

Reappointing a receiver: Lessons from Grant Thornton and the Lexin Group

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Five years after its receiver and manager duties were completed, **Grant Thornton Limited (GTL) was reappointed by the Alberta Court of King's Bench to serve as the receiver of the Lexin Group.** Reappointment of a receiver is exceptionally rare, although it has been considered in previous legal cases. BLG assisted Grant Thornton with these reappointment steps, giving us insight into the challenges of reappointing a receiver, including the importance of preparing for potential legal and financial complexities, the value of maintaining thorough records, and the benefits of understanding legal precedents that may impact future business operations.

Background

Grant Thornton Limited was first appointed as receiver for the Lexin Group in 2017. In 2018, the court issued a partial discharge order that relieved GTL of responsibilities over certain properties. On July 11, 2019, GTL was fully discharged of all responsibilities toward the Lexin Group, which would typically mark the end of a receiver's involvement with a business.

By 2020, some of the Lexin Group companies were struck from the corporate registries of Alberta and British Columbia and the Crown had seized and sold their remaining assets. The proceeds from these sales, which were governed by the Unclaimed Personal Property and Vested Property Act, prompted the Orphan Well Association to contact GTL in April 2024. The association, which decommissions orphan oil and gas infrastructure to reclaim the land, suggested GTL seek reappointment as the Lexin Group's receiver to assess and possibly capitalize on the estate's assets through a section 48 application of the Unclaimed Personal Property and Vested Property Act.

To facilitate this, it was necessary to reconstitute the original Lexin Group companies under section 210 of the Alberta Business Corporations Act and section 360 of the B.C. Business Corporations Act.

Analysis of the application for reappointment

GTL's reappointment was granted by the court based on *West Face Capital Inc. v Chieftan Metals Inc.*, 2020 ONSC 5161, which gives the court jurisdiction to reappoint a receiver in "appropriate circumstances." The court recognized GTL's familiarity with the Lexin Group and the need for continuity, accepting that the circumstances were appropriate and that GTL's reappointment was "just and convenient."

Additionally, the court recognized GTL as an "interested person" under section 206.1(d) of the Alberta Business Corporations Act, authorizing it to initiate the revival of specific Lexin Group companies under relevant corporate legislation.

Challenges of the reappointment application

The reappointment process was not without obstacles. Key challenges included:

- **An outdated service list.** The service list had not been updated since GTL's discharge in 2019 and was out of date by the time the reappointment application was submitted in 2024. The list contained entities that were dissolved, merged and struck from the corporate record. In some cases, the addresses, points of contact and legal representation recorded for current companies were out of date, making contacting these companies a challenge.
- **Corporate revival in different jurisdictions.** The companies were in different jurisdictions with different legal requirements for corporate revival. Revival under the Alberta Business Corporations Act was relatively straightforward, but GTL had to make all reasonable efforts to fulfill the cumbersome and time consuming requirements under the B.C. Corporations Act.

Takeaways

This successful application provides insight into the court's ability, and perhaps willingness, to reappoint receiverships in "appropriate circumstances," including what these circumstances might be. It also reveals the legal and logistical challenges of the application, including reviving corporations in different jurisdictions and the difficulties presented by an out-of-date service list. Understanding these challenges will make preparing for and submitting reappointment applications easier for legal counsel in the future.

Reach out to the authors or any of the key contacts if you have questions about reappointing a receiver or would like to discuss receivership in general or the details of your insolvency situation.

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