as of the Receivership Date, it would be contracting the Debtors' hired hand, Gerhard Neufeld, to assist in the feeding and care of the Livestock



for approximately a week until all of the animals were transported to the Heartland facility.

25. The Plan clearly indicated that the first step on February 19, 2013, was to collect and transport the Livestock located on or around the Tompkins Facility.
26. On the morning of February 19, 2013, the Receiver arrived at the Tompkins Facility with its agents, the Veterinarian and personnel from Heartland to begin the process of gathering and loading the Livestock. Upon arrival it was discovered that a flatbed trailer (the "Flatbed") under the control of the Debtors, had been recently and purposely parked in a manner that blocked access to the cattle loading chute. On further inspection, the Receiver discovered that someone had sabotaged the Flatbed by twisting off one of its air-lines. Since the axles were seized and the tracks in the snow created by the Flatbed being parked were still visible, the sabotage to the air-lines could only have occurred subsequent the Flatbed being parked. It took a number of hours before the Flatbed could safely be moved and access to the loading facility restored.
27. The Debtors' hired hand, Mr. Neufeld, whose whereabouts had been unknown during the first week of the Receivership, subsequently informed the Receiver's agent that he had moved the Flatbed to the Tompkins Facility on the evening prior to the Receivership Date and, on the specific direction of Shane Scott, parked it in a manner that blocked the loading chute. However, Mr. Neufeld denied having any knowledge or involvement in the act of twisting off the air-line. Mr. Neufeld also informed the Receiver's agent that on the evening prior to the Receivership Date, Shane Scott directed him not to cooperate with the Receiver. He also indicated that Shane Scott directed him to take his family and leave the province for a vacation before the start of the Receivership.
28. Despite the repeated requests made by the Receiver, no keys were made available by the Debtors' for the equipment, which resulted in further delays to the Receiver being able to complete its duties.
29. It became apparent on the Receivership Date that the Debtors had not fed the Livestock (in some cases for at least 2 – 3 days). As a result of not being fed, the animals were in a weakened state. The situation was further exacerbated by the extreme cold such that the welfare of these animals was at risk. As a result of the Receiver not having access to equipment (or the equipment was sabotaged), the Receiver had to make immediate arrangements with neighbours to deliver feed to the animals.

#### Threats made against the Receiver and its agents

30. On February 21, 2013 Shane Scott made a threat to one of the Receiver's agents. The agent reported to the Receiver that Shane Scott had told him that if "anyone came on to his place (the Scott Land) there would be trouble and he was willing to do jail time if he had to".
31. Prior to the Receivership Date, the RCMP had agreed to provide an officer (if one was available) to escort the Receiver on to the Scott Land to deliver the Receivership Order if and when it was ultimately granted. As a result of the threat on February 21, the RCMP's level of concern for the safety of the Receiver and its agents increased significantly. The RCMP coordinated with the Receiver and arranged for extra officers on shift so that two officers would be available to escort the Receiver on to the Scott

Land and remain there while the Receiver performed its duties under the Court Order. Coordination of the RCMP schedules resulted in a modest delay in attending on the Scott Land.

Failure to cooperate with the Receiver and comply with the Receivership Order

32. Subsequent to the Receivership Date, the Receiver became aware of the Remaining Livestock, approximately 40 head of additional Livestock located on a portion of the Scott Land that is not visible from the road. On February 21, 2013, when the Receiver first questioned the Debtors about the Remaining Livestock, Shane Scott claimed that they were comprised of "the kids' 4-H cattle" and stated "they are not part of the Receivership and you're not taking them". The Receiver then asked the Debtors to provide the Receiver with proof that these were, in fact, registered 4-H cattle. The Debtors provided a number of documents, in response to which counsel to the Receiver requested (through the Debtors' counsel) that proof of ownership be submitted in a formalized manner setting forth the specific 4-H cattle claimed and the requisite particulars to prove such ownership (including relevant invoices and proofs of payment). To date, no such claim has been submitted.
33. Subsequent to a considerable amount of planning and coordination, on March 6, 2013, the Receiver, accompanied by its agents and two RCMP officers, visited the Scott Land with the intent of taking possession of the Remaining Livestock, the Remaining Equipment and hay inventory located on the Scott Land.
34. Upon arrival, the Receiver was unable to access the Debtors' drive as the entrance was blocked by a parked school bus. The Debtors were telephoned and asked to meet the Receiver and the RCMP at the entrance to the driveway. After the Debtors arrived, the Receiver informed them of the plan to take possession of the various Property. The Debtors then proceeded to verbally attack and berate the Receiver. The Debtors were adamant that they were not going to allow the Receiver to remove any Property.
35. The Debtors eventually agreed to move the school bus and allow the RCMP and the Receiver to access the Scott Land.
36. The Debtors had not maintained a clear access route to their residence and yard site and there were deep snow drifts preventing vehicular access. As a result, the Receiver made arrangements for the removal of the snow. This allowed the Receiver to facilitate the removal of 278 bales of hay located on the upper yard site of the Scott Land. The hay was removed by the same party that purchased the Tompkins Stack. It also allowed the Receiver access to assess the Remaining Livestock and the vehicles and equipment located on the lower part of the Scott Land.
37. Once on the Scott Land, the Receiver inspected the cattle loading facility on the property and found it was buried in chest deep snow drifts and was unusable at this time. Since there was no other feasible way of safely transporting the animals off the property that day, the Receiver decided to take possession of the Remaining Livestock at a later date once the snow has melted. The Receiver informed the Debtors that they were to continue to take care of the Remaining Livestock and ensured that there was sufficient hay inventory left on the Scott Land to do so.

38. When the Receiver asked for the keys to vehicles located on the Scott Land, Shane Scott first replied by saying all of the equipment belonged to his mother-in-law (a claim they had made in the past). Again, although the Debtors had faxed various documents to the Receiver, no proof sufficient to establish ownership has ever been provided. When further pressed, Mr. Scott indicated that he didn't have any keys. Most of the vehicles were located in the vicinity of the Debtors' residence at the bottom of a gully with a long steep driveway that was covered with snow. Some of the vehicles and equipment were buried in snow and ice drifts. The Receiver determined it was not feasible to remove these assets from the Scott Land at this time and decided to take possession of the Remaining Equipment at a later date once the snow has melted.
39. Throughout the day, the Receiver was repeatedly challenged and berated by the Debtors and their supporters throughout the day. This interference prevented the Receiver from completing an inventory of the Remaining Equipment and an assessment and count of the Remaining Livestock. Towards the end of the day, the RCMP was required to leave the Scott Land to attend to an urgent matter. At that time the Receiver and its agent were completing the final loads of hay and were unable to leave the site immediately, but planned to leave as soon as possible. After the RCMP left the site, Shane Scott approached and made threats against another of the Receiver's agents.
40. In summary, the Debtors' sabotage, threats and non-compliance with the Receivership Order have resulted in delays, increased costs and potential detrimental effects on the health of the Livestock as well as potential loss of assets covered under the terms of the Receivership Order.

#### **PROPOSED SALE OF THE RELOCATED AND REMAINING EQUIPMENT**

41. The Receiver understands that the Debtors have made an application for a hearing under section 50 of *The Saskatchewan Farm Security Act* ("SFSA"). In order for the Receiver to proceed with the sale of the Relocated Equipment and the Remaining Equipment, the Debtors' claim under the SFSA must be resolved so that the Receiver knows what equipment it is entitled to sell (the "**Subject Equipment**").
42. The Relocated Equipment is currently being stored at the Perlich Bros Auction Market ("Perlich") in Lethbridge, Alberta. It is the intention of the Receiver to move the Remaining Equipment to the same location in order that all of the equipment that the Receiver is permitted to sell may be sold at auction. The next equipment auction at Perlich is scheduled for June 5, 2013.
43. In order to prepare the Subject Equipment for sale, it is necessary that Debtors' claims under the SFSA be determined by early May 2013.

#### **LEASED LAND**

44. The majority of land used in the Debtors' operations was leased and subject to written and verbal lease or rental agreements (the "**Leases**").
45. The Receiver issued notice to the various landlords (the "**Landlords**") terminating all of the Leases effective February 17, 2013 (the "**Termination Date**").
46. The Receiver, with the assistance of its counsel, has evaluated the leases and calculated

pro-rata amounts payable (the "**Lease Amounts Payable**") to the Landlords for the actual per diem usage of the specific parcels of land associated with the Leases during the course of the Interim Receivership and the Receivership.

47. The aggregate of the Lease Amounts Payable totaling approximately \$61,000 (including GST where applicable) has been paid to the Landlords.
48. The Receiver has continued to require the use of two parcels of land associated with the lease that includes the Tompkins Facility. Upon removal of these remaining assets from the Tompkins Facility, the Receiver will pay the Landlord for the per diem usage since the Termination Date.

#### **SECURED CREDITORS**

49. The Receiver's legal counsel, MacPherson Leslie & Tyerman LLP, is in the process of reviewing the Bank of Montreal security.
50. On April 2, 2013, the Receiver issued notices to provide details of security to all parties with a registered security interest listed on the Personal Property Security Registry for Saskatchewan. To date, the Receiver has received security information from Agriculture and Agri-Food Canada, Farm Credit Canada, TD Canada Trust, Lenard Teale and Canada Trust. The Receiver's counsel is in the process of reviewing this information.
51. Once the Receiver has received the information requested from the secured creditors of the Debtors and completed its analysis as to the validity, enforceability and priority of their respective security, the Receiver will make an application to the Court for an interim distribution of the net realizations from the Property. In this application, the Receiver will be making recommendations with respect to an allocation of certain receivership costs to the various secured creditors receiving benefit from the receivership process.

#### **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

52. Pursuant to paragraph 18 of the Interim Receivership Order and the subsequent Order dated January 18, 2013, the Receiver was empowered to borrow up to \$250,000 under the Interim Receiver's Borrowings Charge. As of March 25, 2013, all amounts previously borrowed under this charge have been fully repaid.
53. As more particularly described in the Receiver's Statement of Receipts and Disbursements for the period of October 9, 2012, to April 15, 2013, a copy of which is attached hereto as Appendix "A", the Receiver has received receipts of \$2,096,614.24 and made disbursements of \$1,457,699.45 as of April 15, 2013.

All of which is respectfully submitted this 19<sup>th</sup> day of April 2013



**PricewaterhouseCoopers Inc.**  
**Receiver of Shane Scott and Michelle Scott**



**Shane Scott and Michelle Scott - Interim Receivership  
Statement of Receipts and Disbursements  
for the period October 9, 2012 to April 15, 2013**

**Appendix A**

<b>Receipts</b>	\$
Receiver's Certificate	250,000.00
Sales Proceeds from Auction	1,846,614.24
<b>Total Receipts</b>	<u>2,096,614.24</u>
<b>Disbursements</b>	
Advertising	2,782.51
Auction Deductions	238,210.88
Bank Charges	577.03
Court Fees re Examination	628.00
Debtor Salary	10,928.57
Deductions/Expenses - cost recoveries	(74,478.40)
Distribution of Net Auction Proceeds	188,611.02
Feed	15,666.30
Fuel	19,424.21
GST Paid/Remitted	39,174.43
Insurance	11,799.00
Interest	3,510.78
Inventory Monitoring	174,015.06
Land Lease Payments	58,545.33
Legal Fees and Disbursements	79,227.50
National Leasing Equipment Lease Payment	7,940.94
Office and Miscellaneous	384.24
Payroll Expenses	25,366.85
Possession Assistance	45,389.85
Propane	5,045.18
PST	4,159.59
Receivers Fees	264,386.00
Receivers Disbursements	20,275.93
Repairs and Maintenance	23,821.42
Repayment of Receiver's Certificate	250,000.00
Shipping	1,000.00
Tub Grinding	600.00
Utilities Including Telephone	16,622.99
Veterinary Costs	24,084.24
<b>Total Disbursements</b>	<u>1,457,699.45</u>
<b>Balance of Funds in Bank</b>	<u><u>638,914.79</u></u>