
Estate File No: 24-1677807

**IN THE MATTER OF THE BANKRUPTCY OF
VENCAP, INC.
OF THE CITY OF EDMONTON, IN THE PROVINCE OF ALBERTA**

**TRUSTEE'S REPORT TO CREDITORS ON
PRELIMINARY ADMINISTRATION**

1 Introduction

On October 19, 2012, Vencap, Inc. (the "Company") filed an assignment in bankruptcy. Duff & Phelps Canada Restructuring Inc. ("D&P") was appointed trustee in bankruptcy ("Trustee") of the Company's bankrupt estate by the Office of the Superintendent of Bankruptcy (Canada). The appointment of D&P as Trustee is subject to affirmation by the creditors at the first meeting of creditors.

1.1 Currency

All currency references in this report are to Canadian dollars, unless otherwise noted.

2 Background

The Company¹ was incorporated under the Alberta Business Corporations Act on November 14, 1995. The Company was established for the purpose of acquiring and holding portfolio investments in Alberta based companies. The Company divested its investments over time - since 2004, there were no portfolio company investments remaining.

As at the date of bankruptcy, the Company had been inactive (since 2004) and had no employees or operations. The Company's registered head office is located at 2900 Manulife Place, 10180-101 Street, Edmonton, Alberta.

¹ The Company was initially incorporated as 674776 Alberta Ltd. On November 24, 1995, and February 2, 1996, it changed its name to Vencap Acquisition Corporation and Vencap, Inc., respectively.

3 The Bankrupt Estate

3.1 Assets

The Company's wholly-owned subsidiary, Vencap Equities Alberta Ltd. ("VEAL"), was dissolved on December 13, 2011. VEAL was incorporated pursuant to the Business Corporations Act (Alberta) on August 17, 1982 and assigned Alberta corporation No. 202853172. Pursuant to a Plan of Arrangement dated January, 1996, all the assets of VEAL were transferred to the Company and VEAL's liabilities were assumed by the Company. At the time of dissolution (December 13, 2011), VEAL had no property and no liabilities. Accordingly, on the date of bankruptcy, the Company's known assets were comprised of the following:

Cash: Immediately following its appointment, the Trustee transferred approximately \$578,000 to its estate account.

Government of Canada Bond ("Bond"): The Bond is a zero coupon strip bond due June 1, 2025. At maturity, the face amount of the Bond will be \$10.05 million. The current market value of the Bond is approximately \$7.6 million. The Bond is on deposit with Computershare (formerly Montreal Trust Company of Canada). As detailed in the following section, Her Majesty the Queen in Right of Alberta ("Government of Alberta"), the Company's principal creditor, asserts a security interest in the Bond.

3.2 Creditors

Other than the Government of Alberta's secured claim over the Bond, the Trustee is not aware of any unpaid property or preferred claims against the Company, including any preferred claims under Section 136 of the *Bankruptcy and Insolvency Act* ("BIA").

3.2.1 Government of Alberta

Pursuant to a Participating Debenture agreement dated October 12, 1983 ("Debenture"), as amended, between VEAL and the Government of Alberta, VEAL became indebted to the Government of Alberta in the amount of \$200 million. After the Company acquired the assets and liabilities of VEAL in January, 1996, the Government of Alberta was to be repaid approximately \$136 million pursuant to the Debenture Amending Agreement dated January 3, 1996. The remaining balance was to be repaid in two installments, the second of which in the amount of approximately \$52.6 million was payable on July 24, 2046. As at the date of bankruptcy, the amount owing to the Government of Alberta was approximately \$52.6 million.

Pursuant to a pledge agreement dated January 3, 1996 (the "Pledge Agreement") between the Company and the Government of Alberta, the Bond appears to have been pledged to the Government of Alberta to secure the indebtedness owing to the Government of Alberta under the Debenture.

The Government of Alberta has filed its proof of claim on a secured basis. The Company's Statement of Affairs ("SOA") reflected the Government of Alberta as an unsecured creditor. Immediately following the first meeting of creditors, the Trustee intends to instruct Osler Hoskin & Harcourt LLP ("Osler"), its proposed legal counsel, to opine on the validity and enforceability of the secured claim filed by the Government of Alberta. The Government of Alberta will incur a significant shortfall on its claim (i.e. the difference between the value of its claim and the Bond) and, accordingly, it is anticipated that the Government of Alberta will be the largest creditor in the Company's bankrupt estate.

3.2.2 Other Creditors

According to the SOA, the Company's unsecured creditors include a group of former VEAL debenture holders for approximately \$567,000, Canada Revenue Agency and the Government of Alberta for unpaid income taxes of approximately \$127,000 and \$70,000, respectively, and Computershare for approximately \$2,600.

3.3 Property of the Bankrupt Not Divisible Amongst Creditors by Virtue of Section 67(1) of the BIA

There does not appear to be any assets subject to a trust or similar claim that would not be available to the creditors.

4 Books and Records

The Trustee has taken possession of the Company's minute books and has been provided with other necessary books and records required to carry out its duties and obligations under the BIA.

5 Preferences and Transfers Undervalue

The Trustee has conducted a preliminary review for transfers under value and preferences by examining the Company's bank statements and cancelled cheques for the year preceding the date of bankruptcy. The disbursements made during that period primarily relate to immaterial legal and other professional fees. Based on this review, there does not appear to be any transactions that would be subject to challenge by the Trustee.

6 Anticipated Realization and Projected Distribution

The Trustee expects to make a distribution to the Company's unsecured creditors from the cash in the estate account, less the costs of administration of the bankrupt estate. The quantum and timing of the distribution is unknown at this time.

7 Third Party Guarantee

In consideration of D&P agreeing to act as Trustee in these bankruptcy proceedings, Onex Corporation, the Company's parent, agreed to guarantee the Trustee's fees and costs, including those of its legal counsel, pursuant to a Third Party Guarantee Agreement dated October 19, 2012, in the event realizations from the Company's estate are not sufficient to cover such amounts.

8 Other Matters

There are no other matters to discuss at this time.

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DATED at Toronto, Ontario, this 12th day of November, 2012.

Duff & Phelps Canada Restructuring Inc.

**DUFF & PHELPS CANADA RESTRUCTURING INC.
IN ITS CAPACITY AS TRUSTEE IN BANKRUPTCY OF
VENCAP, INC. AND NOT IN ITS PERSONAL CAPACITY**