

**In the Matter of the Bankruptcy of
2021929 Ontario Inc. (formerly known as Elementa Group Inc.)
of the City of Niagara-on-the-Lake
in the Province of Ontario**

Trustee's Report to the First Meeting of Creditors
On Preliminary Administration

Introduction

2021929 Ontario Inc., formerly known as Elementa Group Inc. ("**2021929**" or the "**Company**") was an early stage renewable energy development company that developed a patented waste conversion process to convert municipal solid waste into clean synthetic gas.

The Company's registered head office was located at 509 Glendale Avenue East, Niagara-on-the-Lake, Ontario.

2021929 was the sole limited partner of Elementa Algoma LP, an Ontario limited partnership, whose general partner was Elementa Algoma Inc. The shares of Elementa Algoma Inc. were wholly owned by Elementa Holdings Ltd. and the shares of Elementa Holdings Ltd. were wholly owned by 2021929.

Commencing in or about 2003, the Company began raising capital for the construction of a pilot plant to test and develop a process to convert waste material into a clean energy source in an efficient and cost effective manner. The Company was successful in raising sufficient funds to construct a pilot plant in Sault Ste. Marie, Ontario ("**SSM**"), which began processing unsorted municipal waste in or about October 2007.

Based on successful results from its pilot plant, the Company entered into discussions with several municipalities and industrial partners for the construction of full-scale facilities. These discussions culminated in Elementa Algoma LP (the vehicle which would develop the Project, as hereinafter defined) becoming a party to certain contracts in relation to the planned construction of a municipal waste processing facility to produce electricity in SSM (the "**Project**").

The undertaking to construct the Project required Elementa to raise significant capital (approximately \$50 - \$55 million). Unfortunately, Elementa was unsuccessful in raising sufficient funding to adequately address its capital needs to realize value from the Project. Ultimately, due to its inability to raise sufficient funds to continue operations and advance the Project, Elementa was forced to lay off its workforce with the last two remaining employees being terminated in or about October 2015.

With no active operations and no source of revenue to service its debt, in late November 2015, Bennett Jones LLP ("**Bennett Jones**"), the Company's primary and first-ranking secured creditor brought an application for the appointment of a receiver to realize on the Company's assets for the benefit of its creditors.

Receivership Proceedings

On December 21, 2015, the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), issued an order appointing Richter Advisory Group Inc. ("**Richter**") as receiver (the "**Receiver**"), pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3, as amended (the "**BIA**"), and section 101 of the *Courts of Justice Act* R.S.O. 1990 c.43, as amended of all the assets, undertakings and properties (the "**Property**") of the Company.



On February 19, 2016, the Court issued an order (the "**Sales Process Order**") approving the proposed stalking horse sales process (the "**Sales Process**"), including the bidding procedures to be used in connection with the Sales Process for the sale of substantially all of the Company's Property. The Sales Process Order also approved an Agreement of Purchase and Sale dated February 12, 2016 (the "**Stalking Horse APS**") between the Receiver and Bradam Canada Inc. ("**Bradam**") for the sale of substantially all of the Company's business and assets on an "as is, where is" basis for cash consideration of \$1,500,000.00 (the "**Purchase Price**").

On April 15, 2016, the Court issued an order (the "**April 15 Order**") approving the designation of the Stalking Horse APS as the "Winning Bid" pursuant to the Sales Process Order. The April 15 Order also authorized and directed the Receiver to complete the transaction contemplated by the Stalking Horse APS (the "**Transaction**").

Due to the inability of Bradam to secure all the funds to pay the Purchase Price, Bradam requested that it be provided with an additional ninety (90) days following the closing of the Transaction to pay the remaining balance of the Purchase Price totaling \$275,000. On May 13, 2016, the Court issued an order that, among other things, permitted the Receiver to accept an interest bearing, secured promissory note in the amount of \$275,000 (the "**Promissory Note**") in partial payment of the Purchase Price.

The Transaction was completed on May 16, 2016 (the "**Closing Date**"). As contemplated by the April 15 Order, on May 17, 2016, the Receiver filed articles of amendment changing the name of the Company from Elementa Group Inc. to 2021929.

The Receiver has filed five (5) reports with the Court (the "**Receiver's Reports**") that, among other things, provided the Court with information related to the receivership proceedings, including the marketing and sale process undertaken by the Receiver, the Transaction, the secured claim of Bennett Jones, the Receiver's receipts and disbursements and the proposed distributions to Bennett Jones in respect of its secured claim against the Property. Copies of the Receiver's Reports as well as any orders granted by the Court and other documents in connection with the receivership proceedings can be obtained from Richter's website at <http://www.richter.ca/en/folder/insolvency-cases/e/elementa-group-inc>.

Causes of Bankruptcy

The receivership proceedings facilitated the sale of substantially all of 2021929's business and assets. The amount realized from the sale of the Property was insufficient to pay, in full, the Company's secured obligations to Bennett Jones. As such, subsequent to the Closing Date, the Company had no material assets with which to pay its remaining obligations.

In an effort to bring finality to the Company's insolvency proceedings as it relates to the interests of unsecured creditors and other interested parties, on May 20, 2016, Bennett Jones filed a motion with the Court seeking that 2021929 be adjudged bankrupt and that the Receiver be authorized to file an assignment in bankruptcy on behalf of the Company.

On June 7, 2016, the Court issued an order authorizing and directing the Receiver to file an assignment in bankruptcy on behalf of the Company, which bankruptcy was effective June 13, 2016 (the "**Date of Bankruptcy**"). Richter was appointed as trustee (the "**Trustee**") of the Company's bankrupt estate by the Official Receiver subject to affirmation/substitution by the Company's unsecured creditors at the first meeting of creditors.

FINANCIAL POSITION/ASSETS

As detailed in 2021929's Statement of Affairs, the Company did not have any realizable assets as at the Date of Bankruptcy, as substantially all of its assets were sold as part of the receivership proceedings. As noted above, the realizations from the sale of the Company's Property were insufficient to satisfy, in full, the amounts owed to the Company's principal and first-ranking secured creditor. As such, it is unlikely that there will be any monies available to support a distribution to the Company's unsecured creditors.

At the commencement of the receivership proceedings, the Company had no employees and no active business operations. Consequently, the Company's Statement of Affairs, which details the Company's assets and liabilities, was prepared by Richter based on the Company's books and records in its possession and has been submitted on an unsigned/unsworn basis. Richter has not audited or otherwise verified this information.

SECURED CREDITORS

According to the Statement of Affairs, as at the Date of Bankruptcy, the amounts owed to the Company's secured creditors are estimated as follows:

Bennett Jones LLP	\$2,150,000
Her Majesty in Right of Ontario (Ministry of Finance)	unknown
2124732 Ontario Inc.	unknown
Gary Blokhuis D.B.A. Blokhuis Holdings	unknown
Sharon D'Amico	unknown
David D'Amico	unknown

The Receiver has obtained an independent legal opinion from its counsel, Goldman Sloan Nash & Haber LLP ("GSNH"), on the validity and enforceability of the security held by Bennett Jones against the Property. According to GSNH, based on its review, and subject to the customary qualifications and limitations, the security granted by the Company in favour of Bennett Jones is valid and enforceable against all of the Property.

SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

As detailed in the Receiver's Reports, as at the date of the Receiver's appointment, the Company had no employees or active business operations. Further, it was the Receiver's understanding that all outstanding amounts owed to the Company's employees in respect of wages and/or vacation pay were paid prior to the Receiver's appointment. Accordingly, the Trustee is not aware of any amounts owing to the Company's former employees that would qualify as claims under section 81.3 of the BIA.

PREFERRED CREDITORS

The Company's Statement of Affairs indicates that there were no known preferred creditors as at the Date of Bankruptcy.

UNSECURED CREDITORS

The Company's Statement of Affairs indicates that the Company has approximately 57 unsecured creditors with claims totalling approximately \$8.8 million.

PROVABLE CLAIMS

As at the date of this report (with a cut off time of 9:00 a.m.), the Trustee has recorded Proof of Claims filed, as follows:

	Number	Amount (\$)	Proxy in Favour of Trustee (#)	Proxy in Favour of Trustee (\$)
Secured	2	154,497.00	n/a	n/a
Unsecured	7	1,229,854.75	3	820,482.64
TOTAL	9	1,384,351.75	3	820,482.64

PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE

The Trustee has not performed a review of the Company's books and records with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of its review with the Inspectors to be appointed at the first meeting of creditors.

TRUSTEE'S FEES

In consideration for consenting to act in these proceedings, Bennett Jones has provided a deposit to the Trustee in the amount of \$28,250 (the "**Deposit**") to guarantee payment of the Trustee's fees and disbursements, including the fees and disbursements of its legal counsel, should insufficient funds be available from 2021929's estate. The Deposit is being held by the Trustee in an account segregated from the funds of the estate.

OTHER

Further information relating to the Company's bankruptcy proceedings may be obtained from Richter's website at <http://www.richter.ca/en/folder/insolvency-cases/0-9/202192-ontario-inc>.

Dated at Toronto, Ontario, this 30 day of June, 2016.

Richter Advisory Group Inc.,
in its capacity as Trustee of the estate of
2021929 Ontario Inc. (formerly known as Elementa Group Inc.),
and not in its personal capacity



Adam Sherman, MBA, CIRP, LIT
Senior Vice President