

**ONTARIO
SUPERIOR COURT OF JUSTICE**

IN BANKRUPTCY

**IN THE MATTER OF THE BANKRUPTCY OF CANADA 3000 INC.,
Of the City Of Toronto, in the Province Of Ontario**

**AND IN THE MATTER OF THE BANKRUPTCY OF CANADA 3000 AIRLINES
LIMITED/**

**LIGNES AÉRIENNES CANADA 3000 LIMITÉE
Of the City Of Toronto, in the Province Of Ontario**

**AND IN THE MATTER OF THE BANKRUPTCY OF ROYAL AVIATION INC.
Of the City Of Toronto, in the Province Of Ontario**

**FOURTH REPORT OF THE TRUSTEE,
PRICEWATERHOUSECOOPERS INC.**

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Solicitors for PricewaterhouseCoopers Inc.

INTRODUCTION

1. On November 11, 2001, Deloitte & Touche Inc. ("D&T") was appointed Trustee in Bankruptcy of Canada 3000 Inc., Canada 3000 Airlines Limited/Lignes Aériennes Canada 3000 Limitée ("Airlines") and Royal Aviation Inc. (together referred to as "Canada 3000"). Subsequently, on November 30, 2001, PricewaterhouseCoopers Inc. ("PwC" or the "Trustee") was substituted as Trustee in Bankruptcy of Canada 3000 by the Court, with effect from December 3, 2001.

PURPOSE OF THE REPORT

2. By Order of the Court dated November 30, 2001, the requirement for holding of the first meeting of creditors of Canada 3000 was suspended until further order of the Court. The Trustee intends to hold the first meeting of creditors on or before May 15, 2002. As there are no inspectors to approve the activities of the Trustee, the Trustee is reporting to the Court with respect to its activities.

3. The purpose of this report is to seek the approval of the Court for the sale of certain assets contained in the tranche two sale process to Maynards Industries Limited ("Maynards").

THE TRANCHE TWO SALE

4. As indicated in the Trustee's Second Report, the Trustee is disposing of the Canada 3000 assets by way of soliciting offers in three tranches. The Trustee advertised the assets included in tranche two (the "Tranche Two Assets") for sale nationally on February 26 and 28, 2002 in the Globe and Mail newspaper and a deadline of March 19, 2002, set for the receipt of offers.

5. The Tranche Two Assets comprise the following:

- Furniture and fixtures;
- Computer equipment;
- Vehicles;
- Catering supplies; and

- Duty-free and domestic product.
6. The Trustee mailed 85 packages to interested parties and received 20 offers on various lots. Of the 20 offers received, 13 parties viewed the assets prior to making an offer.
7. The Trustee received three “en bloc” offers for the Tranche Two Assets, the best of which was an offer from Maynards Industries Limited (“Maynards”), a liquidator, for a net minimum guarantee (“NMG”) of \$838,144. The next “en bloc” offer was from another liquidator, Crescent Commercial Corporation, at \$453,726.
8. The terms of the Maynards' offer are as follows:
- A NMG of \$838,144;
 - Maynards will receive the next \$235,000 of any proceeds above the NMG; and
 - Any proceeds in excess of \$1,073,000 will be shared between the Trustee and Maynards with 60% going to the Trustee and 40% to Maynards.
9. Pursuant to the terms of the Maynards offer, the Trustee will be responsible for certain costs, including lease payments for 90 days at the Toronto bonded warehouse, certain shipping, handling and storage costs to be incurred in consolidating product from various locations and rental payments for 30 days for Canadian locations other than Toronto. The Trustee's liability in respect of these costs will be approximately \$110,000.
10. The Trustee spent considerable time negotiating with Maynards to improve and/or refine their proposal. In this regard, the following improvements were achieved:
- A reduction in the Trustee's responsibility for rent in locations other than Toronto from 3 months to 1 month for a savings of \$20,000;
 - The implementation of a ceiling on the total costs that the Trustee will be responsible for with respect to shipping inventory from various locations in Canada to \$53,000;
 - An increase in the NMG by \$17,500 through negotiation on the domestic liquor;

- The removal of lot 2 from the NMG so as to complete a sale to another party for \$24,800 with no decrease in the NMG;
- A reduction in the sharing arrangements from Maynards' receiving the next \$250,000 over the NMG to Maynards' receiving the next \$235,000 over the NMG before sharing begins; and
- The transfer of responsibility for the costs of the two staff handling the duty-free, domestic and catering products to Maynards from the Trustee, resulting in savings of \$25,000.

SUMMARY

11. The Trustee seeks approval of the Court for the sale of the assets contained in tranche two to Maynards Industries Limited. The Royal Bank of Canada (the "Bank") has security over the Tranche Two Assets and the amount owing to the Bank exceeds the value of the Tranche Two Assets. The Trustee has had discussions with the Bank with respect to the sale to Maynards referred to herein and it is possible that the Bank will appoint PricewaterhouseCoopers Inc. as its receiver or agent to complete the above transaction and in that event the transaction would be completed by PricewaterhouseCoopers Inc. in its capacity as receiver or agent of the Bank.

12. All of the above is respectfully submitted by PricewaterhouseCoopers Inc. in its capacity as Trustee in Bankruptcy of Canada 3000.

April 16, 2002

PRICEWATERHOUSECOOPERS INC., as
Trustee in Bankruptcy of Canada 3000 Inc.,
Canada 3000 Airlines Limited/Lignes Aériennes
Canada 3000 Limitée ("Airlines") and Royal
Aviation Inc.

Per: _____

Jonathan Sedlish
Vice-president