

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**B E T W E E N :**

**CIT FINANCIAL LTD.**

Applicant

- and -

**RENE EMIL BOLJKOVAC, 1735509 ONTARIO LIMITED, and  
NORTHERN DENTAL CENTRES INC.**

Respondents

**APPLICATION UNDER s. 243(1) of the *Bankruptcy and Insolvency Act*,  
R.S.C., 1985, s. 101 of the *Courts of Justice Act*, R.S.O., 1990, c. C-43 and Rules  
14.05(2) and (3) of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended**

**A. FARBER & PARTNERS INC.  
SECOND REPORT OF THE RECEIVER  
JUNE 13, 2014**

## INTRODUCTION

1. By Order of the Honourable Mr. Justice McEwen dated April 15, 2014 (the “**Appointment Order**”), A. Farber & Partners Inc. (“**Farber**” or the “**Receiver**”) was appointed as the Receiver of all of the assets, undertakings and properties of Rene Emil Boljkovac (“**Boljkovac**”), 1735509 Ontario Limited (“**173 Co.**”) and Northern Dental Centres Inc. (collectively the “**Debtor**”) Attached hereto as **Appendix “A”** is the Appointment Order.
2. Boljkovac is a licensed dental surgeon that operated a dentistry practice (the “**Dental Practice**”) located at 100 East Street South, Bobcaygeon, Ontario (the “**Premises**”).
3. The Premises is owned by 173 Co., a company owned and controlled by Boljkovac. The Premises is comprised of a 9,980 square foot building located on a 2.08 acre parcel of land.
4. The Dental Practice occupies approximately 25% of the building space, along with three additional rent-paying tenants who are arm’s-length from the Respondents.
5. The appointment of the Receiver was sought by CIT Financial Ltd. (“**CIT**”). CIT is the primary secured lender of the Debtor having provided financing through numerous financing instruments since approximately 2006.
6. On April 17, 2014, the Receiver filed its First Report (the “**First Report**”) with the Court in support of a motion to seek an order compelling Boljkovac to return all equipment, furniture, tools, supplies and patient records that he had removed from the Dental Practice. A copy of the First Report is attached hereto as **Appendix “B”**.
7. On April 22, 2014, the Honourable Mr. Justice Wilton-Siegel issued an Order (the “**Property Return Order**”) to compel Boljkovac to return the property as outlined in the First Report (the “**Removed Property**”) to the Receiver. A copy of the Property Return Order is attached as **Appendix “C”**.

## **PURPOSES OF THIS REPORT**

8. The purpose of this Second Report of the Receiver (the “**Second Report**”) is to:
  - i) report on the activities of the Receiver since the First Report and seek approval of the Receiver’s activities to date;
  - ii) seek approval of the Receiver’s Interim Statement of Receipts and Disbursements for the period April 15, 2014 to June 12, 2014; and
  - iii) seek approval of a proposed marketing and sales process (the “**Sales Process**”) in respect of the assets of the Dental Practice and 173 Co.

## **DISCLAIMER AND TERMS OF REFERENCE**

9. The Receiver has relied upon the financial records and information provided by the Debtor, in addition to other information supplied by the Debtor’s management, appraisers, accountants, auditors and advisors. The Receiver has not independently audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information. Accordingly, the Receiver expresses no opinion or other form of assurance with respect to the information contained in this Second Report. The Receiver assumes no responsibility or liability for any loss or damage incurred by or caused to any person or entity as a result of the circulation, publication, reproduction or use of or reliance upon this Second Report or for any use which any person or entity makes of this Second Report, or any reliance on or a decision made based upon this Second Report, other than for the express purposes as set out in this Second Report.
10. Capitalized terms not defined in this Second Report are as defined in the Appointment Order.

11. Unless otherwise stated, all references to dollars are in Canadian currency.
12. A copy of this Second Report and all Court materials, Orders and Endorsements issued in these proceedings are available on the Receiver's website at: <http://www.farberfinancial.com/insolvency-engagements/bid/382716/Rene-Emil-Boljkovac-1735509-Ontario-Inc-and-Northern-Dental-Centres-Inc>.

## **ACTIVITIES OF THE RECEIVER**

13. The terms of the Property Return Order compelled Boljkovac to return the Removed Property to the Receiver at the Premises. Boljkovac informed the Receiver that he was not able to comply with this requirement as he did not have the funds to pay for a moving service.
14. Accordingly, on April 23, 2014 the Receiver rented a moving van and attended at the dental practice located at Suite 206, 189 Kent Street West, Lindsay, Ontario, known as Lindborough Dental ("**Lindborough**") to retrieve the Removed Property. Boljkovac advised the Receiver that he is an associate dentist at Lindborough.
15. Upon taking possession of the Dental Practice, the Receiver moved to obtain the Returned Property, completed numerous repairs and maintenance to the Dental Practice's damaged dental equipment so that the equipment was operational and purchased dental supplies required to return the Dental Practice to operational status.
16. On April 29, 2014, the Dental Practice started serving patients under the control of the Receiver.
17. When the Receiver took possession of the Dental Practice, there were no staff employed and the Dental Practice was not in operation. The Dental Practice now operates 5 days per week, Monday to Friday. In addition, the Receiver has retained the services of 3 dental hygienists, a dental assistant and a receptionist to assist in the operation of the Dental Practice.

18. As reported in the First Report, the Receiver has retained the services of Dr. Lorne Newton (“**Newton**”) to provide the services required of a dentist. Newton arranged for an associate dentist to consult patients at the Dental Practice on Thursdays and Fridays, and the Receiver is working with Newton to determine whether additional associate dental services are required at the present time.
19. The Receiver has been collecting the monthly rent from the Tenants.
20. The Receiver has attended to the responsibilities as landlord of the Premises, including attending to:
  - i) The major repair of an air conditioning unit to maintain suitable working conditions;
  - ii) The repair of pot holes in the parking lot; and
  - iii) Arranging for annual inspection and repair of fire and safety systems.

#### **INTERIM STATEMENT OF RECEIVER’S RECEIPTS AND DISBURSEMENTS**

21. Attached as **Appendix “D”** is the Receiver’s Interim Statement of Receipts and Disbursements for the period April 15, 2014 to June 12, 2014.
22. The Receiver presently has \$38,090.97 in its trust account.

#### **SALES AND MARKETING PROCESS**

23. In order to expose the opportunity of the Dental Practice and the Premises to the marketplace and the possibility of securing offers that will maximize realization for all stakeholders, the Receiver proposes to conduct the Sales Process, which is set out in detail in the sales process and bidding procedures (the “**Bidding Procedure**”) detailed in **Appendix “E”** and summarized below.

24. Subject to approval of the Honourable Court of the Sales Process, the Receiver will canvass the market for a period of five (5) weeks culminating in a bid deadline of **5:00 P.M. EDT Thursday, July 24, 2014** (the “**Bid Deadline**”), to invite Qualified Bidders (as defined in the Bidding Procedure) to conduct due diligence and submit bids.
25. The Receiver shall in its sole discretion (i) determine whether any person is a Qualified Bidder; (ii) coordinate the efforts of any Qualified Bidders in conducting their due diligence investigations; (iii) receive offers from any Qualified Bidders; and (iv) negotiate any offers made to purchase the Dental Practice and the Premises.
26. In support of the Sales Process and efforts to canvass the market, the Receiver intends to: (i) prepare a list of potential interested parties (the “**Interested Parties**”) to contact; (ii) prepare a “teaser” notice on the opportunity and send to the Interested Parties; (iii) provide a confidentiality agreement to be signed by Interested Parties; (iv) make arrangements to set up a virtual data room with password access to be provided to Qualified Bidders to allow due diligence to be conducted; and (v) prepare an advertisement to be placed in a leading Canadian dental industry trade publication, either in print or online.
27. The draft Bidding Procedures and the terms and conditions of sale, including a base line asset purchase agreement (the “**Base Line APA**”) will be made available to Qualified Bidders.
28. Qualified Bids must include a proposed asset purchase agreement showing edits black-lined against the Base Line APA.
29. If multiple Qualified Bids have been received by the Receiver on or before the Bid Deadline, the Receiver may conduct an auction at its premises on or before July 29, 2014.
30. The Receiver contemplates that a sales approval motion will be sought on or before August 6, 2014 and that the anticipated closing of a transaction would occur no

later than August 15, 2014. A timetable of the Sales Process is attached as **Appendix “F”**.

## **RECEIVER COMMENTS**

31. The Receiver believes that the Sales Process to attract a going concern buyer will generate a better recovery for the stakeholders than a liquidation of the assets. Further, the Receiver believes that the value of the Premises is enhanced with an operating dental practice in place given the central role that the dental suite plays in the healthcare nature of the overall building. The Receiver recognizes that some purchasers may want to purchase individual assets such as the Dental Practice or the Premises. The proposed Base Line APA will contemplate this possibility.
32. The Receiver has received interest in the Dental Practice and the Premises from a number of parties. The Sales Process provides a higher level of certainty regarding the ability to affect a going concern sale, continued operations to ensure no interruption of service to patients and the preservation of a minimum of four jobs in the community. At the same time, the process provides a forum and deadline to permit and encourage any serious bidders to come forward with offers to increase realizations for stakeholders.
33. The Receiver has consulted with CIT with respect to the proposed timeline and Sales Process.
34. The Receiver believes the Sales Process is the most appropriate strategy to maximize recovery for the benefit of all stakeholders.

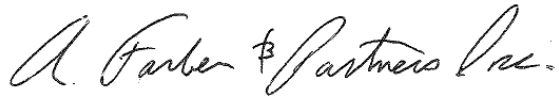
## **RECOMMENDATIONS**

The Receiver respectfully recommends that this Honourable Court approve:

- i) the Receiver's activities described in this Second Report;
- ii) the Receiver's Interim Statement of Receipts and Disbursements for the period April 15, 2014 to June 12, 2014; and
- iii) the Sale Process outlined above.

All of which is respectfully submitted this 13<sup>th</sup> day of June, 2014

**A. FARBER & PARTNERS INC. IN ITS CAPACITY AS  
COURT APPOINTED RECEIVER OF RENE EMIL BOLJKOVAC,  
1735509 ONTARIO LIMITED AND NORTHERN DENTAL CENTRES INC.**



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