

COURT FILE NUMBER 1601-02201

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF BANK OF MONTREAL

DEFENDANT BUMPER DEVELOPMENT CORPORATION LTD. and
BUMPER DEVELOPMENT CORPORATION

DOCUMENT **SECOND REPORT OF THE RECEIVER**
JUNE 13, 2016

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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DOCUMENT

RECEIVER
ALVAREZ & MARSAL CANADA INC.
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Attention: Tim Reid/Orest Konowalchuk
Telephone: (403) 538-4756 / (403) 538-4736
Email: t Reid@alvarezandmarsal.com
okonowalchuk@alvarezandmarsal.com

COUNSEL
FASKEN MARTINEAU LLP
First Canadian Centre
350-7th Avenue SW; Suite 3400
Calgary, Alberta T2P 3N9
Attention: Travis Lysak
Phone: (403) 261-5501
Fax: (403) 261-5351
Email: tlysak@fasken.com

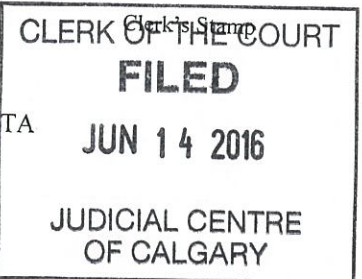


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CONFIDENTIAL APPENDIX A

Statue Offer

INTRODUCTION

1. Effective February 16, 2016 (the “Receivership Date”), pursuant to an order of the Honourable Justice B. Nixon granted in these proceedings (the “Receivership Order”), Alvarez & Marsal Canada Inc. (“A&M”) was appointed receiver (the “Receiver”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “Property”) of Bumper Development Corporation Ltd. (“Bumper Canada”) and Bumper Development Corporation (“Bumper US” or the “Guarantor”) (collectively, “Bumper” or the “Company”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended., (the “BIA”) in the within action (the “Receivership Proceedings”).
2. The Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business of Bumper and to take possession and control of the Property of Bumper and any and all proceeds, receipts and disbursements arising out of or from the Property, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business.
3. The purpose of this second report of the Receiver (the “Second Report”) is to provide this Honourable Court with information in respect of the following:
 - a) an offer received for a certain piece of artwork owned by Bumper;
 - b) a sealing of the Confidential Appendix “A” to the Second Report (the “Sealing Order”);
 - c) approval to amend the Receivership Order with respect to the Receiver’s powers in selling Bumper’s artwork; and
 - d) the Receiver’s recommendations

4. Capitalized words or terms not defined or ascribed a meaning in the First Report and the Supplemental Report to the First Report is as defined in the Receivership Order.
5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. In preparing this Second Report the Receiver has relied upon the representations of certain former management and employees of Bumper and on financial and other information contained in Bumper's books and records. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND

7. Bumper Canada is a corporation registered to carry on business in the Province of Alberta and is owned by Bumper Investments Ltd. and Mr. Robert Borden. Bumper Canada is diversified, private, family-owned headquartered in Calgary, Alberta. Bumper Canada was founded in 1952 (predecessor company was S&T Drilling Co., Ltd.) and has been in continuous operation for over 60 years. Originally organized as a drilling company, it currently has a number of business segments including oil and gas exploration and production, venture capital, real estate and art. Bumper US is a wholly owned subsidiary of Bumper Canada and was duly incorporated under the laws of the State of Delaware in 1978. Bumper Canada and Bumper US will be referred to as "Bumper" for this Report.
8. Further background to Bumper and its operations is contained in the materials filed in support of and relating to the Receivership Order. These documents, including all previously filed reports of the Receiver and other relevant information, have been posted by the Receiver on its website at: www.alvarezandmarsal.com/bumper (the "Receiver's Website").

ARTWORK

Overview

9. As discussed in the First Report, Bumper has a significant artwork collection (the “Artwork”). The majority of the Artwork is East Indian and Southeast Asian influenced art dating from 2nd Century A.D. The Artwork is currently located in the US (New York and Vermont) and in Banff, Alberta, Canada. As at September 30, 2015, the estimated net book value of the Artwork was \$1 million; however, the realization of the Artwork may be materially different than the NBV.
10. There are currently 10 pieces of Artwork being offered for sale at the Nancy Weiner Gallery (the “Gallery”) in New York City, New York. In addition to the Artwork located at the Gallery, the Receiver has hired a consultant to assist in consolidating the remaining Artwork in the US to a bonded storage facility located in Manhattan, New York. There are two pieces of Artwork currently stored at Ms. Susan Borden’s (former director of Bumper) house in Banff, Alberta and the Receiver has made arrangements to have it held at that location.
11. Since the Receivership Date, the Receiver has worked with Ms. Nancy Wiener, the owner of the Gallery, in developing the best approach to sell and maximize recovery on the majority of the remaining Artwork.

The Gallery

12. The Gallery is known as one of the top, high-end, art galleries in New York City, New York and in North America. Ms. Nancy Wiener has maintained the highest level of artistic integrity for its operations for nearly three decades. The Gallery continues a legacy as a source of top quality Indian, Southeast Asian, and Himalayan works of art, jewellery and decorative arts. Works from the gallery are included in the collections of major museums including the Metropolitan Museum of Art, Asia Society, the Los Angeles County Museum, the Art Institute of Chicago, the Nelson-Atkins Museum, and the Asian Civilizations Museum in Singapore, as well as numerous prestigious private collections.

13. The Gallery maintains only top-quality works, hand selected by Ms. Wiener, and each works of art must be unique in nature, authentic and possesses the characteristics worthy for one of the Gallery's cliental to purchase. The Receiver understands that the Gallery's cliental are generally wealthy, sophisticated, selective and patient buyers of top quality Indian, Southeast Asian, and Himalayan works of art. Since art is not a necessity, but rather a luxury item, it can take a considerable amount of time to find the right buyer and sell a work piece. As such, when a buyer is interested in purchasing an art piece, it is recommended that the seller act quickly to close the transaction before the buyer becomes disinterested and walks away from the transaction.

The Statue Offer

14. Pursuant to paragraph 3(k) of the Receivership Order, the Receiver is empowered and authorized to market the Property, including advertising and soliciting offers in respect of the Property or any parts thereof, and negotiating such terms and conditions for the sale of the Property as the Receiver in its discretion may deem appropriate.
15. Further, pursuant to paragraph 3(l), the Receiver is empowered and authorized to sell, convey, transfer, lease or assign the Property or any parts thereof out of the ordinary course of business, (i) without the approval of this Court in respect of any transaction not exceeding \$500,000, provided that the aggregate consideration for all such transactions does not exceed \$1 million; and (ii) with the approval of this Court in respect of any transactions in which the purchase price or the aggregate purchase price exceeds the applicable amount set out above. In each such case, notice under subsection 60(8) of the Personal Property Security Act, R.S. A. 2000, c. P-7 shall not be required.
16. On June 10, 2016, the Receiver was advised by Ms. Wiener that an offer was received to purchase a particular unique piece of artwork owned by Bumper that is currently being offered for sale at the Gallery. This particular piece of art is an old statue (the "Statue") that is fully discussed in Confidential Appendix A. The

Statue is believed to be Bumper's most valuable piece of artwork and there is urgency for the Receiver to accept this offer and close on the transaction.

17. The offer for the Statue has not yet been accepted by the Receiver as the offer is in excess of the individual threshold of \$500,000 pursuant to paragraph 3(1) of the Receivership Order, which currently requires approval from this Honourable Court if the offer is accepted by the Receiver. The Receiver is advised by Ms. Wiener that if the Receiver requires court approval to close on the proposed Statue sales transaction, there is a real risk that the offer from her client will either be rescinded or the purchase price may be significantly reduced. Sales of this nature are treated as confidential and the purchaser typically does not want his or her name in the public forum. The Gallery will be issuing the bill of sale to close the transaction between the Gallery and the purchaser and; therefore the purchaser does not and will not know who the actual vendor (i.e. Bumper – In Receivership). As a result, if the Receiver is required to obtain formal Court approval for this sale, it may jeopardize the closing of this transaction. Given the size of the offer, the Receiver wishes to close on this sale with the proposed purchaser, respectfully, without having court approval.
18. Due to the confidential nature of the information provided in the offer received on the Statue, the Receiver is concerned that if the information is disclosed to third parties prior to the closing of the sale of the Statue, the disclosure could materially jeopardize the sale or, if the sale does not close, could materially jeopardize the value that the Receiver could subsequently obtain from the sale of the Statue. As such, the Receiver is respectfully of the view that it is appropriate that this Honourable Court grant the Receiver's request for a sealing of Confidential Appendix A to this Second Report that summarizes the offer received, the purchase price, sales target price range, the proposed commission to be paid to the Gallery and the expected net realization for the sale of the Statue.
19. It is unknown whether the realizations of all of Bumper's assets will be sufficient to pay Bumper's secured creditors. However, as discussed in the First Report, the

Receiver is advised by its legal counsel BMO's security is valid and enforceable and ranks in priority to Encana Corporation (the other secured creditor of Bumper) and other ordinary unsecured creditors and the Receiver is not aware of any other claimant that may have a priority over BMO's security.

20. The Receiver is advised that BMO supports the Receiver to accept the Statue offer and the proposed amendment to the Receivership Order. Encana Corporation did not appear before the Court when the Receiver last brought an application for a sale approval and vesting order for certain oil and gas assets, which also included an interim distribution order being made to BMO on those sales proceeds.

PROPOSED AMENDMENT TO RECEIVERSHIP ORDER

21. The Receiver is of the respectful view and requests from this Honourable Court that, under the circumstance, it be given the authority and ability to sell the Artwork of Bumper without further order from this Court given the uniqueness and rarity of the Artwork. To ensure there is some form of oversight on the Receiver's ability to sell Artwork that is greater than \$500,000, the Receiver further proposes and recommends to this Honourable Court that any Artwork transaction over \$500,000 requires the consent of BMO. BMO is a secured creditor and the main significant stakeholder in the Receivership Proceedings.
22. The Receiver respectfully requests this Honourable Court for an Order amending the Receivership Order to further clarify that any sale of the Artwork is permitted, without further order of this Court, provided that consent is given by BMO for any Artwork sale over \$500,000.

RECOMMENDATION

23. The Receiver respectfully recommends that this Honourable Court approve and grant:

- a) a Sealing Order with respect to the Confidential Appendix A to this Report; and
- b) amending of the Receivership Order with respect to the sale of Artwork

All of which is respectfully submitted this 13th day of June, 2016.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Receiver of Bumper Development Corporation Ltd.
and Bumper Development Corporation**



Tim Reid, CPA, CA, CIRP, LIT
Senior Vice-President



Orest Konowalchuk, CPA, CA, CIRP, LIT
Vice-President