

ENTERED



COURT FILE NUMBER

2201-12935

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

FORAGE SUBORDINATED DEBT LP III

COM
May 24, 2023

RESPONDENTS

ENTERRA FEED CORPORATION, ENTERRA FEED US CORPORATION, ENTERRA FEED US SALES CORPORATION, AND ENTERRA FEED MARION CORPORATION

DOCUMENT

SECOND REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS COURT APPOINTED RECEIVER AND MANAGER OF ENTERRA FEED CORPORATION

May 15, 2023

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

RECEIVER

FTI Consulting Canada Inc.
Suite 1610, 520 Fifth Avenue S.W.
Calgary, AB T2P 3R7
Deryck Helkaa / Brett Wilson
Telephone: (403) 454-6031 / (403) 454-6033
Fax: (403) 232-6116
Email: deryck.helkaa@fticonsulting.com
brett.wilson@fticonsulting.com

RECEIVER'S COUNSEL

MLT AIKINS LLP
2100 Livingston Place, 222 3rd Avenue S.W.
Calgary, AB T2P 0B4
Ryan Zahara
Telephone: (403) 693-5420
Fax: (403) 508-4349
Email: rzahara@mltaikins.com

SECOND REPORT OF THE RECEIVER

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INTRODUCTION

1. On November 8, 2022, (the “**Date of Appointment**”), FTI Consulting Canada Inc. (“**FTI Consulting**”) was appointed as receiver and manager (the “**Receiver**”) of all the assets, undertakings and properties (the “**Property**”) of Enterra Feed Corporation, (“**Enterra**” or the “**Company**”), pursuant to an Order of the Honourable Justice C.M. Jones (the “**Receivership Order**”) pronounced in the Court of King’s Bench of Alberta Court File Number 2201-12935 (the “**Receivership Proceedings**”).
2. The Receivership Order authorized the Receiver, among other things, to manage, operate and carry on the business of the Company, to market any or all of the Property including advertising and soliciting offers to purchase the Property, and to make such arrangements or agreements as deemed necessary by the Receiver.
3. The Receiver’s reports and other publicly available information filed in connection with the Receivership Proceedings are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/Enterra>.

BACKGROUND

4. Enterra was engaged in the business of sustainable insect production for the purposes of selling animal feed and pet food to agriculture customers. The Company employed approximately 34 people and carried on business at a 180,000 square-foot leased facility in Balzac, Alberta, wherein the primary assets are the corresponding personal property and equipment used in connection with the business. Additionally, the Company operated their research and development facility from a leased property in Maple Ridge, British Columbia.

5. On March 2, 2023, this Honourable Court granted an Order (the “**Approval and Reverse Vesting Order**”) which, among other things, authorized and approved the sale transaction (the “**Transaction**”) contemplated by a second amended subscription agreement dated February 22, 2023 (the “**Agreement**”), between Enterra, Forage Subordinated Debt LP III (the “**Forage**”) and 2488172 Alberta Ltd. (“**ResidualCo**”), including the reorganization transactions contemplated in the Agreement.
6. On March 31, 2023, pursuant to the Approval Reverse Vesting Order, the Receiver delivered the Receiver’s Certificate, certifying that the Transaction had been completed in accordance with the terms of the Agreement.

PURPOSE

7. The purpose of this report (the “**Second Report**”) is to provide this Honourable Court with information with respect to the following:
 - a. the activities of the Receiver since the first report of the Receiver dated February 7, 2023 (the “**First Report**”);
 - b. the Receiver’s statement of receipts and disbursements from the Date of Appointment to May 12, 2023 (the “**Statement of Receipts and Disbursements**”);
 - c. a summary of the Receiver’s fees and expenses (the “**Receiver’s Fees**”) and the Receiver’s Counsel’s fees and disbursements (the “**Receiver’s Counsel’s Fees**”);
 - d. details of the secured and potential priority claims in the Receivership Proceedings; and

- e. a summary of the estimated net proceeds available for distribution and remaining tasks to complete the administration of the Receivership Proceedings.
8. The Receiver is requesting the following relief from this Honourable Court at its Application returnable May 24, 2023 (the “**Application**”):
- a. Ratification and approval of the Receiver’s activities as set out in this Second Report, and the Receiver’s Statement of Receipts and Disbursements;
 - b. approval of the Receiver’s Fees and the Receiver’s Counsel’s Fees without the necessity of a formal passing of accounts or a formal assessment of accounts;
 - c. authorization to holdback certain funds to complete the administration of these Receivership Proceedings and make a distribution to Forage, as set out in paragraph 41 below; and
 - d. discharging the Receiver as Receiver of Enterra upon the Receiver filing with the Court a sworn Affidavit of a Licensed Insolvency Trustee employed by the Receiver.

TERMS OF REFERENCE

9. In preparing this Second Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company’s books and records and discussions with various parties (collectively, the “**Information**”).

10. Except as described in this Second 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 *Chartered Professional Accountants of Canada 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 *Chartered Professional Accountants of Canada Handbook*.
11. Future oriented financial information reported or relied on in preparing this Second Report is based on assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
12. The Receiver has prepared this Second Report in connection with the Receiver's Application. This Second Report should not be relied on for other purposes.
13. Information and advice described in this Second Report that has been provided to the Receiver by its legal counsel, MLT Aikins LLP (the "**Receiver's Counsel**"), was provided to assist the Receiver in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order.

RECEIVER'S ACTIVITIES

15. Since the date of the Second Report the Receiver has, among other things:
 - a. completed the Transaction and collected the proceeds therefrom;
 - b. completed final customer billings for projects completed during the Receivership Proceedings and continued to work to collect accounts receivable owed to the Company at the Date of Appointment;
 - c. responded to requests for information from creditors, employees and other stakeholders; and
 - d. prepared this Second Report.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

16. The Receiver's Statement of Receipts and Disbursements, is summarized as follows:

Statement of Receipts and Disbursements for the period of December 7, 2022 to May 12, 2023	
CAD \$	Cumulative
Receipts	
Accounts receivable collections	\$ 1,162,385
Transfer from pre-receivership account	172,299
Sale of Assets	139,510
GST refund	31,849
GST collected	15,108
Bank interest	9,591
Other receipts	2,805
Total - Receipts	1,533,547
Disbursements	
Operating expense	275,124
Payroll and benefits	254,671
Receiver's fees and costs	251,180
Legal fees and disbursements	117,370
GST paid	30,694
WEPP Priority Claim	9,268
Net foreign exchange	8,645
Insurance	4,348
Bank fees and other	876
Total - Disbursements	952,176
Net Cash on Hand	\$ 581,371

- a. Accounts receivable collections from outstanding amounts and sale of inventory during the Receivership Proceedings;
- b. Transfer from the Company's pre-receivership accounts to the Receiver's trust account;
- c. Sale of assets including transaction that were permitted without the approval of this Honourable Court pursuant to paragraph 3(i) of the Receivership

Order as the consideration did not exceed \$100,000 for any transaction or \$250,000 in aggregate;

- d. Operating costs include amounts paid to vendors and suppliers to facilitate the ongoing operations of the business;
 - e. Payroll and benefits include amounts disbursed by the Receiver relating to payroll and employee deductions;
 - f. Receiver's fees and costs paid to date in connection with the administration of the Receivership Proceedings;
 - g. Legal fees and disbursements paid to date the Receiver's Counsel in respect of legal advice in connection with the Receivership Proceedings;
 - h. Insurance relates to insurance costs including general liability and property insurance; and
 - i. Bank Charges include wire payment fees, and other miscellaneous bank fees.
17. As at May 12, 2023, the Receiver holds approximately \$581,371 of cash on hand.

PROFESSIONAL FEES

18. Invoices for professional services rendered and costs for the Receiver from the Date of Appointment to April 30, 2023, total \$251,179.61, exclusive of GST.
19. Invoices for professional services rendered and disbursements for the Receiver's Counsel from the Date of Appointment to April 30, 2023, total \$117,369.84, exclusive of GST.

20. Invoices for the Receiver's Fees and the Receiver's Counsel's Fees can be made available upon request of this Honourable Court.
21. The Receiver is recommending a hold back for the Receiver's Fees and the Receiver's Counsel's Fees of approximately \$75,000 for additional time attending to the final administrative matters of the Receivership Proceedings, including the costs of this Application any remaining costs and expenses prior to the completion of the Receivership Proceedings.
22. The Receiver is of the opinion that the Receiver's Fees and the Receiver's Counsel's Fees are reasonable and appropriate in the circumstances, and in particular, given the length of the Receivership Proceedings, the work required to manage the Company's ongoing operations prior to the completion of the Transaction, the time required to complete the sales process, attend Court multiple times to obtain the Approval and Reverse Vesting Order, close the Transaction and collect on various accounts receivables.

DETAILS OF SECURED AND POTENTIAL PRIORITY CLAIMS

23. As more fully described in the First Report, the Receiver is aware of the following secured claims, charges that are owed by Enterra, either pursuant to statute, or which have been registered against the Property.

Secured Claims

24. As described in the Affidavit of Jim Taylor sworn on November 7, 2022, as at September 8, 2022, the total amount owed to Forage pursuant to a loan agreement dated May 15, 2019 (the "**Loan Agreement**"), was \$9,951,781, plus interest, fees and other expenses (the "**Secured Debt**").

25. The Loan Agreement is secured by a General Security Agreement dated May 15, 2019, by Enterra in favour of Forage (the “**Forage Security**”).

Prairies Economic Development Canada

26. On February 14, 2023, Prairies Economic Development Canada (“**PrairiesCan**”) delivered a notice to the Receiver giving the Receiver notice of its intention to set-off any sums due to Enterra Feed Corporation by the Government of Canada against the amounts due to PrairiesCan. A copy of the February 14, 2023, notice from the PrairiesCan is attached hereto as Appendix “**A**”.
27. The Receiver attempted to consensually resolve the dispute over PrairiesCan’s right of set off prior to the application for the Sale Approval and Reverse Vesting Order; however, those efforts were unsuccessful. The Court heard oral arguments from PrairiesCan with respect to its right of set off and decided that the RVO structure was appropriate in the circumstances and granted the Sale Approval and Reverse Vesting Order. A copy of the Endorsement of the Honourable Justice B.E. Romaine is attached as Appendix “**B**”.

Canada Revenue Agency

28. On February 24, 2023, the CRA delivered a notice to the Receiver with proposed changes to the goods and services tax/harmonized sales tax return for the period from November 1, 2022 to November 8, 2022. The proposed changes to the net tax resulting in net tax owing of \$277,348.03 (the “**Unsecured CRA Claim**”). A copy of the February 24, 2023, notice from the CRA is attached hereto as Appendix “**C**”.
29. Pursuant to the provisions of the Approval and Reverse Vesting Order, the Unsecured CRA Claim was a “Transferred Liability”, and hence was transferred to ResidualCo.

30. The Receiver is not contemplating a holdback for the Unsecured CRA Claim and the CRA has been served notice of the Application.

Wage Earner Protection Program

31. Prior to the Date of Appointment, several former employees were provided with working notice were not paid outstanding vacation pay. Additionally, employees that were terminated (or resigned) during the Receivership Proceedings on behalf of the Company were not paid vacation pay that accrued prior to the Date of Appointment or termination and/or severance pay.
32. In accordance with the Wage Earner Protection Program Act, the Receiver made the former employees aware of the existence of such program and advised that the Receiver would review the Company's books and records and identify employees who were owed eligible wages under the Wage Earner Protection Program (the "**WEPP**").
33. After reviewing the Company's books and records, and with the assistance of the Company, the Receiver determined that a total of approximately \$21,565 was owed to former employees for unpaid vacation and a total of \$216,041 for termination and severance pay, which are considered eligible wages under the WEPP (the "**WEPP Claims**").
34. Pursuant to section 81.4(4) of the Bankruptcy and Insolvency Act, the WEPP Claims are secured against the Company's current assets to the extent of \$2,000 per employee for wages and compensation (including vacation pay, but excluding severance and termination pay).
35. The Receiver received a statement from Service Canada asserting a subrogated super priority claim in the amount of \$9,267.69 ("**WEPP Priority Claim**") related

to the unpaid vacation pay portion of the WEPP Claims. The WEPP Priority Claim was paid on February 9, 2023.

Security Review

36. The Receiver's Counsel reviewed the Loan Agreement and the Forage Security and determined that, subject to the standard qualifications and assumptions, Forage has a valid and enforceable security over the Assets securing the Secured Debt.
37. Other than those parties referenced above, no other party has contacted the Receiver nor the Receiver's Canadian Counsel asserting a claim in priority to Forage and the Receiver is not aware of any party asserting priority to the Forage, or any party that would be entitled to do so.

PROPOSED DISTRIBUTION

38. As described above, the Receiver has an opinion from the Receiver's Counsel opining that the Secured Debt and Forage Security are, subject to the usual assumptions, validly authorized, executed, issued and registered. Given the realization of the Property is substantially complete, the Receiver does not anticipate the recoveries will be sufficient to repay the Secured Debt in full. Accordingly, in the Receiver's view Forage is the fulcrum creditor in the Receivership Proceedings.
39. As detailed above, the Receiver has approximately \$581,371 of cash on hand. The table below presents a summary of the Receiver's proposed holdback to be retained by the Receiver on account of the following:
 - a. a holdback for professional fees to complete the administration of the Receivership Proceedings;

- b. the remaining costs to complete the administration of these Receivership proceedings including the cost of storage and destruction of records;
- c. post-receivership GST payable; and
- d. contingency to complete the remaining administrative tasks.

(collectively, the “**Holdback**”).

Estimated Holdback	
CAD \$	
Holdback	
Professional fees (estimated to completion)	75,000
Remaining administrative costs	35,000
Post-receivership GST payable	10,000
Contingency	21,371
Total - Holdback	141,371

- 40. As at September 8, 2022, the total amount owed to Forage pursuant to the Loan Agreement was \$9,951,781, plus interest, fees and other expenses.
- 41. The Receiver is seeking authorization to distribute \$440,000 as set out below plus any residual funds to Forage which will be significantly below the amount of the Secured Debt and there are no other secured creditors with secured claims against the Company that rank ahead of, or potentially rank ahead of, the Secured Debt.

Estimated Distribution	
CAD \$	
Cash on Hand	581,371
Holdback	(141,371)
Total - Distribution	440,000

TERMINATION OF THE RECEIVERSHIP PROCEEDINGS

42. As described in this Second Report, the administration of these Receivership Proceedings is substantially complete, with exception of certain matters which are administrative in nature. To avoid the additional costs associated with subsequent Court appearances, and with the support of Forage, the Receiver is seeking an Order terminating the Receivership Proceedings and discharging the Receiver of its duties and obligations under the Receivership Order upon filing a sworn Affidavit of a licensed Trustee employed by the Receiver (the “**Receiver’s Completion Affidavit**”) with this Honourable Court certifying that all remaining administrative matters have been concluded.

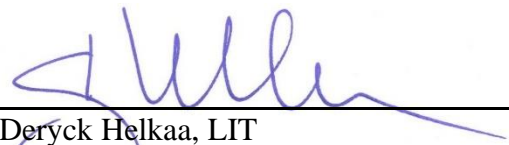
RECEIVER’S RECOMMENDATIONS

43. The Receiver respectfully requests that this Honourable Court grant the following relief:
- a. Ratification and approval of the Receiver’s activities as set out in this Second Report, and the Statement of Receipts and Disbursements;
 - b. approval of the Receiver’s Fees and the Receiver’s Counsel’s Fees without the necessity of a formal passing of accounts or a formal assessment of accounts;
 - c. authorization to retain the Holdback to complete the administration of these Receivership Proceedings and distribute any residual funds to Forage, as set out in paragraph 41 above; and

- d. discharging the Receiver as Receiver of Enterra upon the Receiver filing with the Court the Receiver's Completion Affidavit.

All of which is respectfully submitted this 15th day of May 2023.

FTI Consulting Canada Inc., in its capacity as
receiver of Enterra Feed Corporation
and not in its personal or corporate capacity



Deryck Helkaa, LIT
Senior Managing Director
FTI Consulting Canada Inc.



Brett Wilson, CFA
Managing Director
FTI Consulting Canada Inc.

Second Report of FTI Consulting Canada Inc.,
In its capacity as Receiver Enterra Feed Corporation
May 15, 2023

Appendix “A” – Letter from Prairies Economic Development Canada



Prairies Economic
Development Canada

Développement économique
Canada pour les Prairies

Registered Mail/E-mail

February 14, 2022

MLT Aikins LLP
2100 -222 3rd Avenue SW
Calgary, AB T2P 0B4

Attention: Mr Ryan Zahara

Re: Receivership of Enterra Feed Corporation

Please find enclosed for your records a copy of demand letter that was issued to Enterra Feed Corporation.

Prairies Economic Development Canada (PrairiesCan) is hereby giving the Receiver notice of its intention to set-off any sums due to Enterra Feed Corporation by the Government of Canada against the amounts due to PrairiesCan by the said debtors.

PrairiesCan hereby requests that any funds received by the Receiver or Enterra Feed Corporation from CRA for the period prior to the Order for Receiver issued on November 8, 2022 be forwarded to PrairiesCan.

For any monies issued by CRA for the time period subsequent to the Order date, the Receiver and Enterra Feed Corporation are requested to hold in abeyance pending a review by PrairiesCan regarding its potential claim to such funds.

The above is without prejudice to any rights or remedies of PrairiesCan now or in future proceedings. Should you have any questions, please contact Nicholas Clark at Nicholas.Clark@prairiescan.gc.ca.

Yours truly,

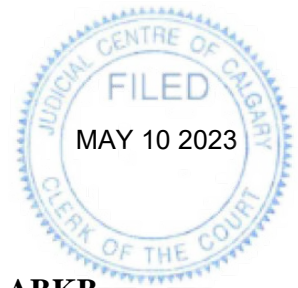
**Aitelmaalem,
Hicham**

Digitally signed by Aitelmaalem,
Hicham
DN: CN = Aitelmaalem, Hicham C =
CA O = GC OU = WD-DEO
Date: 2023.02.14 14:02:24 -07'00'

Hicham Aitelmaalem
Director General, Policy and Strategic Direction
PrairiesCan

Second Report of FTI Consulting Canada Inc.,
In its capacity as Receiver Enterra Feed Corporation
May 15, 2023

Appendix “B” – Endorsement of the Honourable Justice B.H. Romaine



Court of King's Bench of Alberta

Citation: Forage Subordinated Debt LP v Enterra Feed Corporation, 2023 ABKB

Date:
Docket: 2201 012953
Registry: Calgary

Between:

Forage Subordinated Debt LP III

Plaintiff

- and -

Enterra Feed Corporation, Enterra Feed US Corporation, Enterra Feed US Sales Corporation, and Enterra Feed Marion Corporation

Defendants

**Endorsement
of the
Honourable Justice B.E. Romaine**

I. Introduction

[1] FTI Consulting Canada Inc., as the court-appointed Receiver and Manager of Enterra Feed Corporation, seeks an order: i) approving a reverse vesting order (RVO) included in an Amended Subscription Agreement among Enterra, as issuer, Forage Subordinated Debt LP III as purchaser, and 2488172 Alberta Ltd. (ResidualCo"); ii) authorizing Enterra, ResidualCo and the Receiver to take any and all such steps as are necessary or advisable to implement and close the transaction contemplated by the Amended Subscription Agreement and (iii) transferring and vesting all of Enterra's right, title and interest in and to the Excluded Assets and the Excluded Liabilities (as defined in the Amended Subscription Agreement) in the name of ResidualCo, subject to encumbrances as defined in the agreement. At issue is whether this is one of the exceptional cases where an RVO may be appropriate, whether section 67 of the *Financial*

Administration Act, (Canada) R.S.C. 1985, c. F-11 (FAA) prevents the approval of the transaction, and whether an RVO can be approved in a receivership.

[2] An RVO transaction is an extraordinary remedy that should only be granted in exceptional cases. I am satisfied that, given the adjustments that have been made over the last weeks to this transaction, this is one of those exceptional cases that would allow the approval of an RVO. The fact that this remedy is sought in a receivership does not preclude approval of the RVO structure, and section 67 of the FAA does not apply.

II. Facts

[3] Enterra was engaged in the business of sustainable insect production for the purposes of selling animal feed and pet food to agricultural customers. The company employed approximately 24 people and carried on business at a leased facility in Alberta. The company also operated a research and development facility from a leased property in British Columbia.

[4] On September 8, 2022, Enterra delivered a Notice of Event of Default to its principal secured creditor, Forage, wherein it advised that it had resolved to proceed with an orderly winding down of its business and operations due to lack of funding, and that this would result in an event of default under the Forage loan agreement. On the same day, Forage sent a demand for repayment and Notice of Intention to Enforce Security under section 244 of the *Bankruptcy and Insolvency Act*, RSC, 1985, c B-6, to the company.

[5] In order to preserve assets, the Receiver was appointed on November 8, 2022

[6] The following efforts had been implemented prior to the appointment of the Receiver:

- (a) the appointment of a Chief Restructuring Officer on September 9, 2022;
- (b) the marketing of the company and its assets to potentially interested parties through a pre-receivership solicitation and investment solicitation process (SISP) conducted by the CRO; and
- (c) the provision of \$450,000 in subordinated financing by major shareholders to provide immediate liquidity funding for the SISP on September 27, 2022.

[7] As at the date of the receivership, all of Enterra's directors had resigned. The CRO has been appointed as director for the limited purpose of effecting the transaction.

[8] The remaining assets of Enterra include intellectual property, specifically:

- software source code and source materials;
- business names, trade names, domain names, trading names, trading style, logos, trade secrets, industrial designs and copyrights;
- inventions, formulae, product formulations, processes and processing methods, technology and techniques;
- know-how, trade secrets, research and technical data; and
- studies, finds, algorithms, instructions, guides, manuals and designs.

[9] The Amended Subscription Agreement provides that:

- (a) Enterra will be cleansed of the majority of its liabilities through the mechanism of an RVO whereby ResidualCo will assume the Excluded Liabilities and take an assignment of the Excluded Assets;
- (b) Enterra will issue shares to Forage; and
- (c) the purchase price paid by Forage to Enterra for the shares will be the aggregate of i) the subscription cash, plus (ii) the credit bid amount, plus (iii) the Retained Liabilities.

[10] The Crown had initially argued that the original transaction had made it worse off than it would have been under a variable alternative.

[11] As a result of negotiations between the Crown, a subordinate creditor as represented by the Minister Responsible for Western Economic Diversification Canada and the Receiver, certain Scientific Research and Experimental Development (SR&ED) tax credits of approximately \$354,146 available to reduce future years' taxable income and SR&ED expenditures of approximately \$6,385,767 available to be carried forward indefinitely have been assigned to ResidualCo, together with the Excluded Liabilities, Enterra's loss carry forward of approximately \$50 million has also been assigned to ResidualCo. Analysis

A. Is an RVO transaction appropriate?

[12] I note the following relevant factors:

- i. this is an unusual business that would only be of value to a limited number of prospective purchasers;
- ii. a pre-receivership SISP was conducted and, although it appears to have been a reasonable and sufficient effort, it attracted only two offers that were materially less than the secured debt. Ultimately, negotiations with these two interested parties failed;
- iii. a new SISP would be unlikely to attract new offers, and, at any rate, the Receiver has limited liquidity available; and
- iv. an unsolicited offer early this year proved to be conditional and offered insufficient consideration.

[13] In *Harte Gold Corp (Re)*, 2022 ONSC 653 at para 38, the Court set out certain questions that a court-appointed officer overseeing an RVO transaction should be prepared to answer, in addition to the usual factors set out in *Royal Bank of Canada v. Soundair Corp. (1991)*, 1991 CanLII 2727 (ONCA) relating to the approval of the sale of assets in an insolvency scenario. These questions are as follows:

- i. Why is the RVO necessary in this case?
- ii. Does the RVO structure produce an economic result at least as favourable as any other viable alternative?
- iii. Is any stakeholder worse off under the RVO structure than they would have been under any other viable alternative? and;
- iv. Does the consideration being paid for the debtor's business reflect the importance and value of the licences and permits (or other intangible assets) being preserved under the RVO structure?

[14] Forage, the senior secured creditors, is materially under-secured and no other subordinate creditors would receive any returns or distribution under any alternative. In the opinion of the Receiver, given the lack of a viable offer and with no viable alternative to the transaction, the transaction offers fair value in the circumstances, and the Receiver recommends it from an economic point of view. There is no issue with the integrity of the sales process.

[15] The preliminary issue of whether the RVO would result in the Crown being worse off under the RVO structure has been resolved in the Amended Subscription Agreement. Therefore no stakeholder is worse off under the RVO structure than it would have been under any other viable alternative.

[16] The Crown submits that bankruptcy would be an appropriate alternative to the RVO structure.

[17] Bankruptcy is not a viable option in this case. There is no extant petition for bankruptcy, and the stay under the receivership prevents a petition from being filed. While the bankruptcy alternative may be preferable for the Crown, it would prejudice the other stakeholders as it would prevent the preservation of the value of the intellectual property assets of Enterra, and the continuation of the business.

[18] I therefore find that an RVO would be an acceptance alternative in this case. It is critical to the viability of the transaction, sufficient efforts have been made to obtain the best consideration available for the assets, it facilitates the transfer of intellectual property without additional costs, and the result is that Enterra will carry on business.

B. Does section 67 of the FAA prevent the transaction?

[19] The Crown submits that section 67 of the FAA prohibits the approval of the Amended Subscription Agreement.

[20] This is an issue, not only for an RVO transaction, but for any receivership or *Companies' Creditors Arrangement Act* transaction that is subject to court approval and involves debt governed by the FAA.

[21] Section 67 of the FAA provides as follows:

- (a) a Crown debt is not assignable; and
- (b) no transaction purporting to be an assignment of a Crown debt is effective so as to confer on any person any rights or remedies in respect of that debt.

[22] The Receiver submits that section 67 does not apply in this case, relying on *PCAS Patient Care Automation Services Inc. (Re)*, 2012 ONSC 3367. The Crown disagrees.

[23] *PCAS* involved an application under the *CCAA*. One of the issues was whether section 67 of the FAA blocked a part of the vesting of assets under a purchase and sale agreement. Certain Crown debts were to be assigned to the DIP lender, including refundable tax credit entitlements, certain provincial tax credit refunds and harmonized sales tax (HST) refunds.

[24] Counsel to the Monitors in that case provided an opinion that the assignment of the SR&ED tax credits and the provincial tax credits was valid, but that the HST refunds may not be assignable because there was no provisions under the *Excise Tax Act (Canada)* or the FAA that exempted the refunds from section 67 of the FAA: para 59.

[25] Justice Brown noted that, in accordance with the initial order under the CCAA, the DIP lender was granted a charge on the property of the debtors, including their entitlement to the HST refund, in the event of a failure of their security.

[26] He referenced the Supreme Court's decision in *Bank of Montreal v iTrade Finance Inc.*, [2011] 2 S.C.R. 360 at para 30. The *Bank of Montreal* case involved the issue of whether a provision of the PPSA referring to "a transaction... that in substance creates a security interest" applied. The Court found that, since iTrade had acquired rights as a result of a judgment granting them a constructive trust or equitable lien, these rights thus arose from a court order, not from a "transaction".

[27] It is noteworthy that the reasoning of the Court did not rely on whether there was provision in a provincial statute that over-rode the PPSA, but merely on the fact that rights acquired through a court order are not a "transaction".

[28] Following this decision, Brown, J. found that Section 67 of the FAA did not prevent the assignment of the HST refund to the DIP lender because section 67 of the FAA only renders ineffective any "transaction purporting to be an assignment of a Crown debt", and the DIP lender's charge created by the initial order was not such a "transaction". He noted that "(s)ection 67 of the FAA does not apply to rights created by a Court order, including a DIP lending charge granted over all of the companies' property". He referred to his discretion under section 11 of the CCAA to make such an order.

C. Can an RVO transaction be approved in a receivership?

[29] The Crown seeks to distinguish the PCAS decision on the basis that this case is a receivership, rather than a proceeding under the CCAA, and that thus, the Court does not have the statutory authority found in section 11 of the CCAA to make the order.

[30] However, as noted by the Receiver, the statutory jurisdiction to approve the Amended Subscription Agreement and grant the RVO can be found through the interplay of section 13(2) of the *Judicature Act*, RSA 2000, c J-2, section 192(1) of the *Business Corporation Act* (Alberta), RSA 2000, C B-9, s.192 (i), and section 64 of the *Personal Property Security Act* (PPSA), RSA 2000, c P-7. The Receiver was appointed pursuant to the provisions of these statutes.

[31] The ability of a Court to appoint a receiver under the *Judicature Act* is well established, Section 13(2) allows the Court to grant an order appointing a receiver "in all cases in which it appears to the Court to be just and convenient" and provides that the "order may be made either unconditionally or on any terms and conditions the Court think just": *BG International Limited v Canadian Superior Energy*, 2009 ABCA 127.

[32] The authority of the Court is wide-ranging: *DGDP-BC Holdings Ltd. v Third Eye Capital Corporation*, 2021 ABCA 226 at para 17. The Alberta Court of Appeal in *DGDP-BC Holdings* equated the open-ended jurisdiction granted to the Court under section 13(2) of the *Judicature Act* to the authority granted to the supervising judge under section 243(1)(c) of the *Bankruptcy and Insolvency Act*, which authorises the supervising judge to "take any other action that the court considers advisable".

[33] Although not expressly provided for in section 13(2) of the *Judicature Act*, the wide-ranging authority granted to the Court under such provision provides this Court with the jurisdiction to grant vesting orders.

[34] The Ontario Court of Appeal in *Third Eye Capital Corporation v Ressources Dianor Inc./Dianor Resources Inc.*, 2019 ONCA 508 at paras 40-41, recognized that section 100 of the Courts of Justice Act, which is materially equivalent to the *Judicature Act*, gives the Court “the power to vest out interests on a free and clear basis so long as the terms of the order are appropriate and accord with the principals of equity” and “provided that there is a basis on which to grant vesting property in a purchaser”. Further, in *Bonora v Ivancic*, 2019 ONSC 6352 at para 24, the Ontario Superior Court relied on *Dianor* and held that this provision provides the Court with “the power necessary” to vest out any interest of a mortgagee.

[35] Therefore, while the *Judicature Act* is provincial legislation, it provides this Court with the jurisdiction to approve the RVO structure. Therefore, the transfer of the SR&ED credits to ResidualCo is the result of a court order and not merely arising from a “transaction”, and the reasoning in the PCAS decision applies.

[36] As part of the Amended Subscription Agreement, the Receiver is seeking an “order for re-organization” in respect of Enterra under section 192 of the *Business Corporations Act*. RVO transactions under the CCAA have relied on section 11 of that statute to effect fundamental changes to the corporate structure, including vesting the equity interests of out of the money shareholders for no consideration. When a debtor corporation is, as here, clearly insolvent, the same outcome is possible through an “order for reorganization” under the BCA, albeit through a different process.

[37] There are two conditions for a reorganization under section 192 of the BCA to be approved by the Court. The corporation must be “subject to an order for reorganization”, and the proposal amendments to its articles must be authorized by section 173 of the BCA. In the present case, both conditions are met: *Raymor Industries Inc*, Re, 2010 QCCs 376 at paras 49-52.

[38] As contemplated by section 192(1)(c) of the BCA, where an order is made under an “act of the Legislature that affects the rights among the corporation, its shareholders and creditors”, such order constitutes an “order for reorganization: under the BCA, thereby authorizing the Court to approve the issuance of debt obligations and entitling the corporation to amend its articles to effect the reorganization. An order granted under section 13(2) of the *Judicature Act* qualifies for this purpose, as it empowers the receiver to take possession of the debtor’s property and the proceeds thereof, take any steps necessary to preserve the property, and stay all rights and remedies of any person as against the debtor.

[39] In addition, PPSA is an act of the legislature that affects rights among the corporation, its shareholders and creditors, and, therefore, an order granted under the PPSA also constitutes an “order for reorganization” under section 192(1)(c) of the BCA.

[40] The codification of rights and obligations under the PPSA includes enforcement rights of secured parties against a non performing debtor. The enforcement of such rights against a corporate debtor will affect the rights of the corporation and its shareholders: Part V of the PPSA (sections 55-65). Pursuant to section 64(e) of the PPSA, this Court is authorized to “make any order that is necessary to ensue the protection of the interest of any person in the collateral”.

[41] In *GE Canada Assets Financing Holding Company v JM. Wood Investment Ltd.*, the Court held that section 64 gives the Court wide supervisory power and concluded that section 64 provided the Court with the discretion to make declaratory and consequential orders in the context of security enforcement.

[42] Comparable provisions to section 192 of the BCA have also been interpreted to provide the court with the authority to approve the cancellation of outstanding shares in the context of an RVO. In *Harte Gold Corp. (Re)*, the Ontario Superior Court held that section 186(1) of the *Ontario Business Corporation Act* “provides the jurisdiction of the court to approve the cancellation of all outstanding shares and the issuance of new shares to the purchaser”. While *Harte Gold* was decided in a CCAA proceeding, the jurisdiction of the court to authorize a reorganization that affects the rights associated with the shares of the corporation also applies in the context of a receivership proceeding.

[43] In this reorganization, the issued and outstanding common shares of Enterra will be amended by the addition of a right that permits redemption by Enterra for nominal consideration. Enterra will immediately exercise such right of redemption.

[44] Shareholder approval is not a relevant consideration for a court in approving articles of incorporation. At any rate, in Enterra’s insolvent circumstances, its shareholders do not have an economic interest in the insolvent corporation. Shareholders are not entitled to dissent in the case of reorganization under section 192(7) of the BCA and cannot defeat a proposal or an arrangement contemplating a reorganization of share capital that is beneficial to the corporation and all the stakeholders.

[45] The Court has held that architects of the business corporations model expressly contemplated reorganization in which an insolvent corporation would eliminate the interest of common shareholders. When the corporation is insolvent, the shareholders would receive nothing in liquidation. There is therefore nothing inherently unfair or unreasonable in a court effecting changes without shareholder approval. Rather, it would be unfair to the creditors and other stakeholders to permit the shareholders, who have no economic interest in the insolvent corporation and the lowest priority among stakeholders, to have any ability to block a reorganization: *Re Canadian Airlines Corp.*, 2000 ABQB 422 at paras 72 and 73.

[46] From a policy point of view, this result is commercially reasonable. It makes no sense that section 67 of the FAA would not preclude an RVO structure under the CCAA, but would have that result in a receivership. This would thwart the remedial effect of insolvency legislation with respect to this kind of receiverships with no benefit to the Crown as long as the tax credits and the Crown debt end up in the same entity, to the extent that this facilitates some kind of valid set-off.

III. Conclusion

[47] Therefore, I find the RVO structure, as amended with respect to the SR&ED credits, to be an appropriate structure in the exceptional circumstances of this insolvency, and I will grant the order.

[48] An issue arose during the hearing with respect to whether the Crown would have set off rights in this case in any event, but given the decision I have made, and the fact that under the Amended Subscription Agreement, the tax credits will follow debt into ResidualCo, it is not necessary that I address that issue.

IV. Postscript

[49] After the oral delivery of this decision, I was notified by the Crown that additional research had identified subsection 220(b) of the *Income Tax Act*, which reads as follows:

(6) Notwithstanding section 67 of the *Financial Administration Act* and any other provision of a law of Canada or a province, a corporation may assign any amount payable to it under this Act

[50] This thus clarifies the issue of the assignment of tax debt and section 67 of the FAA.

Dated at the City of Calgary, Alberta this 10th day of May 2023.



B.E. Romaine
J.C.K.B.A.

Appearances:

Ryan Zahara and Robert Law
for the Receiver, FTI Consulting Canada Inc.

Raymond Lee, Rana El-Ehoury and George F. Brody
for the Crown

Walker Welsh MacLeod and Erinn Wilson
for the Lender

Second Report of FTI Consulting Canada Inc.,
In its capacity as Receiver Enterra Feed Corporation
May 15, 2023

Appendix “C” – CRA Notice



February 24, 2023

Attn: Hailey Liu
Enterra Feed Corporation
C/O FTI Consulting Canada Inc.
Suite 1610, 520 Fifth Avenue S.W.
Calgary AB T2P 3R7

Dear Hailey Liu:

**Subject: Proposed changes to the goods and services tax/harmonized sales tax (GST/HST) return for the period from 2022-11-01 to 2022-11-08
Business number: 83187 1215 RT0001**

The Canada Revenue Agency (CRA) understands the significant personal and economic impact of COVID-19 on Canadians. The CRA is aiming to be responsive and to operate in a way that balances these realities with its duty to administer Canada's tax laws and the obligations of all Canadians to comply with tax laws.

Your GST/HST return has been selected for audit for the period noted above. Our records indicate that Enterra Feed Corporation has an appointed Receiver by way of Court Order dated November 8, 2022 and has not paid all of the GST/HST outstanding to their suppliers as per the outstanding liabilities filed. Based on this information we now propose to re-assess your return as follows.

Period ending	Net tax as filed	Proposed changes to net tax	Revised net tax
2022-11-08	\$0.00	\$277,348.03	\$277,348.03

We have enclosed a proposed summary of audit adjustments and detailed working paper to support the changes.

Every recipient of a taxable supply made in Canada is required to pay the GST/HST payable in respect of the supply as per section 165 of the Excise Tax Act (ETA). By way of Court Order dated November 8, 2022 Enterra Feed Corporation was appointed a Receiver and has not paid all of the GST/HST outstanding to their suppliers as per the outstanding liabilities filed. Under paragraph 296(1)(b) of the ETA, we are proposing to assess the GST/HST payable on taxable supplies received as GST/HST has not been paid to the supplier.

This assessment is based on the most current creditor's list available. If this attached creditor listing is not current or you have paid off some of your creditors please provide an updated list along with proof to show that a payment has been made to resolve or lower the debt. Also, please identify which creditors have not supplied taxable supplies and are considered to be exempt.

We encourage you to ensure that all of your ITC's have been properly claimed on your returns. If you have not claimed the Input Tax Credit (ITC) for any period prior to the insolvency event you are eligible to claim that ITC prior to the insolvency event as long as it fits all other requirements. Please note that there are different filing procedures for pre and post insolvency, as a result, ITC's should be claimed in the proper period.

We will hold the assessment in abeyance until **March 27, 2023** in order for you to submit any documentation which you wish us to consider prior to (re)assessing the returns as proposed. If no documentation is received, the proposed changes will be made to your returns for the periods being examined, and a Notice of Assessment confirming the result will be sent to you.

If you are registered with My Business Account you can send this information and any accounting data through the submit documents service. Submit documents is a secure online service that allows registrants to electronically send their accounting information to the CRA. Please note that you will need to enter the following case number <**30286151**> before you can successfully send the documents. For additional information, please go to canada.ca/cra-submit-documents-online.

Alternatively, you can fax or mail the documents to the number or the address indicated at the end of this letter. **All documents should be directed to my attention and marked "Personal and Confidential"**.

You are reminded that under Section 286 of the *Excise Tax Act* (ETA) every person who carries on a business or is engaged in a commercial activity in Canada is required to keep records containing information to enable the determination of the person's liabilities and obligations under the ETA. Subsection 288(1) of the ETA allows authorized officers of the Canada Revenue Agency to inspect, audit, and examine the records.

To assist you in preparing for the audit, we encourage you to read RC4188, What You Should Know About Audits. You can find this pamphlet by going to canada.ca/cra-forms-publications and typing **RC4188** in the search box.

To help you understand your rights as a taxpayer, we also recommend that you read Guide RC17, Taxpayer Bill of Rights. This guide can be found at canada.ca/taxpayer-rights.

If you have more information about the proposed changes that you would like us to consider, including any new or previously requested information that would support your position, or if you have any questions, please call me at the phone number listed below. My team leader, Sheila Boyle, can also be reached at 431-335-5419.

Sincerely,



Christopher Touchette
GST/HST Audit Division
Eastern Prairie Tax Services Office

Telephone: 1-833-595-0204
Facsimile: 1-855-975-6723
Address: 400 – 360 Main St
P.O. Box 1022 Stn Main
Winnipeg MB R3C 2W2
Website: canada.ca/taxes

Enclosures

I agree to the proposed changes and waive the 30 day proposal period.

(Signature of Authorized Officer)

Proposed Statement of Audit Adjustments

Business Number:	83187 1215 RT0001	Date Issued:	February 24, 2023
Name:	Enterra Feed Corporation	Tax Services Office:	Eastern Prairie
Audit Period:	November 1, 2022 to November 8, 2022	WP#:	0311

Adj #	Period End	Sales Adjustment Amount	GST/HST Adjustment Amount	ITC Adjustment Amount	Adjustment to Net Tax For Period	ETA Reference	s.285 Penalty	Note
1	2022-11-08	\$0.00	\$277,348.03	\$0.00	\$277,348.03	296(1)(b)	No	1
Total		\$0.00	\$277,348.03	\$0.00	\$277,348.03			

Notes:

- 1 See working paper 5000 for detailed information regarding the above proposed adjustments.

Business Number: 83187 1215 RT0001
Name: Enterra Feed Corporation
Audit Period: November 1, 2022 to November 8, 2022
Subject: Calculation for the assessment under paragraph 296(1)(b) of the ETA

Auditor: Christopher Touchette
Date: February 24, 2023
WP#: 5000

Purpose: To determine the calculation for the assessment under paragraph 296(1)(b) of the *Excise Tax Act* (ETA)

Procedure:

- (1) Review list of creditors from Trustee's website.
- (2) Determine if each creditor has provided a taxable service.
- (3) Prepare a calculation of the potential Goods and Services Tax/Harmonized Sales Tax (GST/HST) that was payable that is included in the amounts owing.
- (4) Propose to assess GST potentially claimed as an ITC on unpaid accounts under paragraph 296(1)(b)

Results:

- (1) Reviewed the list of creditors from Trustee's website, WP0401. Determined that the listing of creditors was broken down by unsecured creditors payable in Canadian dollars, and unsecured creditors payable in United States dollars. Focused review on the unsecured creditors payable in Canadian dollars as non-resident corporations did not likely collect GST/HST from the registrant.
- (2) Determined if each unsecured Canadian creditor provided a taxable service based on the name of the corporation and the likely goods or services which were acquired from that creditor. Examples of creditors where a taxable supply was not likely acquired include those who provide exempt financial services, those who provide exempt insurance, government entities providing loans, and payables to the Workers Compensation Board.
- (3) Determined the potential GST which was included in the payable amount where the unsecured Canadian creditor supplied a taxable supply by multiplying the payable amount by the factor of 5/105. This factor was based on the fact that the registrant is physically located in Alberta where the rate of GST is 5%. Set a materiality threshold of \$100 of potential GST per creditor. Amounts which were less than this amount will not be included in the proposed assessment under paragraph 296(1)(b).

Unsecured Creditor	Amount	Taxable Supply?	Potential GST (5/105*Amount)	Comments
A&B Plumbing & Heating Ltd.	\$ 13,237.68	Yes	\$ 630.37	
Abell Pest Control Inc.	\$ 3,109.75	Yes	\$ 148.08	
Acklands Grainger Inc.	\$ 1,653.14	No	\$ -	Immaterial
AFX Mixing and Pumping Technologies Inc	\$ 23,198.34	Yes	\$ 1,104.68	
Agriculture and Agri-Food Canada	\$ 5,055,555.48	No	\$ -	Government loan
Aisworth	\$ 7,381.82	Yes	\$ 351.52	
Air Filter Sales & Service	\$ 1,417.50	No	\$ -	Immaterial
Alberta Food Processors Association	\$ 1,927.54	No	\$ -	Immaterial
Alberta Fresh Springs	\$ 706.00	No	\$ -	Immaterial
Alberta Pallet Co. Ltd.	\$ 7,848.76	Yes	\$ 373.75	
AME Consulting Group Ltd	\$ 30,821.68	Yes	\$ 1,467.70	
Angela Eckford & Associates	\$ 72,753.18	Yes	\$ 3,464.44	
Antrim	\$ 17,713.50	Yes	\$ 843.50	
Arpi's Industries Ltd.	\$ 11,067.15	Yes	\$ 527.01	
BC Hydro	\$ 5,138.45	Yes	\$ 244.69	
BC Scale	\$ 314.17	No	\$ -	Immaterial
bciMC Realty Corporation	\$ 408,769.99	Yes	\$ 19,465.24	
BDO Canada Limited	\$ 38,344.40	Yes	\$ 1,825.92	
Beckman Coulter Canada LP	\$ 5,383.05	Yes	\$ 256.34	
Bell Mobility	\$ 110.22	No	\$ -	Immaterial
Belterra Corporation	\$ 27,715.45	Yes	\$ 1,319.78	
BGE Indoor Air Quality Solutions Ltd. AR	\$ 3,715.46	Yes	\$ 176.93	
Bird Construction Group	\$ 14,822.30	Yes	\$ 705.82	
Blueshore Leasing Ltd.	\$ 1.00	No	\$ -	Immaterial
Blueshore Leasing Ltd.	\$ 1.00	No	\$ -	Immaterial
Bolt Supply House	\$ 573.20	No	\$ -	Immaterial

BP Automation	\$ 11,745.27	Yes	\$ 559.30	
Brandt Finance Ltd.	\$ 1.00	No	\$ -	Immaterial
Brandt Tractor Ltd	\$ 57,098.48	Yes	\$ 2,718.98	
Briggs Sales Coaching and Management	\$ 997.50	No	\$ -	Immaterial
Buhler AG	\$ 23,575.84	Yes	\$ 1,122.66	
Cam Industrial Supply	\$ 7,460.62	Yes	\$ 355.27	
Can Seed Equipment	\$ 4,849.56	Yes	\$ 230.93	
Canadian Food Inspection Agency	\$ 119.12	No	\$ -	Immaterial
Canahari Consulting Inc	\$ 8,520.90	Yes	\$ 405.76	
CAT Combustion Automation Technologies Inc.	\$ 3,177.43	Yes	\$ 151.31	
Ceridian Canada Ltd.	\$ 1,725.54	No	\$ -	Financial service
CIP Office Technology	\$ 440.31	No	\$ -	Immaterial
Cle Capital Inc.	\$ 1.00	No	\$ -	Immaterial
Conquest Equipment Corporation	\$ 4,319.33	Yes	\$ 205.68	
Cooper Equipment Rentals Limited	\$ 13,709.80	Yes	\$ 652.85	
Corporate Cleaning Services Ltd.	\$ 2,180.38	Yes	\$ 103.83	
Country Junction Feeds	\$ 867,800.60	Yes	\$ 41,323.84	
Crestview Electric Ltd	\$ 45,951.52	Yes	\$ 2,188.17	
Crossroad Energy Solutions Inc.	\$ 1,140.56	No	\$ -	Immaterial
Culligan Water	\$ 56.00	No	\$ -	Immaterial
Cutting Edge Logistics	\$ 134,348.55	Yes	\$ 6,397.55	
Cwb National Leasing Inc.	\$ 1.00	No	\$ -	Immaterial
De Lage Landen Financial Services Canada Inc.	\$ 1,421.56	No	\$ -	Financial service
De Lage Landen Financial Services Canada Inc.	\$ 1.00	No	\$ -	Immaterial
DHL Express (Canada) Ltd.	\$ 778.88	No	\$ -	Immaterial
Duct-o-Wire	\$ 3,011.40	Yes	\$ 143.40	
DuMoulin Black LLP	\$ 7,789.99	Yes	\$ 370.95	
EB Horsman	\$ 1,061.66	No	\$ -	Immaterial
EcoLab Co.	\$ 4,290.18	Yes	\$ 204.29	
EECOL Electric Corp.	\$ 67,144.11	Yes	\$ 3,197.34	
Element Materials Technology	\$ 32,420.12	Yes	\$ 1,543.82	
Enginuity Engineering Consultants	\$ 14,095.16	Yes	\$ 671.20	
EngWorks Inc.	\$ 16,469.26	Yes	\$ 784.25	
Enmax	\$ 638,449.10	Yes	\$ 30,402.34	
Enviro Granulation	\$ 37,699.20	Yes	\$ 1,795.20	
Ernst & Young	\$ 29,676.94	Yes	\$ 1,413.19	
Fastenal Canada LTD.	\$ 1,528.06	No	\$ -	Immaterial
Federal Express Canada Ltd.	\$ 4,688.58	Yes	\$ 223.27	
FMI Logistics	\$ 49,222.20	Yes	\$ 2,343.91	
Fortis BN-Natural Gas	\$ 467.00	No	\$ -	Immaterial
GFL Environmental Inc.	\$ 8,690.20	Yes	\$ 413.82	
Gowling	\$ 31,899.06	Yes	\$ 1,519.00	
Grain Storage Solutions	\$ 106,404.90	Yes	\$ 5,066.90	
Gregg Distributors (B.C.) Ltd.	\$ 2,179.83	Yes	\$ 103.80	
Guillevin International	\$ 3,515.40	Yes	\$ 167.40	
Haver and Boecker Canada	\$ 11,215.54	Yes	\$ 534.07	
Holiday Inn	\$ 1,360.56	No	\$ -	Immaterial
Home Depot Credit Services	\$ 9.83	No	\$ -	Immaterial
HumanaCare	\$ 793.01	No	\$ -	Immaterial
Hungerford Properties	\$ 172.50	No	\$ -	Immaterial
Imaginit Technologies	\$ 3,249.75	Yes	\$ 154.75	
Industrial Scientific Canada ULC	\$ 341.78	No	\$ -	Immaterial
Insta-Space Storage Ltd	\$ 4,620.00	Yes	\$ 220.00	
Integral Energy Services Ltd.	\$ 58,471.19	Yes	\$ 2,784.34	
JAV Inc,	\$ 92,518.74	Yes	\$ 4,405.65	
JBW Nutrition Consulting Inc.	\$ 7,087.50	Yes	\$ 337.50	

JGR Inc	\$ 4,826.92	Yes	\$ 229.85	
JL Financial	\$ 16,851.27	No	\$ -	Financial service
Kaizen Search Group	\$ 2,625.00	Yes	\$ 125.00	
Konescranes Canada Inc.	\$ 5,415.14	Yes	\$ 257.86	
Kova Engineering Saskatchewan Ltd.	\$ 3,711.30	Yes	\$ 176.73	
KPIC Maintenance Services Inc.	\$ 27,999.84	Yes	\$ 1,333.33	
Kristian Electric Ltd.	\$ 292,349.13	Yes	\$ 13,921.39	
Lambert Trucking 1994 Ltd.	\$ 10,386.00	Yes	\$ 494.57	
Laporte Engineering Inc.	\$ 27,147.79	Yes	\$ 1,292.75	
Lloyd Bag Company	\$ 26,636.82	Yes	\$ 1,268.42	
Luxme International Ltd	\$ 20,664.69	Yes	\$ 984.03	
Mayfair Lumber Sales Ltd	\$ 8,325.14	Yes	\$ 396.44	
Microsoft Corporation	\$ 49,693.42	Yes	\$ 2,366.35	
Mike Scott Consulting Inc.	\$ 1,725.00	No	\$ -	Immaterial
Miller Supply	\$ 45.82	No	\$ -	Immaterial
Milner Feed & Pet Supply Ltd	\$ 149.57	No	\$ -	Immaterial
Mini Bulk Inc.	\$ 24,270.23	Yes	\$ 1,155.73	
Mitacs Inc.	\$ 15,750.00	Yes	\$ 750.00	
Motion Industries (Canada), Inc.	\$ 3,250.22	Yes	\$ 154.77	
Moutainview Eco Products	\$ 3,790.50	Yes	\$ 180.50	
Myarc Electric Ltd.	\$ 16,350.72	Yes	\$ 778.61	
Newcomp Analytics	\$ 6,247.51	Yes	\$ 297.50	
New-Line Products Ltd.	\$ 5,439.48	Yes	\$ 259.02	
Nilex Inc	\$ 23,062.20	Yes	\$ 1,098.20	
Norcan Fluid Power Ltd	\$ 804.16	No	\$ -	Immaterial
North Forty Farms	\$ 10,600.00	Yes	\$ 504.76	
Of-Actions / Yan Contratto	\$ 4,640.00	Yes	\$ 220.95	
Ontario Nutri Lab Inc.	\$ 16,658.90	Yes	\$ 793.28	
Pacific Customs Brokers Ltd.	\$ 2,058.88	No	\$ -	Immaterial
Peak Scaffold	\$ 8,688.75	Yes	\$ 413.75	
Peak Service and Sales	\$ 2,415.00	Yes	\$ 115.00	
Permolex	\$ 153,855.67	Yes	\$ 7,326.46	
Pnc Vendor Finance Corporation Canada	\$ 1.00	No	\$ -	Immaterial
Pro-Western Plastics Ltd	\$ 1,897.44	No	\$ -	Immaterial
Purolator Inc	\$ 1,158.77	No	\$ -	Immaterial
Recycling Worx Inc.	\$ 56,827.83	Yes	\$ 2,706.09	
Redux Nutrition Ltd.	\$ 314,967.51	Yes	\$ 14,998.45	
Regional Intake Centre for Insolvency	\$ 750,000.00	Yes	\$ 35,714.29	
Revolve Industries Inc.	\$ 399.00	No	\$ -	Immaterial
Revtch International Inc.	\$ 10,188.15	Yes	\$ 485.15	
RMS Industrial Maintenance Ltd.	\$ 467.25	No	\$ -	Immaterial
Rob's Forklift	\$ 1,181.25	No	\$ -	Immaterial
Romer Labs Canada ULC	\$ 1,487.33	No	\$ -	Immaterial
Rope a Dope Windows Inc.	\$ 12,862.50	Yes	\$ 612.50	
RWAM Insurance Administrators Inc.	\$ 49,665.40	No	\$ -	Insurance
Safeco Systems Ltd.	\$ 133.34	No	\$ -	Immaterial
Separator Engineering Ltd.	\$ 2,082.09	No	\$ -	Immaterial
SGS Canada	\$ 29,044.44	Yes	\$ 1,383.07	
Shippam & Associates Ltd.	\$ 833.00	No	\$ -	Immaterial
Siemens Canada Ltd.	\$ 18,099.00	Yes	\$ 861.86	
Silliker Canada Co. Ltd	\$ 609.27	No	\$ -	Immaterial
Skymark Transport Ltd	\$ 11,477.81	Yes	\$ 546.56	
Skyway West	\$ 3,384.15	Yes	\$ 161.15	
Steel Horse Heating & Air Ltd	\$ 22,781.64	Yes	\$ 1,084.84	
Super Poly Ltd	\$ 47,450.03	Yes	\$ 2,259.53	
Super Save Enterprises Ltd	\$ 1,704.99	No	\$ -	Immaterial

Sureway Metal Systems Ltd.	\$	702.45	No	\$	-	Immaterial
Sweco	\$	201.60	No	\$	-	Immaterial
Tdf Group Inc.	\$	1.00	No	\$	-	Immaterial
Telus Communications Inc. c/o Telus Services	\$	6,387.76	Yes	\$	304.18	
The Awning Factory	\$	2,332.92	Yes	\$	111.09	
The Bank Of Nova Scotia	\$	1.00	No	\$	-	Immaterial
The Printing House Ltd.	\$	317.89	No	\$	-	Immaterial
The Welding Shop	\$	5,273.27	Yes	\$	251.11	
Tingle Merret LLP	\$	667.80	No	\$	-	Immaterial
Torys LLP	\$	108,145.73	Yes	\$	5,149.80	
Total Power Limited	\$	43,732.44	Yes	\$	2,082.50	
Tower Cleaners	\$	5,688.72	Yes	\$	270.89	
Trane Canada ULC	\$	932.72	No	\$	-	Immaterial
Transmission Supplies	\$	483.76	No	\$	-	Immaterial
Triangle Supply, a Division of Bartle & Gibson	\$	1,490.90	No	\$	-	Immaterial
TRL & Associates	\$	871.50	No	\$	-	Immaterial
Trouw Nutrition Canada Inc.	\$	194,379.35	Yes	\$	9,256.16	
True North Solutions	\$	59,966.11	Yes	\$	2,855.53	
Tru-Shine Cleaners Inc.	\$	491.40	No	\$	-	Immaterial
UFA Co-Operative Limited	\$	1,312.65	No	\$	-	Immaterial
Uline Canada Corp	\$	26,741.04	Yes	\$	1,273.38	
Unified Alloys	\$	25,152.56	Yes	\$	1,197.74	
Univar Solutions Canada Ltd.	\$	14,823.75	Yes	\$	705.89	
UpHouse	\$	18,046.00	Yes	\$	859.33	
Vanguard Cleaning Systems	\$	4,179.98	Yes	\$	199.05	
Vault Credit Corporation	\$	1.00	No	\$	-	Immaterial
Vault Credit Corporation	\$	1.00	No	\$	-	Immaterial
VWR International Co	\$	553.90	No	\$	-	Immaterial
Waste Management of Canada Corporation	\$	1,979.80	No	\$	-	Immaterial
Wells Fargo Equipment Finance Company	\$	1.00	No	\$	-	Immaterial
Wheatsheaf-Deva Group Limited	\$	86,970.82	Yes	\$	4,141.47	
Wiseworth Canada	\$	206.85	No	\$	-	Immaterial
Worker's Compensation Board-Alberta	\$	14,007.95	No	\$	-	WCB payments
WorkSafe BC	\$	7,129.93	Yes	\$	339.52	
WSP Canada Inc.	\$	52,907.30	Yes	\$	2,519.40	
Total Unsecured Creditors	\$	11,006,466.82		\$	277,348.03	

Total Unsecured Creditors (Taxable Supply) \$ 5,546,960.67

Potential GST (5/105 of Taxable Supply) \$ 277,348.03

(4) Proposal:

P/E 2022-11-08

	As Filed	Proposed	Difference	ETA Reference	Note
Sales	\$ -	\$ -	\$0.00		
GST/HST	\$ -	\$ 277,348.03	\$277,348.03	296(1)(b)	1
ITC	\$ -	\$ -	\$0.00		
Net Tax	\$0.00	\$277,348.03	\$277,348.03		

Notes:

- 1 Every recipient of a taxable supply made in Canada is required to pay the GST/HST payable in respect of the supply as per section 165 of the Excise Tax Act (ETA). By way of Court Order dated November 8, 2022 Enterra Feed Corporation was appointed a Receiver and has not paid all of the GST/HST outstanding to their suppliers as per the outstanding liabilities filed. Under paragraph 296(1)(b) of the ETA, we are proposing to assess the GST/HST payable on taxable supplies received as GST/HST has not been paid to the suppliers.