

COURT FILE NUMBER Q.B. 1401 of 2019

COURT COURT OF QUEEN'S BENCH FOR
SASKATCHEWAN IN BANKRUPTCY AND
INSOLVENCY

JUDICIAL CENTRE SASKATOON

APPLICANT PILLAR CAPITAL CORP.

RESPONDENT HARMON INTERNATIONAL INDUSTRIES INC.

IN THE MATTER OF THE RECEIVERSHIP OF
HARMON INTERNATIONAL INDUSTRIES INC.

DOCUMENT **THIRD REPORT OF THE RECEIVER
HARDIE & KELLY INC.
JULY 29, 2020**

RECEIVER
Hardie & Kelly Inc.
110, 5800- 2nd Street SW
Calgary, Alberta T2H 0H2

Attention: Kevin Meyler
Phone: 403-536-8526
Fax: 403-640-0591
Email: kmeyler@bdo.ca

RECEIVER'S COUNSEL
MLT AIKINS LLP
Saskatoon Square
1500, 410 – 22nd Street East
Saskatoon, Saskatchewan S7K 5T6

Attention: Jeff Lee / Paul Olfert
Phone: 306-975-7136 / 306-956-6970
Fax: 306-975-7145
Email: jmlee@mltaikins.com / polfert@mltaikins.com

**THIRD REPORT OF THE RECEIVER
HARDIE & KELLY INC.
JULY 29, 2020**

I N D E X

INTRODUCTION.....	3
TERMS OF REFERENCE.....	7
CORPORATE STRUCTURE.....	8
OPERATIONS AND FINANCIAL POSITION.....	8
ACTIVITIES OF THE RECEIVER.....	12
STATUS OF THE SALES PROCESS.....	13
STATUS OF THE PROPERTY CLAIMS PROCESS.....	14
STATEMENT OF RECEIPTS AND DISBURSEMENTS WITH ACCRUALS.....	17
PROFESSIONAL FEES.....	18
INCREASE TO RECEIVER’S BORROWINGS CHARGE.....	18
RECOMMENDATIONS.....	19

INTRODUCTION

1. On September 30, 2019, Pillar Capital Corp. (“**Pillar**”) applied to the Court of Queen’s Bench for Saskatchewan (the “**Court**”) for an Order appointing a Receiver of the assets, undertakings and properties of Harmon International Industries Inc. (“**Harmon**” or the “**Company**”). Pillar’s application was adjourned from the original hearing date on October 3, 2019 and a Receivership Order appointing Hardie & Kelly Inc. as Receiver of the property of Harmon was ultimately granted by the Honourable Mr. Justice R.W. Elson on January 17, 2020 (the “**Receivership Order**”).
2. Extensive materials have been filed with the Court in relation to the application described above, certain of which are defined below and referred to in the Receiver’s First Report or the Confidential Supplement (the “**Confidential Supplement**”) as defined and discussed below:
 - (a) the Affidavit of Steve Dizep sworn on September 30, 2019 (the “**Initial Dizep Affidavit**”) and filed in support of Pillar’s application for the Receivership Order;
 - (b) the Affidavit of Calvin Moneo sworn on October 3, 2019 (the “**Initial Moneo Affidavit**”) and filed in response to Pillar’s application for a Receivership Order;
 - (c) the affidavit of Calvin Moneo sworn on October 8, 2019 and filed in response to Pillar’s application for a Receivership Order, which affidavit appended two valuations of the Harmon Property (as defined below), including:
 - i. an appraisal as of August 28, 2017; and
 - ii. an opinion of value as of September 4, 2018 (the “**Initial Kreutzwieser Value**”), the contents of which are addressed in the Kreutzwieser Affidavit (as defined below);

- (d) the affidavit of Steve Dizep sworn on January 7, 2020 and filed in support of Pillar’s application for the Receivership Order;
- (e) the affidavit of Keaton O’Brien sworn on January 7, 2020 and filed in support of Pillar’s application for the Receivership Order, including particulars with respect to Mr. O’Brien’s assessment of the Harmon Property arising from his attendance and, specifically, the extensive amount of equipment, scrap metal and miscellaneous items in or around the buildings on the Harmon Property;
- (f) the affidavit of Ken Kreutzwieser of ICR Commercial Real Estate (“**ICR**”) sworn on January 8, 2020 (the “**Kreutzwieser Affidavit**”) and filed by Pillar; which Affidavit provides additional context surrounding the preparation of the Initial Kreutzwieser Value and Mr. Kreutzwieser’s updated comments on potential list and transaction value subsequent to his touring and marketing the Harmon Property;
- (g) the affidavit of Kevin Hoy sworn on January 8, 2020 and filed by Pillar, appending an appraisal of the Harmon Property commissioned by Pillar’s legal counsel;
- (h) the affidavit of Andrew Maynard of ICR sworn on January 8, 2020 and filed by Pillar, providing details of Mr. Maynard’s communications with the Company relating to the marketing of the Harmon Property;
- (i) the affidavit of Calvin Moneo sworn on January 10, 2020 and filed in response to Pillar’s application for a Receivership Order.

3. On May 27, 2020, the Receiver filed its First Report of the Receiver (the “**First Report**”), providing information to this Honourable Court with respect to, *inter alia* an application before this Honourable Court seeking the approval of, *inter alia*:

- (a) a process to identify and authenticate claims of third parties with property situated at the Harmon Property and to facilitate a process to have such property removed on a timely basis, with such efforts leading to the Receiver seeking an Order of the Court (the “**Property Claims Process Order**”) approving the terms of a proposed “**Property Claims Process**” as discussed and defined herein; and
 - (b) a sales agent and the proposed framework of a sales process for the purpose of soliciting interest in, and ultimately effecting a sale (subject to Court approval) of the Harmon Property (the “**Sales Process Order**”);
- 4. Also on May 27, 2020, the Receiver filed its Confidential Supplement to the First Report of the Receiver (the “**Confidential Supplement**”) providing confidential and commercially sensitive information with respect to:
 - (a) listing proposals received from two experienced real-estate brokerage firms who specialize in commercial real estate (the “**Listing Proposals**”);
 - (b) information obtained from a review of two appraisals conducted by Brunsdon, Lawrek & Associates as of June 15, 2017 (the “**Brunsdon Appraisal**”) and Suncorp Valuations as of January 6, 2020 (the “**Suncorp Appraisal**”); and
 - (c) comments regarding the Receiver’s expectations of realizable value for the Harmon Property developed through representatives of the Receiver touring the Harmon Property, as well as a review of the Listing Proposals, the Brunsdon Appraisal and the Suncorp Appraisal.
- 5. On June 4, 2020, Calvin Moneo filed an Affidavit (the “**Initial Moneo Opposition Affidavit**”) opposing the relief sought by the Receiver as described in its First Report as outlined above.
- 6. On June 5, 2020, upon hearing the Receiver’s application and upon hearing for counsel for the Receiver, counsel for Pillar and counsel for Harmon, this Honourable Court granted the Property Claims Process Order and the Sales Process Order.

7. On June 11, 2020, Robertson Stromberg LLP advised the Receiver that while it was withdrawing as counsel for the Company, it had assisted Harmon with filing a Notice of Motion for leave to appeal the Property Claims Process Order and the Sales Process Order to the Court of Appeal for Saskatchewan with an application set for July 8, 2020 (later amended to July 22, 2020).
8. On July 20, 2020, the Receiver filed its Second Report with the Court of Appeal for Saskatchewan (the “**Court of Appeal**”), for the limited purpose of providing information to that court in respect of:
 - (a) The status of the sales process pursuant to the Sales Process Order;
 - (b) The status of the Property Claims Process; and
 - (c) The Receiver’s comments on the impact of an appeal on both the sales process and the property claims process, together with the Receiver’s recommendations therefrom.
9. On July 21, 2020, Mr. Calvin Moneo purported to deliver to the Court, through the Court of Appeal Registrar and the service list established in this matter with the following:
 - (a) An appraisal completed by Brunsdon Lawrek & Associates estimating market value as at June 15, 2020;
 - (b) An estimate of certain specified roof repairs provided by Korr Construction Limited; and
 - (c) A roof inspection report completed by Korr Construction Limited.
10. On July 22, 2020, the Court of Appeal adjourned Harmon’s application until July 24, 2020. As Harmon and/or Mr. Cal Moneo were not represented by legal counsel, the Court invited the Receiver’s counsel to provide the Court with written submissions as to whether Harmon might have an appeal as of right.
11. On July 24, 2020, Ryan Pederson of Leland Kimpinski LLP was retained as counsel to Harmon. The hearing of Harmon’s application for leave to appeal was adjourned to Thursday, July 30, 2020.

12. The purpose of this Third Report of the Receiver (the “**Third Report**”) is to provide information to the Court in respect of:
- (a) The corporate structure of the Company;
 - (b) The operations and summary of material assets and creditors of the Company;
 - (c) The activities of the Receiver subsequent to the First Report;
 - (d) The status of the sales process pursuant to the Sales Process Order;
 - (e) The status of the Property Claims Process; and
 - (f) The Receiver’s receipts and disbursements, including accruals;
 - (g) The professional fees incurred by the Receiver and its independent legal counsel to June 30, 2020;
 - (h) The Receiver’s request for an increase to the Receiver’s Borrowings Charge; and
 - (i) The Receiver’s recommendations respecting the foregoing
13. Capitalized terms not defined in this Third Report shall bear the meanings ascribed to them in the Receivership Order, the Initial Dizep Affidavit, the First or Second Report, the Property Claims Process Order or the Sales Process Order.
14. All references to currency are in Canadian dollars unless otherwise noted.
15. This document, together with other information regarding these proceedings, has been posted by the Receiver to its website at www.relieffromdebt.ca/harmon-international.

TERMS OF REFERENCE

16. In preparing this Third Report, the Receiver has relied upon unaudited financial information obtained from discussions with certain of the directors of the Company, primarily Calvin and Victor Moneo, as well as representatives of Pillar.

17. The Receiver has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information and accordingly, the Receiver expresses no opinion or other form of assurance in respect of such information contained in this report.

CORPORATE STRUCTURE

18. Based on a corporate search dated September 30, 2019, the Company was incorporated on January 5, 1989. The directors of the Company are Calvin Moneo, Victor Moneo and Denis Bergeron, and the Company's shareholdings are as follows: Calvin Moneo (35%), Judith Moneo (10%), Victor Moneo (45%), Denis Bergeron (10%).
19. Mr. Victor Moneo and Mr. Calvin Moneo are referred to herein collectively as "**Management**".

OPERATIONS AND FINANCIAL POSITION

Operations

20. Harmon previously operated as a manufacturer of equipment, including agricultural equipment. The Initial Moneo Affidavit states that the Company has not manufactured equipment since early 2018 and that the primary business activity in the past few years has been the refurbishment of used equipment for resale.

Books and Records

21. The Receiver has been unable to obtain any detailed books and records for the Company. Management has advised that the Harmon computers, which contained the substantial majority of such records, were stolen during a break-in that occurred in July of 2019.

Assets

22. The substantial asset of the Company is an approximately seven acre parcel of land located at the civic addresses of 821 – 47th Street East and 2401 Millar Avenue, Saskatoon, Saskatchewan (collectively, the "**Harmon Property**"), legally described as follows:

- (a) Surface Parcel#118989714
Lot 5 Blk/Par 466 Plan No 61S20645 Extension 0
As described on Certificate of Title 00SA22947;
- (b) Surface Parcel#135721728
Lot L Blk/Par 466 Plan No 61S20645 Extension 5
As described on Certificate of Title 00SA22947, description 5;
- (c) Surface Parcel#118989499
Lot 14 Blk/Par 377 Plan No 59S01097 Extension 0
As described on Certificate of Title 91S19691;
- (d) Surface Parcel#118989501
Lot 13 Blk/Par 377 Plan No 59S01097 Extension 0
As described on Certificate of Title 91S19691;
- (e) Surface Parcel#118989512
Lot 12 Blk/Par 377 Plan No 59S01097 Extension 0
As described on Certificate of Title 91S19691; and
- (f) Surface Parcel#118989567
Lot 15 Blk/Par 377 Plan No 59S01097 Extension 0
As described on Certificate of Title 91S19691.

23. The Initial Dizep Affidavit describes that the Harmon Property contains the following buildings:

- (a) An approximately 18,000 square foot commercial building (the “**821 Building**”) located on the lands listed at subparagraphs (a) and (b) in the preceding paragraph, whose civic address is 821 – 47th Street East, Saskatoon, Saskatchewan; and
- (b) An approximately 62,000 square foot commercial building (the “**Millar Avenue Building**”) located primarily on the lands listed at subparagraphs (b) through (f) in the preceding paragraph, whose civic address is 2401 Millar Avenue, Saskatoon, Saskatchewan.

24. As discussed more fully below, in addition to inventory and other parts formerly used in the Harmon business, a significant amount of machinery, equipment, scrap metal, parts and other items are stored on the Harmon Property. Management advises that the items of personal property stored upon the Harmon Property are owned by various persons including, in addition to Harmon, Cal, Vic, members of their immediate and extended families, former businesses operated by family members, and arms-length, non-related third parties (collectively, the “**Third Parties**”).

Liabilities

Pillar Capital Corp.

25. According to the Initial Dizep Affidavit, pursuant to a loan agreement dated July 10, 2018 (the “**Loan Agreement**”), Pillar made available to Harmon a twelve-month facility in the maximum principal amount of \$3,300,000, and in support of such loan, Harmon executed a promissory note (the “**Promissory Note**”) in favour of Pillar in the principal amount under the loan agreement, plus interest and other amounts owing thereunder from time to time.
26. The Initial Dizep Affidavit describes that as security for the obligations of Harmon to Pillar under the Loan Agreement and the Promissory Note, Harmon executed, delivered and granted to Pillar, *inter alia*, the following security (the “**Security**”):
- (a) A general security agreement dated July 26, 2018 over all of the present and after-acquired personal property of Harmon;
 - (b) A collateral mortgage dated July 26, 2018 over the Harmon Property; and
 - (c) a General Assignment of Rents dated July 26, 2018, in regard to the Harmon Property.
27. For clarity, the Receiver has not yet conducted an independent review of the validity and enforceability of the Security, but intends to conduct such a review and to report to the Court on the outcome of same in due course.
28. In addition to the above Security, guarantees and further security were executed, delivered and granted to Pillar as follows:

- (a) Calvin Moneo and Victor Moneo each executed guarantees dated July 26, 2018, and general security agreements dated July 26, 2018 covering all of their respective present and after-acquired personal property;
 - (b) Victor Moneo executed a collateral mortgage and assignment of rents, each dated July 26, 2018, over various lands located in the Province of Saskatchewan; and
 - (c) Amber Hill Farms Ltd., a Saskatchewan farming corporation of which Vic is a director and principal shareholder, executed a guarantee, a general security agreement over all of its present and after-acquired property and a collateral mortgage and assignment of rents over various lands located in the Province of Saskatchewan, each dated July 26, 2018.
29. The First Report contained an updated information statement provided by Pillar, noting that such statement is for informational purposes only and is not an official payout statement, illustrating that, as of May 21, 2020 and inclusive of costs, Pillar is owed approximately \$4,501,644 by Harmon, with interest accruing at approximately \$3,616 per day pursuant to advances under the Loan Agreement.
30. In addition to the Original Pillar Indebtedness, as described in the First Report, Pillar has entered into a term sheet with the Receiver to provide a credit facility in the authorized amount of \$250,000 (the “**Pillar Receivership Borrowings**”) pursuant to the Receiver’s Borrowings Charge contained in the Receivership Order which as of the date of this Third Report has been fully drawn.

Property taxes

31. The Receiver understands from a recent property tax reminder notice that there is an aggregate of approximately \$106,894 due in outstanding property taxes consisting of approximately \$94,515 on the Millar Avenue Building and approximately \$12,379 on the 821 Building.

Unsecured liabilities

32. Based on discussions and correspondence with Mr. Calvin Moneo, the Receiver understands that Harmon owes certain amounts to its providers of utilities and that the only other material creditors are Calvin and Victor Moneo pursuant to shareholder loans owing to them by Harmon, which loans Calvin Moneo advises are in the approximate amount of \$1,500,000.

ACTIVITIES OF THE RECEIVER

33. Subsequent to the date of its First Report the Receiver has, *inter alia*:
- (a) Continued to instruct Mr. Hickman Parker, a former Harmon contractor, as the Receiver's representative to respond to operational matters at the Harmon Property, including multiple apparent break-ins;
 - (b) Coordinated the attendance of environmental waste management firms to provide proposals to assist in the appropriate removal of approximately 266 barrels situated on the Harmon Property understood to potentially contain used paint, oil and/or other chemicals (the "**Environmentally Sensitive Materials**");
 - (c) Coordinated certain of the testing required to obtain an updated Phase 2 environmental assessment report in response to anticipated due diligence conditions arising from any offer to purchase, noting that certain of this testing cannot be completed until the Environmentally Sensitive Materials are removed from the Harmon Property;
 - (d) Engaged a property survey firm to consider options pertaining to a potential subdivision in the event the outcome of the sales process is such that there are separate purchasers of the 821 Building and the Millar Avenue Building who require a subdivision given that one of the individual land titles comprising the Harmon Property spans the Harmon Property with a portion of both the 821 Building and the Millar Avenue Building being contained on this individual land title;

- (e) Initiated the Property Claims Process as approved by this Honourable Court, including extensive discussions and correspondence with claimants, particularly Mr. Calvin Moneo, as it pertains to the submission of proof of claims in accordance with the Property Claims Process Order;
- (f) Engaged with representatives of ICR as it pertains to the marketing of the property pursuant to the Sales Process Order, including the coordination of attendance of Calvin and/or Victor Moneo to facilitate the provision of claims pursuant to the Property Claims Process Order as discussed below;
- (g) Provided updates to stakeholders as required; and
- (h) Attended to various other administrative matters pertaining to the Receivership.

STATUS OF THE SALES PROCESS

- 34. As indicated above, subsequent to the Court granting the Sales Process Order, the Receiver worked with ICR to finalize marketing materials in order for ICR to commence marketing the Harmon Property.
- 35. The Receiver has not included details in this report of commercially sensitive aspects of the marketing process, such as the number of interested parties who have toured the property, executed confidentiality agreements or who have put forward offers on either the 821 Building, the Millar Avenue Building, or both.
- 36. However, for purposes of providing an update on the non-commercially sensitive details of the marketing process, the Receiver has summarized certain salient details of the marketing process completed by ICR thus far:
 - (a) Prepared a marketing brochure (the “**Property Brochure**”) for the Harmon Property;
 - (b) Sent out the Property Brochure to 58 commercially licensed agents in the City of Saskatoon and the Province of Saskatchewan;
 - (c) Marketed the Harmon Property to approximately 65 individuals identified by ICR as having potential interest in Harmon Property;

- (d) Conducted a commercial “open house” at the Harmon Property to coordinate potential buyers and their agents accessing the site;
 - (e) Conducted follow-up tours and secondary attendances to multiple groups who have expressed interest in the Harmon Property; and
 - (f) Clarified terms of multiple offers from numerous potential purchasers of the 821 Building and/or the Millar Avenue Building.
37. As Mr. Calvin Moneo advised the Receiver that he is of the opinion that the list price for the Harmon Property is too low, the Receiver has advised him on multiple occasions that he is entitled to submit to ICR an offer to purchase some or all of the Harmon Property if he chooses to do so.
38. However, as of the date of this Third Report, the Receiver understands that Calvin Moneo is attempting to negotiate a settlement with Pillar to have the Harmon Property (or a portion thereof) removed from the receivership proceedings rather than submitting an offer through the receivership process.

STATUS OF THE PROPERTY CLAIMS PROCESS

39. The Property Claims Process Order provides that “the Receiver may, during the twenty-one (21) days following the date of this Order, grant to certain persons, including, without limitation, Calvin Moneo and/or Victor Moneo, limited and prescribed access to the Premises for the purpose of inspecting the Property and identifying potential Claims (the “**Permitted Access**”), subject to the following:
- (a) the person receiving the Permitted Access and the time, place and manner of the Permitted Access shall be specified in a written notice from the Receiver to such person(s) and counsel for Calvin Moneo and Victor Moneo (each, a “**Permitted Access Notice**”), a copy of which Permitted Access Notice shall be sent contemporaneously to counsel to Pillar Capital Corp.; and
 - (b) no person, including without limitation, Calvin Moneo and Victor Moneo, shall enter upon or access the Premises in any manner whatsoever except as specifically provide in this Order or in a Permitted Access Notice.

40. In the Initial Moneo Affidavit, Calvin Moneo affirmed that he did not believe that 30 days was sufficient time to review the sheer volume of personal property, therefore he had suggested that 45 days would be a more reasonable time period. He also requested that he be provided with unsupervised access to the Harmon Property from, at minimum, Monday to Thursday from 9:30 a.m. to 4:30 a.m. (sic).
41. The Receiver originally entered into a permitted access agreement with Mr. Moneo providing supervised access to the Harmon Property Monday to Friday between June 5, 2020 and June 26, 2020, with such access ultimately extended to July 5th, including the following weekend times in response to Mr. Calvin Moneo's request:
- (a) Saturday, June 20 between 9:30 – 4:30;
 - (b) Sunday, June 21 between 9:30 – 4:30;
 - (c) Saturday, June 27 between 8:30 – 5:30;
 - (d) Saturday, July 4 between 9:00 – 11:30; and
 - (e) Sunday, July 5 between 9:00 – 4:30.
- (The Receiver understands that there may have been several days in which neither Mr. Calvin Moneo or Mr. Victor Moneo attended the Harmon Property, or only attended for a portion of the allowable time.)
42. During this Property Claims Process period, the Receiver issued the following notices to vacate to Calvin Moneo:
- (a) No access June 18, 2020;
 - (b) restricting access to only between 12:30 and 4:30 on June 29, 2020; and
 - (c) restricting access only until 2:30 p.m. on July 2, 2020.
43. The Property Claims Process Order contemplated a Claims Bar Date of thirty (30) days after the date of the Claims Process Order, which would have been Sunday, July 5, 2020 which therefore was communicated by the Receiver to be Monday, July 6, 2020.

44. In response to a request by Mr. Calvin Moneo, in accordance with the Property Claims Process Order, the Receiver extended the claims bar date to 10:00 p.m., Tuesday, July 7, 2020.
45. The Receiver ultimately received nine proofs of claim from various persons claiming ownership of personal property situated in or upon the Harmon Property. The Receiver is in the process of reviewing and adjudicating such claims in accordance with the terms of the Property Claims Process Order.
46. The proofs of claim received can be summarized as follows:
 - (a) Two claims were submitted by arms-length parties, consisting of one former staff member/contractor and one former foundry customer;
 - (b) Two claims were submitted by entities understood to be controlled by Victor Moneo; and
 - (c) Five claims were submitted by individuals whom the Receiver understands to be family members of Calvin and/or Victor Moneo, or corporate entities controlled by such persons.
47. The Receiver notes that no proofs of claim were submitted directly by Calvin or Victor Moneo in their personal capacity.
48. The substantiating documentation submitted as evidence of ownership for the majority of the property being claimed is not comprehensive or determinative. In fairness, given the nature of certain of the property being claimed (including many personal items), this was not unexpected.
49. The Receiver has completed its initial review of the proofs of claim and is in the process of corresponding with certain Claimants to obtain supporting documentation for items which appear to have been previously owned by Harmon and/or potentially subject to Pillar's Security.
50. As the proofs of claim in question contain, in some cases, references to cheque numbers or payment dates, the Receiver anticipates that supporting documentation evidencing payment should be readily available in the books and records of the Claimants.

STATEMENT OF RECEIPTS AND DISBURSEMENTS WITH ACCRUALS

51. As previously advised, the Receiver has entered into a borrowings facility with Pillar with a facility amount of \$250,000 which has been fully drawn.
52. The Receiver has provided below an interim statement of receipts and disbursements (the “**Second Interim SRD**”) for the Company for the period of its appointment to July 28, 2020, including accruals for certain amounts incurred, but not yet paid, together with some brief commentary on the material amounts contained therein:

RECEIPTS		Notes
Advance from secured creditor	\$ 250,000	(a)
Miscellaneous	351	
Total receipts	250,351	
DISBURSEMENTS		
Receiver's fees and disbursements	87,820	(b)
Legal fees and disbursements	41,389	(c)
Sales process due diligence materials	33,238	(d)
Utilities	19,499	
Outside consulting/security	13,260	
Insurance	11,430	
GST (net)	9,137	
Interest	7,019	
Facility fee	6,250	
Other expenses	1,346	
Ascend fee	275	
Filing fee	70	
Total disbursements	230,732	
CASH ON HAND AFTER ACCRUALS	\$ 19,618	

- a) As noted, the Receiver has drawn the full amount of the available Receiver’s Borrowings with the material usages as outlined above;
- b) Receiver’s fees include actual amounts paid to date, plus work in process to June 30, 2020;
- c) Legal fees and disbursements include actual amounts paid and invoiced but unpaid amounts to June 30, 2020; and

- d) Sales process due diligence materials include the cost of obtaining an updated real property report and the agreed upon cost of updated Phase 1 and Phase 2 environmental assessment reports which have been commenced but not yet paid and which are required to facilitate due diligence requirements for the sales process.

PROFESSIONAL FEES

- 53. The Receiver and its independent legal counsel previously sought and received approval for its fees to April 30, 2020. Subsequent to this date, the Receiver and its independent legal counsel have incurred professional fees for the period May 1 to June 30, 2020 in the respective amounts of \$49,880 and \$28,540 (the “**Third Report Professional Fees**”) with respect to the activities substantially as described herein.
- 54. Copies of the respective accounts will be made available upon request, pending redaction of any items considered to be subject to solicitor-client privilege.
- 55. It is the Receiver’s position that its counsel’s services have been duly authorized and rendered and that the charges are, in the Receiver’s opinion, fair and reasonable in the circumstances.

INCREASE TO RECEIVER’S BORROWINGS CHARGE

- 56. The Receivership Order provides that the Receiver is empowered to borrow funds to a maximum principal amount of \$250,000. As described above, the Receiver has entered into a facility with Pillar for borrowings in the above amount.
- 57. Based on the Second Interim SRD, including certain accruals together with costs anticipated to be incurred in the upcoming months, including both professional fees and the cost of retaining a qualified firm to assist the Receiver with the removal of the Environmentally Sensitive Materials, the Receiver is seeking the approval of this Honourable Court to increase the amount of the required borrowings to be secured under the Receiver’s Borrowings Charge to an aggregate of \$500,000.

58. The Receiver has not yet disclosed to this Court its estimated cost of the removal of the Environmentally Sensitive Materials because the Receiver is still waiting to receive one remaining quote to have these items dealt with on a cost effective basis. (The Receiver has been in contact with four separate firms to obtain proposals.)
59. To date, the Receiver has received two formal estimates in relation to the removal of the Environmentally Sensitive Materials and, as noted above, is waiting on one other firm to provide a third quote. A fourth company toured the Harmon Premises with a view to submitting a proposal, but no proposal was ultimately submitted. The Receiver understands that this was partially due to constraints on that party's capacity to carry out the work and its concerns with respect to its ability to provide services on a timely basis given its current workload.
60. Prior to the Receiver obtaining these competitive quotes, the Receiver requested that Mr. Calvin Moneo provide the contact information for firms used by Harmon for the retrieval and disposal of like materials. However, the Receiver was not provided with the contact information of any such firms by Mr. Calvin Moneo.

RECOMMENDATIONS

61. The Receiver respectfully recommends that this Honourable Court:
- (a) Approve the activities of the Receiver as described in the Third Report;
 - (b) Approve the Second Interim SRD and the Third Report Professional Fees;
and
 - (c) Approve the increase of the Receiver's Borrowings Charge and the associated borrowing limit from \$250,000 to \$500,000.

All of which is respectfully submitted this 29th day of July, 2020.

Hardie & Kelly Inc.

In its capacity as Receiver of Harmon International Industries Inc.
and not in its personal or corporate capacity.

Per: 

Kevin Meyler, CA•CIRP
President