

Court File No. CV-11-9208-00CL

**True Blend Tobacco Company Inc., Brian Kevin Poreba and Victor
Osztrovics**

INTERIM RECEIVER'S FIRST REPORT TO COURT

May 11, 2011

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

**1787811 ONTARIO INC. C/O PETER WATTS, 1815612 ONTARIO INC.,
2134265 ONTARIO LTD., 2204293 ONTARIO INC., 2204051 ONTARIO LTD.
C/O ELIZABETH HUYGE, 2226700 ONTARIO INC., 2229987 ONTARIO
INC., 2230916 ONTARIO LTD., 2231288 ONTARIO INC., 2232139 ONTARIO
LTD. C/O PETER VILACA, 2232466 ONTARIO INC., 2232471 ONTARIO
INC., AARON PHILLIPS, ALLAN MUDGE, AUTUMN CREEK FIELD INC.,
BIRDIEBUFF HOLDINGS LTD., BMW FARMS INC., BRANDON
VANHAECKE, BRIAN SIOEN, BRIAN VANDERHAEGHE, C & B
VANKERREBROECK FARMS INC., COLLIN YARMIE, D & M CSERCSICS
FARMS INC., DAVID TOTH, DIERICK FARMS LTD., D K SIOEN FARMS
INC., EDWARD POLJANOWSKI, G.D. BYERS FARMS, GARY DEMEYERE,
GARY ISENER, JACOB D & ELISABETH KNELSEN, MENDONCA
HOLDINGS INC., JEFF NEVILLE, JORDAN JAMES FARMS, KEITH BOKLA,
KYLIE DEMEULENAERE FARMS LTD., MATTHEW SOBCZYK, MICHAEL
DEW, MYTY FARM, PETER WALL, R & R FARMING LIMITED, RHINELAND
FARMS LTD., RICHARD & BARBARA DEMAREST, RYAN DEMEULENAERE
FARM LTD., SCOTT BRINKER, TRUDY REDEKOPP, STEVEN
KNILL AND SPRIET VENTURES LTD.**

Applicants

-and-

**BRIAN KEVIN POREBA, VICTOR OSZTROVICS AND
TRUE BLEND TOBACCO COMPANY INC.**

Respondents

**FIRST REPORT TO THE COURT SUBMITTED BY
PRICEWATERHOUSECOOPERS INC. IN ITS CAPACITY AS
INTERIM RECEIVER**



INTRODUCTION

1. By Order of the Honourable Mr. Justice Morawetz dated May 10, 2011 (the “**Appointment Order**”), PricewaterhouseCoopers Inc. (“**PwC**”) was appointed interim receiver (the “**Interim Receiver**”) pursuant to section 47.1 (1)(b) of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3 and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43. , without security, of all the assets, undertakings and properties of True Blend Tobacco Company Inc. (“**True Blend**”), Brian Kevin Poreba and Victor Osztrovics (collectively the “**Debtors**”) acquired for, or used in relation to the business carried on by the Debtors. A copy of the Appointment Order is attached as **Appendix “A”** to this report.
2. As noted in his endorsement, a copy of which is attached as **Appendix “B”** to this report, the Honourable Mr. Justice Morawetz noted that that the application for the Appointment Order should properly have been brought before the Court in London, Ontario and, as such, the Appointment Order was to be effective only until such time that the matter could be fully considered by the Court in London, Ontario on Thursday, May 12, 2011.
3. The purpose of this, the Interim Receiver’s First Report (the “**First Report**”), is to inform the Court of the activities of the Interim Receiver since the granting of the Appointment Order.

ACTIVITIES OF THE INTERIM RECEIVER

4. Late in the afternoon on May 10, 2011, following the granting of the Appointment Order, the Interim Receiver contacted counsel for the True Blend’s landlord, E&E McLaughlin Ltd. (the “**Landlord**”), to advise of its appointment and request access to True Blend’s office / processing facility located at 500 Highway 3, Tillsonburg, Ontario (the “**Former Leased Premises**”). Unfortunately, due to the late hour, the Interim Receiver was not able to gain access to True Blend’s office / processing facility on May 10, 2011.



5. On May 11, 2011, the Interim Receiver attended at True Blend's office / processing facility and met with representatives of the Landlord who advised that it had terminated the lease with True Blend in April 2011 due to non-payment of rent.
6. After being granted access to True Blend's office / processing facility, the Interim Receiver completed the following activities:
 - a) changed the locks to True Blend's office / processing facility;
 - b) contacted True Blend's alarm service provider to both delete the existing alarm codes and set up new alarm codes for the Interim Receiver;
 - c) photographed and started taking a physical inventory of True Blend's equipment and inventory;
 - d) contacted Firstbrook, Cassie & Anderson Ltd. ("FCA"), an insurance broker specializing in providing insurance coverage for insolvency professionals, to advise of PwC's appointment as Interim Receiver and put FCA on notice that, should the Interim Receiver determine True Blend's existing insurance coverage to be inadequate, additional coverage will be required (discussed further below);
 - e) met with a representative of the Ministry of Revenue, Compliance Programs Division, regarding PwC's appointment as Interim Receiver and the steps it had taken to both preserve and protect True Blend's assets, including its inventory of raw/unprocessed tobacco;
 - f) contacted several appraisers / auctioneers to schedule a site visit to assess True Blend's fixed assets / machinery; and
 - g) started reviewing True Blend's on-site books and records (hardcopy only), as we did not have access to True Blend's computer system, in an effort to gain a better understanding of True Blend's financial position.

7. In addition to the above and in an effort to carry out the terms of the Appointment Order, representatives of the Interim Receiver also attended on May 11, 2011, with the assistance of two officers from the Ontario Provincial Police (“**OPP**”), at the personal residences of both Mr. Poreba and Mr. Osztrovics (collectively the “**Principals**”).
8. The Principals initially refused service of the Appointment Order, but they eventually relented and the Interim Receiver was able to explain the terms of the Appointment Order and request the Principals’ cooperation in providing information on True Blend’s business activities, assets and books and records. The Interim Receiver also requested access to the Principals’ residences to confirm that no property, including books and records, of True Blend were located at the Principals’ residences. The Principals advised the Interim Receiver that no business assets and /or books and records were located at their personal residences and refused the Interim Receiver’s request for access to confirm same.
9. The Principals also initially refused to answer many of the Interim Receiver’s questions in connection with the business activities, assets or books and records of True Blend. As such, the Interim Receiver’s initial meetings with the Principals were not productive in providing the Interim Receiver the necessary information to carry out the terms of the Appointment Order.
10. However, after apparently consulting with their legal counsel, the Principals agreed to meet with the Interim Receiver later in the day on May 11, 2011. Accordingly, at approximately 5:00 p.m. (Eastern Standard Time), the Interim Receiver, again in the presence of OPP officers, attended at the personal residence of Mr. Osztrovics. Due to a scheduling conflict, the Interim Receiver was not able to reattend at the personal residence of Mr. Poreba on May 11, 2011.

11. During the Interim Receiver's second attendance at the Osztrovics' residence, although the Interim Receiver was still refused entry to the home, Mr. Osztrovics did provide the Interim Receiver with the following information regarding True Blend:
- a) all of True Blend's assets and books and records are located at its Former Leased Premises. No assets and / or books and records are located at either of the Principals' residences or at any other third party location. As noted above, the Interim Receiver was denied access the Principals' residences and, consequently, the Interim Receiver is not in a position to confirm Mr. Osztrovics statement;
 - b) True Blend's Canadian / US Dollar bank accounts and the Principals' personal bank accounts held at TD Bank in Burford, Ontario as well as the personal credit cards of the Principals have been frozen, as per the terms of a *Mareva* Injunction, which was granted against the Debtors prohibiting them from dealing with or disposing of their assets. The Interim Receiver is in the process of determining the bank account details provided by Mr. Osztrovics to ensure the preservation and protection of any True Blend monies on deposit in financial institutions;
 - c) True Blend's operations have been shut down since April 1, 2011, although formal termination letters have not been issued to the Company's 10 to 12 employees. Furthermore, Mr. Osztrovics advised that the employees are currently owed wages and vacation pay for a period of approximately 2 to 3 weeks. The Interim Receiver will be reviewing True Blend's books and records to determine the existence, status and quantum of any employee claims pursuant to section 81.4 of the BIA and the *Wage Earner Protection Program Act* in due course; and

- d) True Blend currently does not have insurance coverage for its fixed assets and inventory. The Interim Receiver will be contacting FCA on May 12, 2011 to ensure that appropriate insurance coverage is in place for True Blend's equipment and inventory.
12. In addition to the above, Mr. Osztrovics was also not able to provide the Interim Receiver with the username and passwords to permit access True Blend's computers located at the Former Leased Premises. Similarly, Mr. Osztrovics was also unable to provide the Interim Receiver with any current financial information, including accounts receivable sub-ledgers and accounts payable sub-ledgers. Although Mr. Osztrovics did advise the Interim Receiver that it should contact certain of True Blend's former employees to obtain this information, he was not able to provide contact information for the employees in question. The Interim Receiver is currently trying to obtain contact details for the relevant employees.

All of which is respectfully submitted this 11th day of May, 2011.

PricewaterhouseCoopers Inc.
In its capacity as Interim Receiver of
True Blend Tobacco Company Inc., Brian Kevin Poreba and Victor Osztrovics



Adam Sherman
Vice President



Appendix A

Court File No. 35-1489580

CV-11-9208 -
00CL.

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

THE HONOURABLE)
MR. JUSTICE MORAWETZ.)

TUESDAY, THE 10th
DAY OF MAY, 2011

IN THE MATTER OF AN APPLICATION UNDER SECTION 47
OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3

AND IN THE MATTER OF SECTION 101 OF
THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, C.C-43

B E T W E E N:

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Applicant

- and -

BRIAN KEVIN POREBA, VICTOR OSZTROVICS AND
TRUE BLEND TOBACCO COMPANY INC.

Respondents

ORDER APPOINTING INTERIM RECEIVER

THIS APPLICATION made by certain of the creditors as listed in Schedule "A" (the "**Creditors**") for an Order pursuant to section 47.1(1)(b) 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 interim Receiver (in such capacities, the "**Interim Receiver**") without security, of all of the assets, undertakings and properties of True Blend Tobacco Company Inc., Brian Kevin Poreba, Victor Osztrovics (collectively the "**Debtors**") acquired for, or used in relation to the business carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Michael Sioen sworn May 8, 2011 and the Exhibits thereto and on hearing the submissions of counsel for the Creditors, no one else appearing and on reading the consent of PricewaterhouseCoopers Inc. to act as the Interim Receiver,

SERVICE

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

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 47.1 of the BIA and section 101 of the CJA, PricewaterhouseCoopers Inc. is hereby appointed Interim Receiver, without security, of all of the assets, undertakings and properties of the Debtors acquired for, or used in relation to the business carried on by the Debtors, including all proceeds thereof (the "**Property**").

3. THIS COURT ORDERS that, absent further Order of this Court, the Interim Receiver shall not operate, manage or carry on the business of the Debtors, or employ any employees of the Debtors.

INTERIM RECEIVER'S POWERS

4. THIS COURT ORDERS that the Interim 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 Interim Receiver is hereby expressly empowered and authorized to do any of the following where the Interim 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 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;
- (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 Interim Receiver's powers and duties, including without limitation those conferred by this Order;
- (d) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (e) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Interim Receiver's name or

in the name and on behalf of the Debtors, for any purpose pursuant to this Order;

- (f) to summarily dispose of Property that is perishable or likely to depreciate rapidly in value, and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall apply;
- (g) to report to, meet with and discuss with such affected Persons (as defined below) as the Interim Receiver deems appropriate on all matters relating to the Property and the Interim Receivership, and to share information, subject to such terms as to confidentiality as the Interim Receiver deems advisable;
- (h) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (i) 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 Interim Receiver, in the name of the Debtors;
- (j) 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 Interim 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 Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE INTERIM RECEIVER

5. THIS COURT ORDERS that (i) the Debtors, (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 Interim 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 Interim Receiver, and shall deliver all such Property to the Interim Receiver upon the Interim Receiver's request.

6. THIS COURT ORDERS that all Persons shall forthwith advise the Interim 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 Debtors, 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 Interim Receiver or permit the Interim Receiver to make, retain and take away copies thereof and grant to the Interim Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 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 Interim 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 Interim Receiver for the purpose of allowing the Interim 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 Interim Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Interim Receiver. Further, for the

purposes of this paragraph, all Persons shall provide the Interim Receiver with all such assistance in gaining immediate access to the information in the Records as the Interim Receiver may in its discretion require including providing the Interim Receiver with instructions on the use of any computer or other system and providing the Interim 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 INTERIM 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 Interim Receiver except with the written consent of the Interim Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Interim Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors 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 Debtors, the Interim Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Interim 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 Interim Receiver or the Debtors to carry on any business which the Debtors is not lawfully entitled to carry on, (ii) exempt the Interim Receiver or the Debtors 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 INTERIM 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 Debtors, without written consent of the Interim Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, trade names, merchant accounts, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors 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 Interim Receiver, and that the Interim Receiver shall be entitled to the continued use of the Debtors' 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 Interim Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Interim Receiver, or as may be ordered by this Court.

INTERIM RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Interim 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 Interim Receiver (the "**Post Interim Receivership Accounts**") and the monies standing to the credit of

such Post Interim Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Interim Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Debtors shall remain the employees of the Debtors. The Interim 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 Interim 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*.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. THIS COURT ORDERS that nothing herein contained shall require the Interim 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 Interim Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Interim Receiver shall not, as a result of this Order or anything done in pursuance of the Interim 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 INTERIM RECEIVER'S LIABILITY

16. THIS COURT ORDERS that the Interim 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 Interim Receiver by section 14.06 of the BIA or by any other applicable legislation.

INTERIM RECEIVER'S ACCOUNTS

17. THIS COURT ORDERS that the Interim Receiver and counsel to the Interim Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, unless otherwise ordered by the Court on the passing of accounts, and that the Interim Receiver and counsel to the Interim Receiver shall be entitled to and are hereby granted a charge (the "**Interim 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 Interim 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.

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

19. THIS COURT ORDERS that prior to the passing of its accounts, the Interim 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 standard rates and charges of the Interim 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 INTERIM RECEIVERSHIP

20. THIS COURT ORDERS that the Interim 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 \$2 million (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 Interim 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 "**Interim 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 Interim Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

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

23. THIS COURT ORDERS that the monies from time to time borrowed by the Interim Receiver pursuant to this Order or any further order of this Court and any and all Interim 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 Interim Receiver's Certificates.

SERVICE AND NOTICE

24. THIS COURT ORDERS that the Interim Receiver be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or notice by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

25. THIS COURT ORDERS that the Applicant, the Interim Receiver, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as such appear on the service list herein or in the materials filed in these proceedings, and the Interim Receiver may post a copy of any or all such materials on its website.

GENERAL

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

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

28. THIS COURT ORDERS that the Interim Receiver is hereby authorized and empowered to file an assignment in bankruptcy for and on behalf of the Debtors and name PricewaterhouseCoopers Inc. as the Debtors' trustee in bankruptcy.

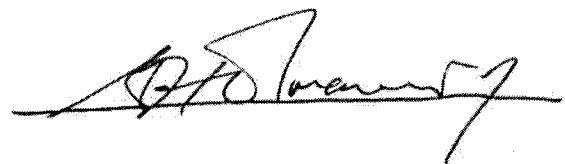
29. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Interim Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative

bodies are hereby respectfully requested to make such orders and to provide such assistance to the Interim Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Interim Receiver and its agents in carrying out the terms of this Order.

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

31. 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 Interim 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.

32. THIS COURT ORDERS that this order shall remain in effect until May 12, 2011 at 11:59 pm, or until such time as a motion for an extension of this Order can be heard by the appropriate Court. *AR*



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

MAY 10 2011

PER/PAR:



SCHEDULE "A"

INTERIM RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that PricewaterhouseCoopers Inc., the Interim Receiver (the "**Interim Receiver**") of the assets, undertakings and properties of True Blend Tobacco Company Inc. acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (the "**Court**") dated the 10th of May, 2011 (the "**Order**") made in an action having Court file number 35-1489580, has received as such Interim Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Interim 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 Interim 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 Interim 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 Interim 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 Interim 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 Interim 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__.

PricewaterhouseCoopers Inc. solely
in its capacity as Interim Receiver of
the Property, and not in its personal
capacity

Name:

Title:

IN THE MATTER OF AN APPLICATION UNDER SECTION 47
OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3
AND IN THE MATTER OF SECTION 101 OF
THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, C.C-43

Court File No: 35-1489580

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

COMMERCIAL LIST

Proceeding commenced at **Toronto**

ORDER

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Lawyers for the Applicant

Appendix B

1787811 ONTARIO INC. C/O PETER WATTS, et al.
Applicants

and

BRIAN KEVIN POREBA
Respondents

T. Nguyen for Applicants

May 10, 2011

L. Ellis for PwC, Interim

The Applicants move for the appointment of PwC as Interim Receiver of TimeBled Tobacco, Mr. Poreba and Mr. Osztrouie. TimeBled filed a NOI under the BIA on April 20, 2011 and the two defendants filed NOIs on May 2, 2011.

A Maurice Dujardin agent all three parties were granted by Mr. Dujardin on April 1, 2011. On

April 8, 2011 - ON CONSENT this order was extended. The April 8, 2011 edosent reads:

"On consent 12³⁰ p.m. Existing order to remain in place until further order"

On April 14, 2011, a motion to vary the order was adjourned.

Clearly, as of today the order remains in effect.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF AN APPLICATION UNDER
SECTION 47 OF THE BANKRUPTCY AND
INSOLVENCY ACT, R.S.C. 1985, C. B-3
AND IN THE MATTER OF SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, C.C-43

Proceeding commenced at Toronto

APPLICATION RECORD

(Application for the Appointment of an Interim Receiver,
returnable May 10, 2011)

BRAUTI THORNING ZIBARRAS LLP

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**Trung S. Nguyen
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Fax: 416.362.8410

Lawyers for the Applicants

The filing of the Notice of Intents, absent
further order of the court, does not, in
my view, have the effect of vacating
or staying the effect of the Order of
April 1, 2011 as extended on April 4, 2011.

To hold otherwise would potentially harm
the interests of creditors which would
result in a ~~result~~ ^{extreme} that runs counter
to the relief granted on April 1, 2011.
However, in the event that I am
in error, I am satisfied that

the Record supports the requested
relief ~~to~~ in the form of an
Interim Receivership Order under

§ 47.1 of the B.A. Such an
order is necessary for (a) protection
of the debtor's estate; as well as other
interests of the Applicant.

An order shall issue in the form
presented. However, this matter
should have been brought before
the Court in London

In the circumstances, the Order is
to be served immediately

on all interested & necessary persons
and shall be continued until the
matter is fully considered
= India at the other cost on

Thursdy May 12, 2011.
1 hour = window.

Aff. Brown

**IN THE MATTER OF THE INTERIM RECEIVERSHIP OF TRUE BLEND TOBACCO COMPANY INC., BRIAN KEVIN POREBA AND
VICTOR OSZTROVICS**

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

PROCEEDINGS COMMENCED AT LONDON

**INTERIM RECEIVER'S FIRST REPORT TO
COURT**

CASSELS BROCK LLP

2100 Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3C2

LARRY ELLIS

Tel: 416-869-5406
Fax: 416-640-3004
LSUC # _____

Lawyers for the Interim Receiver,
PricewaterhouseCoopers Inc.