



**First Report of
KSV Kofman Inc.
as Receiver and Manager of
the Property of
2284649 Ontario Inc.,
2270613 Limited Partnership and
2270613 Ontario Inc.**

June 15, 2018

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COURT FILE NO: CV-18-591534-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE RECEIVERSHIP OF 2284649 ONTARIO INC.,
2270613 LIMITED PARTNERSHIP and 2270613 ONTARIO INC.**

**AND IN THE MATTER OF A MOTION PURSUANT TO SECTION 101 OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, C. C.43, AS AMENDED, AND SECTION 243 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

**FIRST REPORT OF
KSV KOFMAN INC.
AS RECEIVER AND MANAGER**

JUNE 15, 2018

1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") as receiver and manager (the "Receiver") of the assets, undertakings and properties of 2284649 Ontario Inc. ("228"), including the real property located at 250, 252 and 256 Phillip Street, Waterloo, Ontario (collectively, the "Real Property"), and the assets, undertakings and properties of 2270613 Limited Partnership and 2270613 Ontario Inc. (collectively with 228, the "Company") acquired for or used in relation to the Real Property (together with the Real Property, the "Property"). For greater certainty, the Property also includes, but is not limited to, all residential and commercial leases in respect of 256 Phillip Street, the rental income derived therefrom, as well as all agreements and approvals in respect of the Real Property.
2. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on February 6, 2018 (the "Receivership Order"), KSV was appointed Receiver of the Property. A copy of the Receivership Order is attached as Appendix "A".
3. The principal purposes of these proceedings are to preserve and protect the Property, to deal with claims, including construction lien claims, in a single proceeding and to carry out a Court-supervised sale process for the Property that maximizes value for the Company's stakeholders.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company, the Property and these proceedings;
 - b) summarize the recommended marketing process to solicit offers for the development and/or sale of the Property (the “Sale Process”), including the retention of TD Cornerstone Commercial Realty Inc. (“TD”) to act as listing agent for the Property;
 - c) provide an overview of the Receiver’s activities since the date of its appointment;
 - d) detail the fees and disbursements of the Receiver and its counsel, DLA Piper (Canada) LLP (“DLA”), from the commencement of these proceedings to May 31, 2018, and seek approval of same; and
 - e) recommend that the Court issue an order, *inter alia*:
 - approving the Sale Process, including the retention of TD as the listing agent;
 - approving this Report and the Receiver’s activities described herein;
 - sealing the Confidential Appendices to this Report until further order of this Court; and
 - approving the fees and disbursements of the Receiver and DLA as detailed in the affidavits filed by representatives of KSV and DLA in the accompanying motion materials.

1.2 Restrictions

1. In preparing this Report, the Receiver has relied upon the Company’s unaudited financial information, discussions with representatives of the property manager, Rez-One Management Corp. (“Rez-One”), representatives of the Company’s shareholder and the Company’s accounting firm, Grant Thornton Limited (“Grant Thornton”). The Receiver has not performed an audit or other verification of such information. The financial information discussed herein is preliminary and remains subject to further review. The Receiver expresses no opinion or other assurance with respect to the financial information presented in this Report.

2.0 Background

1. The Company acquired the Real Property in 2012. At the time of its acquisition by the Company, the Real Property was known municipally as 256 Phillip Street. The Company’s plan for the development of the Real Property contemplated the construction of four separate registered condominiums which would be rented to university students.

2. China Machinery Engineering Corporation (“CMEC”) is the Company’s principal secured creditor pursuant to a mortgage registered against title on June 9, 2014 and a loan agreement dated June 9, 2014 between the Company and CMEC, as amended. The purpose of the CMEC loan was to fund the Company’s construction of the first student residence on the Real Property, which construction was completed in 2015, as more particularly described below.
3. The Real Property is adjacent to the University of Waterloo to the north, on the east side of Phillip Street. In June 2016, the Real Property was legally severed into four parcels – 250, 252, 254 and 256 Phillip Street – and each of the four parcels of the Real Property comprises 1.115 acres and has been zoned and approved for its intended use.
4. Following the legal severance of the Real Property into four parcels, CMEC’s mortgage and related land registrations were amended on June 6, 2016 to partially discharge its security against 254 Phillip Street (Parcel “C”) in order to allow the Company to transfer title to Parcel “C” into a separate entity, JD Development 254 Phillip Street Limited (“JD 254”), in order for JD 254 to source new financing to develop and construct a student residence, Fergus House, on Parcel C. This development project was completed and tenanted in September 2017. None of Parcel C, Fergus House nor JD 254 are subject to these receivership proceedings.
5. The three parcels which are subject to these receivership proceedings are summarized in the table below.

Parcel	Address	Status
Parcel “A”	256 Phillip Street	In 2015, the Company completed a 20-storey multi-residential student housing facility operating as Blair House. The residence has 426 bedrooms in 106 three, four or five-bedroom units. The facility has commercial units located on the ground floor, which are presently leased to retail tenants (Balzac’s Coffee, Share Tea, Ken Sushi, The UPS Store and Bob’s Bakery and Noodle House). The Blair House residence is presently fully occupied and generating cash flow. Blair House is expected to be fully leased prior to the school year commencing September 2018.
Parcel “B”	250 Phillip Street	Undeveloped raw land. Intended student housing project to be known as Elora House.
Parcel “D”	252 Phillip Street	Early stage construction. Construction activity was suspended upon the Receiver’s appointment on February 6, 2018. The completed student housing project is to be known as Hespeler House.

3.0 Creditors

3.1 CMEC

1. CMEC claims to be owed approximately US\$72 million as at May 2018, plus interest and costs which continue to accrue. The Company disputes the amount of the CMEC debt. The Company believes CMEC is owed approximately US\$54 million. Pursuant to a Court order dated May 7, 2018 (the “May 7th Order”), a timetable was set for a hearing to determine the amount of CMEC’s debt (the “CMEC Debt Litigation”). A copy of the May 7th Order is attached as Appendix “B”.

3.2 Lien Claimants

1. Since the commencement of these proceedings, fifteen construction lien claims totalling approximately \$12.26 million arising in respect of the construction of Hespeler House on Parcel “D” have been registered on title against the Real Property pursuant to the *Construction Lien Act*, R.S.O. 1990, c. C.30, as amended. Some lien claimants also registered their liens against Parcels A, B and C. A table summarizing the lien claims is provided in Appendix “C”.
2. DLA, on behalf of the Receiver, has communicated with each of the lien claimants’ counsel. The Receiver has consented to the commencement of lien actions against, among others, the Company, by each of the lien claimants subject to: (a) written confirmation that the actions will be commenced solely for the purpose of allowing the lien claimants to perfect their liens; (b) no further steps will be taken by the lien claimants in the lien actions; and (c) the lien actions are subject to the stay of proceedings in the Receivership Order.

3.3 Unsecured Creditors

1. According to the Company’s books and records, as at the date of the Receivership Order, the Company’s unsecured obligations totalled approximately \$23.7 million, of which approximately \$13 million was owing to related parties, with the balance largely comprised of amounts owing to trades for construction and other work performed on Parcel “D” prior to the commencement of these proceedings.

4.0 Sale Process

4.1 Request for Proposals from Realtors

1. The Receiver solicited proposals from six realtors to act as listing agent for the Property. The Receiver requested that each realtor provide background information regarding each firm’s experience in student housing, knowledge of the Kitchener-Waterloo market, a marketing plan for the Real Property (which considered development options and an outright sale of the Property), an estimate of the value of the Property and the realtor’s proposed commission structure. A copy of the request for proposals sent to realtors is attached as Appendix “D”.
2. The deadline for proposals was February 23, 2018. Five were received. One realtor declined to submit a proposal as it represents a party which may have an interest in submitting an offer for the Property.

3. The Receiver prepared a summary of the proposals (the “Proposal Summary”), a copy of which is attached as Confidential Appendix “1”. The rationale for seeking a sealing order for the Proposal Summary is provided in Section 4.2 below.
4. The Receiver selected three firms to present proposals to the Receiver. Presentations were conducted at the Receiver’s offices in early March 2018.
5. The Receiver selected TD to act as the realtor on this assignment. The Receiver considered, among other things, its experience working with TD on other matters, TD’s experience selling similar properties, its depth of knowledge of the project, its ability to identify opportunities to enhance value on the project and its commission rate. CMEC has consented to the retention of TD.
6. A copy of TD’s listing agreement is provided in Confidential Appendix “2”. The Receiver proposes to file the TD listing agreement under seal for the reasons provided below.

4.2 Confidentiality

1. The Receiver is of the view that the Proposal Summary and the TD listing agreement be filed with the Court on a confidential basis and be sealed (the “Sealing Order”) as the documents contain information regarding the estimated value of the Real Property which, if made public, may influence the value of the offers submitted in the Sale Process. The Receiver is not aware of any party that will be prejudiced if the information is sealed. Accordingly, the Receiver believes the proposed Sealing Order is appropriate in the circumstances.

4.3 Sale Process

1. The Receiver recommends that the Court issue an order approving the Sale Process summarized in the table below.

Summary of Sale Process		
Milestone	Description of Activities	Timeline ¹
<i>Phase 1 – Underwriting</i>		
Finalize marketing materials	<ul style="list-style-type: none"> ➤ TD and the Receiver to: <ul style="list-style-type: none"> ○ prepare an offering summary; ○ populate an online data room; ○ prepare a form of confidentiality agreement (“CA”); and ○ prepare a Confidential Information Memorandum (“CIM”). 	by July 15, 2018
Prospect Identification	<ul style="list-style-type: none"> ➤ TD to develop a master prospect list and qualify and prioritize prospects. ➤ TD will also have pre-marketing discussions with targeted developers and other targeted interested parties. 	

¹ The timelines related to the preparation of materials for the Sale Process are subject to change based on, among other things, the availability of information required for TD’s underwriting process.

Summary of Sale Process		
Milestone	Description of Activities	Timeline ⁴
Floor price	➤ <u>Confirm whether there will be floor price (this issue is discussed in Section 4.4 below).</u>	<u>By July 27, 2018</u>
<i>Phase 2 – Marketing</i>		
Stage 1	<ul style="list-style-type: none"> ➤ Mass market introduction, including: <ul style="list-style-type: none"> ○ offering summary and marketing materials printed; ○ publication of the acquisition opportunity in <i>The Globe and Mail (National Edition)</i>; ○ telephone and email canvassing of leading prospects; and ○ meet with and interview prospective bidders. ➤ Assist the Receiver and its legal counsel in the preparation of a standard form of Purchase and Sale Agreement (the “PSA”). 	by July 31, 2018
Stage 2	<ul style="list-style-type: none"> ➤ TD to provide detailed information to qualified prospects which execute the CA, including the CIM, access to the data room and the PSA. ➤ TD to facilitate diligence by interested parties. 	August 1 to September 19, 2018
Stage 3	➤ Prospective purchasers to submit PSAs or other proposals, including development proposals.	September 19, 2018
<i>Phase 3 – Offer Review and Negotiations</i>		
Short-listing of Offers	<ul style="list-style-type: none"> ➤ Short-listing bidders. ➤ Further bidding - Interested bidders may be asked to improve or clarify their offers. 	One week following bid deadline
Selection of Successful Bids	➤ Select successful bidder and finalize definitive documents.	One week
Sale Approval Motion and Closing	➤ Motion for transaction approval and close transaction.	Three weeks

2. Additional aspects of the Sale Process include the following:

- a) the Property will be marketed on an “as is, where is” basis;
- b) parties may bid on some or all of the three parcels comprising the Real Property;
- c) the Receiver will be entitled to extend the deadline to submit offers if it considers it to be appropriate or necessary in the circumstances;
- d) the Receiver will have the right to reject any and all offers, including the highest dollar value offer(s); and
- e) any transaction or transactions will be subject to Court approval.

4.4 Floor Price

1. CMEC is considering if it wishes to participate as a bidder in the Sale Process. CMEC, as the Company's most significant secured creditor, may not be prepared to consent to a sale of the Property unless a certain threshold price is achieved. At the date of this Report, CMEC had not finalized its position in this regard, though the Receiver is advised that internal discussions are ongoing.
2. Approximately one month will be required for TD to complete its underwriting process and to prepare its marketing materials for the sale of the Real Property. The marketing of the Real Property is therefore not expected to start prior to late July 2018, should the proposed sale process order be granted. CMEC will advise the Receiver whether it will require a Floor Price prior to the commencement of the marketing process, (i.e. it will not be obligated to consent to a transaction that is for less than the Floor Price, which, if elected by CMEC, will be an aggregate value not exceeding its confirmed indebtedness plus unpaid property taxes and any unpaid receivership costs to the date of the closing of a transaction). If CMEC elects to require a Floor Price, in the event that none of the offers received are greater than the Floor Price, CMEC will have the right to credit bid its confirmed debt and acquire the Real Property and/or to develop the Real Property within the existing proceedings.
3. In the event that the Sale Process includes a Floor Price, TD will be entitled to a minimum fee provided it performs its mandate as set out in the listing agreement, or as otherwise agreed in writing by the Receiver. The minimum fee will not be payable if: a) there is no Floor Price; or b) TD is determined by the Court to have been grossly negligent or acted with wilful misconduct in the performance of this mandate.

4.5 Sale Process Recommendation

1. The Receiver recommends that the Court issue an order approving the Sale Process, including the retention of TD as the listing agent, for the following reasons:
 - a) the Sale Process is a fair, open and transparent process intended to canvass the market broadly in order to obtain the highest and best offer for the Property;
 - b) the Sale Process provides flexibility for the Receiver to consider various options for the Property, including sale and development proposals;
 - c) the Receiver has worked with CMEC to settle the terms of the Sale Process. It has taken time for CMEC to obtain required regulatory and internal approvals in China;
 - d) inclusion (or not) of a Floor Price will be communicated to the market at the launch of the Sale Process and, accordingly, should not prejudice any prospective purchaser;
 - e) the duration of the Sale Process is sufficient to allow interested parties to perform diligence and to submit an offer. The marketing process is to last approximately seven weeks given the complexity of the development and that it will be listed for sale over the summer. The proposed timeline contemplates that a transaction is likely to be completed following the conclusion of the CMEC Debt Litigation, which will be helpful for the ultimate resolution of these proceedings. In addition, the Receiver will have the right to extend or amend timelines, as appropriate;

- f) TD's team will be led by individuals who have real estate experience in student housing and the Kitchener-Waterloo area. TD has relationships with certain likely bidders for the Property; and
- g) TD's fee structure is consistent with market. In the event there is a Floor Price, TD will be entitled to a guaranteed fee equivalent to the product of its commission rate multiplied by the Floor Price if there is no buyer for the Real Property. The Receiver believes this is reasonable because it is possible that the Floor Price could have a chilling effect on the Sale Process. It is unlikely that a qualified realtor would spend the time and energy marketing the Real Property given this risk without a similar fee structure.

5.0 Funding of these Proceedings

1. On the date of the Receivership Order, there were limited funds on deposit in the Company's bank accounts. On February 13, 2018, CMEC advanced \$100,000 in order to fund operating and other costs in these proceedings. In accordance with the Receivership Order, the Receiver issued a Receiver's Certificate to CMEC for its advance.
2. Since March 1, 2018, these proceedings have been funded from the cash flow generated from Blair House's operations. As at the date of this Report, there is approximately \$1.48 million in the Receiver's bank account. This amount includes approximately \$870,000 of student deposits, which largely represents prepaid rent for the upcoming school year.
3. Property taxes have not been paid since the commencement of these proceedings. The Receiver understands that the Company's property tax obligation totals approximately \$1.3 million, plus interest which continues to accrue at a rate of 1.25% per month. The property tax obligation will be satisfied from the proceeds of a transaction for the Property, unless otherwise satisfied prior to that date.

6.0 Overview of the Receiver's Activities

1. The Receiver's activities over the course of these proceedings have included:
 - a) corresponding with representatives of CMEC, Davies Ward Phillips & Vineberg LLP, CMEC's legal counsel, and/or DLA in connection with all matters in these receivership proceedings, including the Sale Process, dealing with construction lien issues and operational matters;
 - b) corresponding on a near daily basis with representatives of Rez-One regarding cash management and operational matters;
 - c) monitoring the status of the leasing program for Blair House for the school year commencing September 2018;
 - d) corresponding with representatives of Grant Thornton, including in connection with background information, operational issues and tax matters, including HST and corporate tax filings;

- e) corresponding with utility and other service providers to, *inter alia*, arrange for new accounts to be opened and to deal with billing procedures;
- f) reviewing correspondence from legal counsel to lien claimants in connection with their respective claims;
- g) corresponding with legal counsel and reviewing materials filed in the context of the CMEC Debt Litigation;
- h) corresponding with the Company's insurance providers and arranging for the continuation of the Company's insurance policies;
- i) filing the Company's GST/HST returns on a monthly basis;
- j) conducting the realtor solicitation process;
- k) negotiating the listing agreement with TD;
- l) reviewing vendor invoices and processing payments for post-filing goods and services after discussion with Rez-One;
- m) reviewing and commenting on all Court materials filed in the accompanying motion record; and
- n) drafting this Report.

7.0 Professional Fees

1. The fees and disbursements (excluding HST) of the Receiver from the commencement of these proceedings until May 31, 2018 and those of its legal counsel, DLA, for the same period, total \$205,382 and \$107,316, respectively. The fees of the Receiver and DLA include activities undertaken prior to the date of the Receivership Order in connection with preparing for these receivership proceedings. Due to the uncertain recoveries in these proceedings, the Receiver and DLA are deferring a portion of their fees on this mandate subject to the results of the Sale Process.
2. Detailed invoices in respect of the fees and disbursements of the Receiver and DLA for the referenced billing periods are provided in appendices to the affidavits filed by KSV and DLA in the accompanying motion materials.
3. The average hourly rates for KSV and DLA for the referenced billing periods were \$438.38 and \$478.21, respectively.
4. The Receiver is of the view that the hourly rates charged by DLA are consistent with the rates charged by corporate law firms practicing in the area of insolvency in the Toronto market and that the fees incurred are reasonable and appropriate in the circumstances.

8.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that the Court make an order granting the relief detailed in Section 1.1 (1)(e) of this Report.

* * *

All of which is respectfully submitted,

A handwritten signature in blue ink that reads "KSV Kofman Inc". The signature is written in a cursive, flowing style.

**KSV KOFMAN INC.
SOLELY IN ITS CAPACITY AS COURT-APPOINTED RECEIVER AND MANAGER OF
2284649 ONTARIO INC., 2270613 LIMITED PARTNERSHIP AND 2270613 ONTARIO INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE

) TUESDAY, THE 6TH DAY

MR. JUSTICE McEWEN

)
) OF FEBRUARY, 2018
)



CHINA MACHINERY ENGINEERING CORPORATION

Applicant

- and -

2284649 ONTARIO INC., 2270613 LIMITED PARTNERSHIP, and
2270613 ONTARIO INC.

Respondents

Application Under Section 101 of the *Courts of Justice Act*, R.S.O. 1990,
c. C.43, as amended, and Section 243 of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended

ORDER
(Appointing Receiver)

THIS MOTION made by the Applicant for an Order 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. C.43, as amended (the "**CJA**") appointing KSV Kofman Inc. ("**KSV**") as receiver and manager (in such capacities, the "**Receiver**"), without security, of all assets, undertakings and properties of 2284649 Ontario Inc., including the real property for which 2284649 Ontario Inc. is the registered owner as set out on **Schedule "A"** hereto (collectively, the "**Real Property**"), and all of the assets, undertakings and properties of 2270613 Limited Partnership and 2270613 Ontario Inc. (collectively, the "**Debtors**") acquired for, or used

in relation to the Real Property (together with the Real Property, the "**Property**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Zhang Xiaofan sworn February 5, 2018 and the Exhibits thereto, and on hearing the submissions of counsel for the Applicant and the Respondents, and on reading the Consent of KSV to act as the Receiver,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, KSV is hereby appointed Receiver, without security, of the Property.

RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtors in respect of the Property, including the powers to enter into any agreements, incur any obligations in the ordinary course of business in respect of the Property, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtors in respect of the Property;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors in respect of the Property or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors in respect of the Property and to exercise all remedies of the Debtors in collecting such monies, including, without

limitation, to enforce any security held by the Debtors in respect of the Property;

- (g) to settle, extend or compromise any indebtedness owing to the Debtors in respect of the Property;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors in respect of the Property, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

- (i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and
- (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the *Ontario Personal Property Security Act* or section 31 of the *Ontario Mortgages Act*, as the case may be, shall not be required;

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and

on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;

- (p) to assign 2284649 Ontario Inc. into bankruptcy;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the 2284649 Ontario Inc., including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by 2284649 Ontario Inc.;
- (r) to make or cause to be made such appraisal and investigation of the Property and affairs of the Debtors as to enable the Receiver to examine any disposition or transfer of the Property prior to the date hereof;
- (s) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have in respect to the Property; and
- (t) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that: (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and

shareholders, and all other persons acting on the Debtors' instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the Property and the business or affairs of the Debtors in respect of the Property, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by

independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. **THIS COURT ORDERS** that any bank holding accounts in the name of 2284649 Ontario Inc. or any corporate name previously held by 2284649 Ontario Inc., or other bank accounts related to the Property shall provide KSV, in its capacity as Receiver, with immediate access to, and full authorization over, such bank accounts.

NO PROCEEDINGS AGAINST THE RECEIVER

8. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

9. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtors in respect of the Property or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors in respect of the Property or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. **THIS COURT ORDERS** that all rights and remedies against the Debtors in respect of the Property, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall: (i) empower the Receiver or the Debtors to carry on any business which the Debtors is not lawfully entitled to carry on; (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment; (iii) prevent the filing of any registration to preserve or perfect a security interest; or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtors in respect of the Property, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtors in respect of the Property or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors in respect of the Property are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post

Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. **THIS COURT ORDERS** that the Receiver may, but is not obligated to, enter into one or more agreements with any entity that employs individuals who provide services in respect of the Property or the Debtors. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. The provisions of paragraph 12, above, shall apply without limitation to any arrangements entered into by the Receiver pursuant to this paragraph.

PIPEDA

15. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such

information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

17. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

18. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

21. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$1,000,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

22. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as **Schedule "B"** hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

24. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

25. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in

accordance with the Protocol with the following URLs: ksvadvisory.com/insolvency-cases/2284649-ontario-inc/, ksvadvisory.com/insolvency-cases/2270613-limited-partnership/, and ksvadvisory.com/insolvency-cases/2270613-ontario-inc/.

26. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors' creditors in respect of the Property or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

27. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.

29. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies

are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. **THIS COURT ORDERS** that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtors' estate with such priority and at such time as this Court may determine.

32. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



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LE / DANS LE REGISTRE NO:

FEB 06 2018

PER / PAR:



SCHEDULE "A"

LEGAL DESCRIPTION OF THE REAL PROPERTY

The real property legally described by the following PINs:

- a) 22365-0226 (LT)
- b) 22365-0227 (LT); and
- c) 23614-0001 (LT) through to and including 23614-0210 (LT).

SCHEDULE "B"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$_____

1. THIS IS TO CERTIFY that KSV Kofman Inc., the receiver (the "**Receiver**") of all real property for which 2284649 Ontario Inc. is the registered owner as set out on **Schedule "A"** hereto (collectively, the "**Real Property**") and all of the assets, undertakings and properties of, 2270613 Limited Partnership and 2270613 Ontario Inc. (collectively, the "**Debtors**") acquired for, or used in relation to the Real Property (together with the Real Property, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 6th day of February, 2018 (the "**Order**") made in an action having Court file number CL-_____, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by

the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____, 20__.

KSV ADVISORY INC., solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name:

Title:

SCHEDULE "A" TO THE RECEIVER'S CERTIFICATE

LEGAL DESCRIPTION OF THE REAL PROPERTY

The real property legally described by the following PINs:

- a. 22365-0226 (LT)
- b. 22365-0227 (LT); and
- c. 23614-0001 (LT) through to and including 23614-0210 (LT).

China Machinery Engineering Corporation and **2284649 Ontario Inc. et al.**

Applicant

Respondents

Court File No: CV-18-591534-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

Proceeding commenced at Toronto

**ORDER
(Appointing Receiver)**

Davies Ward Phillips & Vineberg LLP
155 Wellington Street West
Toronto, ON M5V 3J7

James Doris (LSUC #33236P)
jdoris@dwpv.com

Tel: 416.367.6919

Jesse Mighton (LUSC #62291J)
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Tel: 416.367.7572

Fax: 416.863.0871

Lawyers for the Applicant

Appendix “B”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE)
MR. JUSTICE McEWEN)
MONDAY, THE 7TH
DAY OF MAY, 2018

CHINA MACHINERY ENGINEERING CORPORATION

Applicant

- and -

**2284649 ONTARIO INC., 2270613 LIMITED PARTNERSHIP, and
2270613 ONTARIO INC.**

Respondents

Application Under Section 101 of the *Courts of Justice Act*,
R.S.O. 1990, c. C.43, as amended, and Section 243 of the
Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended

**ORDER
(Claim Adjudication Timetable and Protocol)**

THIS MOTION made by the Applicant, China Machinery Engineering Corporation, for an Order approving a litigation timetable and protocol, was heard this day at 330 University Avenue, Toronto, Ontario.

ON HEARING submissions from counsel to the Applicant and the Respondents:

1. **THIS COURT ORDERS** that the litigation protocol in the form appended as Schedule "A" to this Order is hereby approved, and shall apply to the determination of the claim of the Applicant against the Respondents.

2. **THIS COURT ORDERS** that determination of the Applicant's claim against the Respondents shall proceed in accordance with the timetable set out at Schedule "B" hereto.



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LE / DANS LE REGISTRE NO:

MAY 07 2018

PER / PAR:



SCHEDULE "A"
LITIGATION PROTOCOL

1. Purpose. This Protocol sets forth the procedures agreed to between China Machinery Engineering Corporation (the "**Applicant**") and 2284649 Ontario Inc., 2270613 Limited Partnership, and 2270613 Ontario Inc. (collectively, the "**Respondents**") for the purpose of determining the validity and quantum of the Applicant's claim against the Respondents (the "**Dispute**").
2. Forum. The Dispute shall be adjudicated by a judge of the Ontario Superior Court of Justice - Commercial List (the "**Court**").
3. Timetable. The timetable agreed to among the Parties shall be subject to the availability of the Court.
4. Evidence at Trial.
 - (a) Evidence in chief shall be produced through affidavit evidence only.
 - (b) Each party shall be entitled to cross examine the affiant of the opposing party, with any such cross examinations to be conducted in person during the hearing.
5. Written Submissions. Facta shall not exceed 25 pages, subject to leave of the Court.
6. Other Issues. Any procedural issues not addressed in this Protocol shall be as agreed to by the Parties or ordered by the Court.

SCHEDULE "B"
LITIGATION TIMETABLE

Item	Date
Applicant to file affidavit(s) in support of claim	May 11, 2018
Respondents to advise of intention to file expert report(s) including identity of experts and subjects to be addressed	June 1, 2018
Respondents to file affidavit(s) in response to claim	June 8, 2018
Respondents to file expert report(s) (if any)	June 22, 2018
Applicant to file reply affidavit(s) (if any), deadline for Parties to exchange requests for documents	June 29, 2018
Applicant to file responding expert report(s), if any	July 31, 2018
Respondents to deliver reply expert report(s) (if any)	August 31, 2018
Parties to file facta	September 6, 2018
Trial Evidence (three days)	September 10-12, 2018
Parties to file amended facta	September 16, 2018, 12:00PM (by email)
Closing Argument (half day)	September 17, 2018

China Machinery Engineering Corporation

and **2284649 Ontario Inc. et al**

Applicant

Respondents

Court File No. CV-18-591534-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**ORDER
(Claim Adjudication Timetable)**

Davies Ward Phillips & Vineberg LLP
155 Wellington Street West
Toronto, ON M5V 3J7

James Doris (LSO #33236P)

jdoris@dwpv.com

Tel: 416.367.6919

Jesse Mighton (LSO #62291J)

jmighton@dwpv.com

Tel: 416.367.7572

Fax: 416.863.0871

Lawyers for the Applicant

Appendix “C”

Lien Claim (counsel)	Amount of Lien (total contract value)	Has lien claimant registered lien against property?	Has lien claimant commenced action to perfect lien?	Notes
Dufferin Concrete, a division of CRH Canada Group Inc. (Pallett Valo LLP)	\$260,497.89 (\$260,497.89)	Yes (250 and 252)	Yes	Services supplied to Melloul-Blamey from Dec. 10, 2017 to Jan. 31, 2018
Harris Steel ULC o/a Harris Rebar (Malo, Pilley and Lehman)	\$930,442.90 (\$804,000)	Yes (250, 252 and 256)	Yes	Services supplied to Melloul-Blamey from Sept. 26, 2017 to Feb. 6, 2018 *Schedule "A" listing names of owners lists CMEC
Pro Electric Inc. (Siskinds LLP)	\$299,566.09 (\$1,795,000.00)	Yes (250 and 252)	Yes	Services supplied to Melloul-Blamey from Sept. 1, 2017 to Feb. 8, 2018
Pro Electric Inc. (Siskinds LLP)	\$512,892.04 (\$4,024,464.00)	Yes (250 and 252)	Yes	Services supplied to Melloul-Blamey from Sept. 1, 2017 to Feb. 8, 2018
Melloul-Blamey Construction (Duncan, Linton LLP)	\$8,109,944.47 (\$9,237,956.63)	Yes (250, 252, 254 and 256)	Yes	*Services supplied to 2284649 Ontario Inc., 2270613 Ontario Inc., 2270613 Limited Partnership and JD Development 254 Phillip Street Ltd. from May 3, 2017 to Feb. 15, 2018
Sky Window Technologies Inc. (Drudi Alexiou Kuchar LLP)	\$125,000.00 (\$1,395,000.00)	Yes (252)	Yes	Services supplied to Melloul-Blamey from Sept. 19, 2018 to Feb. 20, 2018 *Schedule listing names of owners lists CMEC
Tri-Con Haid Concrete Finishing Ltd. (Madorin Snyder LLP)	\$64,542.21 (\$1.00 per square for unit price)	Yes (250 and 252)	Yes	*Services supplied to Redline Structures Ontario Inc. from Nov. 28, 2017 to Feb. 2, 2018
Tri-Con Haid Concrete Finishing Ltd. (Madorin Snyder LLP)	\$55,709.00 (\$49,300.00)	Yes (250 and 252)	Yes	Services supplied to Melloul-Blamey from Nov. 7, 2017 to Jan. 25, 2018
McKnight Charron Limited (Stewart Esten LLP)	\$73,301.50 (\$1,209,722.70)	Yes (250, 252 and 256)	Yes	*Services supplied to 2284649 Ontario Inc., 2270613 Ontario Inc., 2270613 Limited Partnership and JD Development 254 Phillip Street from Jan. 1, 2015 to Jan. 31, 2018

PERI Formwork Systems Inc. (Goldman Sloan Nash & Haber LLP)	\$71,684.04 (\$71,137.00)	Yes (250, 252 and 256)	Yes	*Services supplied to Redline Structures Inc. from Sept. 25, 2017 to Feb. 13, 2018
Morrow Equipment Company, LLC (Koskie Minsky LLP)	\$251,631 (\$548,600.00)	Yes (252)	Yes	Services supplied to Melloul-Blamey from June 14, 2017 to Feb. 20, 2018
G. Melo Excavating Ltd. (Pavey Law LLP)	\$98,373 (\$485,391.50)	Yes (250 and 252)	Yes	Services supplied to Melloul-Blamey from Sept. 8, 2017 to Feb. 6, 2018
Redline Structures Ontario Inc. (Gowling WLG (Canada) LLP)	\$1,302,864.24	Yes (250, 252 and 256)	Yes	Services supplied to Melloul-Blamey from Sept. 11, 2017 to Feb. 7, 2018
Stephenson Engineering Ltd. (Corestone Law)	\$13,019.52 (\$327,700)	Yes (250 and 252)	Yes	*Services supplied to 2284649 Ontario Inc. from Aug. 1, 2016 to Feb. 6, 2018
Titan Formwork Systems, Inc. (Capo Sgro LLP)	\$87,645.53 (\$100,608.64)	Yes (250, 252, 254 and 256)	No	*Services supplied to Redline Structures Ontario Inc. and Redline Structures Inc. from Nov. 8, 2017 to April 5, 2018

Appendix “D”



David Sieradzki

ksv advisory inc.

150 King Street West, Suite 2308

Toronto, Ontario, M5H 1J9

T +1 416 932 6030

F +1 416 932 6266

ksvadvisory.com

dsieradzki@ksvadvisory.com

February 12, 2018

TD Securities
Investment Banking
TD Tower, 9th Floor, 66 Wellington Street West
Toronto, ON M5K 1A2

Attention: Ashley Martis

Dear Ashley:

**Re: 2284649 Ontario Inc., 2270613 Limited Partnership and 2270613 Ontario Inc.
(collectively, the “Companies”)**

Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) dated February 6, 2018 (the “Receivership Order”), KSV Kofman Inc. was appointed receiver and manager (“Receiver”) of the Companies’ property, assets and undertaking. A copy of the Receivership Order is available at <http://www.ksvadvisory.com/insolvency-cases/2284649-ontario-inc/>.

The Companies’ principal asset is real property municipally described as 250, 252 and 256 Phillip Street, Waterloo, Ontario (collectively, the “Real Property”). A summary of the Real Property is as follows:

- a) 250 Phillip Street property comprises a 20-storey multi-residential student housing facility operating as Blair House, which is fully occupied (106 units / 426 bedrooms); and
- b) 250 and 252 Phillip Street are both intended to be student housing residences. Construction on the 252 Phillip Street property recently commenced; it was suspended on February 6, 2018. 250 Phillip Street property is raw land.

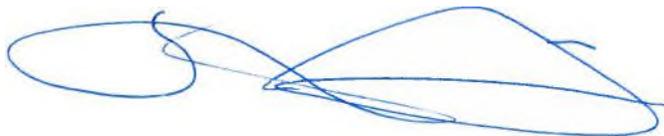
Further details concerning the Real Property are included in Appendix “A”.

The principal purpose of the receivership proceedings is to solicit sale and/or development offers for the Real Property. Accordingly, you are invited to submit a proposal to act as our agent in connection therewith. Proposals must be submitted to the Receiver by 5:00 p.m. (Toronto time) on February 23, 2018. Details concerning the process and the content to be included in your proposal are attached as Appendix “A”. A confidentiality agreement is attached as Appendix “B”.

Should you have any questions with respect to the above, please contact the undersigned at (416) 932-6030.

Yours very truly,

**KSV KOFMAN INC.
SOLELY IN ITS CAPACITY AS COURT-APPOINTED RECEIVER AND MANAGER OF
2284649 ONTARIO INC., 2270613 LIMITED PARTNERSHIP AND 2270613 ONTARIO INC.
AND NOT IN ITS PERSONAL CAPACITY**

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke.

Per: David Sieradzki

DS:vb

Encl.

Appendix “A”

**Request for Proposals for
REAL ESTATE BROKER SERVICES**

**Re: 2284649 Ontario Inc., 2270613 Limited Partnership and
2270613 Ontario Inc. (collectively, the “Companies”)**

Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) dated February 6, 2018 (the “Receivership Order”), KSV Kofman Inc. was appointed receiver and manager (“Receiver”) of the Companies’ property, assets and undertaking, which is principally comprised of real property municipally described as 250, 252 and 256 Phillip Street, Waterloo, Ontario (the “Real Property”).

The Receiver invites proposals to provide real estate broker services for the listing and sale of the Real Property.

Proposals must be submitted to David Sieradzki, Managing Director, KSV Kofman Inc., 150 King Street West, Suite 2308, Toronto, Ontario M5H 1J9 by 5:00 p.m. (Toronto time) on February 23, 2018.

For more information or questions, please contact Mr. Sieradzki at (416) 932-6030 or at dsieradzki@ksvadvisory.com.

A. Background

- The Receiver is now accepting proposals (“Proposals”) to act as listing agent to solicit sale and/or development proposals for the Real Property. The Receiver may engage one or more realtors to market the Real Property.
- The terms of any sale and/or development process (the “Strategic Process”) and the selection of a realtor(s) are subject to Court approval.
- Copies of all Court materials filed in these proceedings are available on the Receiver’s website at:

<http://www.ksvadvisory.com/insolvency-cases/2284649-ontario-inc/>
- A brief summary of the Real Property is provided below. Additional information is provided in a data room maintained by the Receiver. Realtors can obtain access to the data room once they sign the confidentiality agreement attached as Appendix “B”.

256 Phillip Street, Waterloo, ON (“Blair House”)

- In 2015, the Companies completed a 20-storey multi-residential student housing facility operating as Blair House. The residence has 426 bedrooms in 106 three, four or five-bedroom units, with each bedroom ranging in size from 188 to 251 square feet. The facility has six commercial units located on the ground floor, of which five are presently leased to retail tenants (Balzac’s coffee, Share Tea, Ken Sushi, The UPS Store and Bob’s Bakery and Noodle House).
- The residence is presently fully occupied for the current school year and the pre-leasing program for the next school year is ongoing.

250 and 252 Phillip Street, Waterloo, ON

- The Companies intended to develop a high-rise student residence on each of 250 and 252 Phillip Street. Each property is comprised of approximately 1.115 acres of land. The properties are adjacent to the University of Waterloo to the north, on the east side of Phillip Street.
- Each of the properties has been zoned and approved for their intended use.
- Construction recently commenced on the 252 Phillip Street property; however, all construction activity was suspended upon the Receiver's appointment on February 6, 2018.
- No development activity has commenced on the 250 Phillip Street property.

Shared Facilities Agreement

- The Companies do not own 254 Phillip Street, an adjacent property. This property consists of a fully operational student residence operating as Fergus House. There is a shared services agreement between the Companies and the owner of Fergus House. A copy of the shared services agreement will be provided in the data room.

B. Proposal Submission Deadline

- Proposals are to be submitted to the Receiver by 5:00 p.m. (Toronto time) on February 23, 2018.

C. Realtor's Role

The realtor's role will include, *inter alia*:

- developing a detailed marketing process, including recommended timelines for the Strategic Process;
- establishing an estimated value for the Real Property;
- preparing all marketing materials, with input from the Receiver;
- advertising the Real Property at the agent's expense;
- obtaining and negotiating confidentiality agreements from interested parties;
- showing the Real Property to interested parties and working with the Receiver to maintain a data room to facilitate the Strategic Process;
- qualifying interested parties from a financial perspective;
- assisting interested parties with their due diligence;
- assisting the Receiver to assess offers submitted;
- providing the Receiver with a report summarizing the Strategic Process, to be relied upon by the Receiver to support the Receiver's recommended transaction; and

- assisting the Receiver to close a transaction.

D. Proposal Content

The Proposal must contain the following:

1. Work Plan: all bidders shall provide a detailed work plan.
2. Value: all bidders shall provide an estimate of the value of the Real Property, together with supporting assumptions.
3. Firm Background and Staff Experience: all bidders shall provide background information concerning their firm, including the experience of their staff who will be leading this assignment (including résumés for team leaders).
4. Bidder's Liability Insurance Certificate: a copy of the bidder's liability insurance certificate is to be included.
5. Compensation Structure: all Proposals shall indicate the proposed compensation structure.
6. Conflict of Interest Statement: all bidders shall disclose any professional or personal financial interests which could be a possible conflict of interest. In addition, all bidders shall further disclose any arrangements to derive additional compensation.

E. Proposal Consideration

The factors on which each Proposal will be considered include the following:

- Bidder's marketing plan;
- Relevant experience with student housing facilities, multi-tenant residential housing and/or in the Waterloo and surrounding area;
- Depth of reach, including international targets (to the extent applicable);
- Professional qualifications of individuals leading the project;
- Perspective on completing/advancing construction on 252 Phillip Street (with supporting financial assumptions to the extent relevant);
- Compensation structure; and
- Other factors as determined by the Receiver at its sole discretion.

Appendix “B”

CONFIDENTIALITY AGREEMENT

KSV Kofman Inc.
150 King St West, Suite 2308
Toronto, Ontario M5H 1J9

Email: dsieradzki@ksvadvisory.com
Attention: David Sieradzki

Dear Sirs:

We are executing this Confidentiality Agreement for the purpose of evaluating the property located at 250, 252 and 256 Phillip Street, Waterloo, Ontario, N2L 3W8 (hereinafter referred to as the "Property") in the context of your request for proposal to provide realtor and other services to you.

I/ We (hereinafter referred to as the "Realtor") request that KSV Kofman Inc., in its capacity as receiver and manager (the "Receiver") of the Property registered on title as being owned by 2284649 Ontario Inc., 2270613 Limited Partnership and 2270613 Ontario Inc. (collectively the "Companies") appointed pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) dated February 6, 2018, provide the Realtor with confidential information relating to the Property.

In consideration of the Receiver agreeing to provide the Realtor with such information, the Realtor agrees with the Receiver, as follows:

- a) to treat confidentially such information and any other information that the Receiver, the Companies or any of their advisors furnish to the undersigned, whether furnished before or after the date of this Agreement, whether furnished orally or in writing or otherwise recorded or gathered by inspection, and regardless of whether specifically identified as "confidential" (collectively, the "Information");
- b) to use any of the Information for any purpose other than the exclusive purpose of evaluating the possibility of submitting a listing proposal for the Property. The Realtor agrees that the Information will not be used in any way detrimental to the Companies, Property or the Receiver in the performance of its mandate concerning the Property and that such information will be kept confidential by the undersigned, its directors, officers, employees and representatives and these people shall be informed by the undersigned of the confidential nature of such information and shall be directed to treat such information confidentially. The undersigned shall be responsible for any breaches of this Agreement by any of its directors, officers, employees and representatives;
- c) the undersigned and its directors, officers, employees and representatives will not, without the prior written consent of the Receiver, disclose to any persons that this solicitation for proposal is taking place nor disclose any of the terms, conditions or other facts with respect to any such possible transaction, including the status thereof;
- d) the term "person" as used in this Agreement shall be broadly interpreted to include, without limitation, any corporation, company, partnership or individual or any combination of one or more of the foregoing;
- e) that any time, at the request of the Receiver, the undersigned agrees to promptly return or destroy, without any right of compensation or indemnity, all Information without retaining any copies thereof or any notes relating thereto or reproductions or any part thereof in its possession without regards to the form or format. The undersigned will certify as to the return or destruction of all Information and related notes and copies of such information and that no person has a copy of the Information;

- f) that in the event the undersigned is required or requested by legal process to disclose any of the Information, the undersigned will provide the Receiver with prompt notice of such requirement or request so that the Receiver may take such actions as it considers appropriate;
- g) that the undersigned agrees that the Receiver and the Companies make no representations or warranties as to the accuracy or completeness of the Information. The undersigned further agrees that neither the Receiver, nor the Companies or any other author of or person providing Information shall have any liability to the undersigned or any of its representatives arising from the use of the Information by the undersigned or its representatives;
- h) the Realtor represents and warrants that it shall be responsible for any costs associated with its review of the Information. Any consultants, real estate agents/Realtors, and/or advisors retained by the Realtor shall be required to execute, and to be bound by, this Confidentiality Agreement. The undersigned shall retain a copy of such executed Confidentiality Agreement and will provide it to the Receiver immediately following its request.
- i) the Realtor agrees that monetary damages would not be a sufficient remedy for any breach of this Agreement by it or its employee or agents and that any court having jurisdiction may enter a preliminary and/or permanent restraining order, injunction or order for specific performance in the event of an actual or threatened breach of any of the provisions of this Agreement, in addition to any other remedy available to the Receiver or the Companies.
- j) the Realtor hereby agrees to observe all the requirements of any applicable privacy legislation including, without limitation, the Personal Information Protection and Electronic Documents Act (Canada) with respect to personal information which may be contained in the Information;
- k) this Agreement shall be governed by the laws of the Province of Ontario and those of Canada applicable therein; and
- l) this Agreement shall enure to the benefit of the Receiver and its successors and assigns and shall be binding upon the undersigned and its heirs, executors, administration, successors and assigns.

DATED at _____ this _____ day of _____, 2018

("Realtor").

Corporate Name (Please Print)

By (Authorized Signing Officer's Signature)

(Officer's Name and Title)

(Realtor's Address)

(Telephone Number)

(Email Address)