



**Third Report to Court of  
KSV Kofman Inc. as Proposal  
Trustee of 2301132 Ontario Inc. and  
2309840 Ontario Inc.**

October 29, 2018

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COURT FILE NO.: 31-2413442

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF  
2301132 ONTARIO INC. AND 2309840 ONTARIO INC.,  
OF THE CITY OF PORT PERRY, IN THE PROVINCE OF ONTARIO

THIRD REPORT OF KSV KOFMAN INC. AS PROPOSAL TRUSTEE OF  
2301132 ONTARIO INC. AND 2309840 ONTARIO INC.

OCTOBER 29, 2018

## 1.0 Introduction

1. This report (the “Report”) is filed by KSV Kofman Inc. (“KSV”) in its capacity as proposal trustee (“Proposal Trustee”) in connection with Notices of Intention to Make a Proposal (“NOI”) filed by 2301132 Ontario Inc. (“2301”) and 2309840 Ontario Inc. (“2309”, and together with 2301, the “Companies”) on August 24, 2018 (the “Filing Date”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (“BIA”).
2. On September 20, 2018, the Ontario Superior Court of Justice (Commercial List) (the “Court”) issued an order administratively consolidating the Companies' NOI proceedings, extending the deadline for the Companies to file a proposal to November 7, 2018 and granting an administrative charge in the amount of \$450,000.
3. The principal asset owned by 2301 is real property municipally described as 13764 Highway 7, Georgetown (“13764”) and 8 Lindsay Court, Georgetown (“8 Lindsay”, and together with 13764, the “2301 Properties”).
4. The principal asset owned by 2309 is real property municipally described as 13758 Highway 7, Georgetown (“13758”), 10 Lindsay Court, Georgetown (“10 Lindsay”) and 22 and 24 Dayfoot Drive, Georgetown (“Dayfoot”, and together with 13758 and 10 Lindsay, the “2309 Properties”).

5. 8/10 Lindsay and 13758/13764 are four of five properties that comprise one development site (the “Owned Assembly Properties”). The fifth property (the “Purchase Option Property”) is owned by a third party, Credit Temple Corporation (“Credit Temple”). (Together, the Owned Assembly Properties and the Purchase Option Property are referred to as the “Assembly”. The Owned Assembly Properties and Dayfoot are collectively referred to herein as the “Real Property”.)
6. 2491324 Ontario Inc. (“2491”), a corporation that is an affiliate of the Companies but is not subject to these NOI proceedings, has entered into an Agreement of Purchase and Sale with Credit Temple to acquire the Purchase Option Property for \$4.2 million (the “Temple APS”), with a closing date to occur within 90 days of site plan approval for the Assembly (the “Purchase Option”). 2491 is controlled by Brian Tilley, the individual who controls the Companies. The Temple APS requires that the purchaser of the Purchase Option own all the Real Property.
7. On October 15, 2018, the Court issued an order (the “SISP Order”) approving a Sale and Investment Solicitation Process (the “SISP”). The principal purpose of the Companies’ restructuring proceedings is to create a stabilized environment to allow the Companies to enter into a transaction for the Real Property. A copy of the SISP Order is attached as Appendix “A”.
8. In accordance with the terms of the SISP Order, E. Manson Investments Limited (“EMIL”) and the Companies, with the assistance and oversight of the Proposal Trustee, entered into an Agreement of Purchase and Sale (the “Stalking Horse APS”) pursuant to which EMIL has agreed to act as a stalking horse bidder in the SISP for the Real Property and has agreed to purchase the Real Property. The transaction contemplated by the Stalking Horse APS remains subject to the Court’s approval upon a further motion by the Companies if EMIL is the successful bidder in the SISP.

## **1.1 Purposes of this Report**

1. The purposes of this Report are to:
  - a) provide an update on the SISP;
  - b) report on the Companies’ unconsolidated weekly cash flow projections for the period November 7, 2018 to December 21, 2018 (“Cash Flow Forecasts”);
  - c) summarize the Proposal Trustee’s activities since the commencement of these proceedings;
  - d) recommend that the Court make an order:
    - i. granting the Companies’ request for an extension of the time to file a proposal with the Official Receiver from November 7, 2018 to December 21, 2018; and

- ii. approving the Proposal Trustee's First Report to Court dated September 13, 2018 (the "First Report"), the Proposal Trustee's Second Report to Court dated October 5, 2018 (the "Second Report"), this Report and the activities of the Proposal Trustee as described in those reports. (Copies of the First Report and the Second Report are attached as Appendix "B" and "C", respectively, without appendices.)

## 1.2 Currency

1. All currency references in this Report are to Canadian dollars.

## 1.3 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Companies' representatives, the Companies' books and records and discussions with its representatives. The Proposal Trustee has not performed an audit or other verification of such information. An examination of the Companies' financial forecasts as outlined in the *Canadian Institute of Chartered Accountants Handbook* has not been performed. Future oriented financial information relied upon in this Report is based on the Companies' representatives' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.
2. The Proposal Trustee also references its report on the Companies' cash flow projections and underlying assumptions in Appendix "E" and notes that its review and commentary thereon was performed in accordance with the requirements set out in the *Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 99-5* (Trustee's Report on Cash Flow Statement). Any party wishing to place reliance on the Companies' financial information should perform its own diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.

## 2.0 Insolvency Proceedings

1. Background information regarding the Companies' restructuring proceedings, including information regarding the Real Property, the SISF and the Stalking Horse APS is provided in the Second Report.
2. The Court materials filed in these proceedings are available on the Proposal Trustee's website at <http://ksvadvisory.com/insolvency-cases/2301132-ontario-inc-and-2309840-ontario-inc/>.

### **3.0 SISP**

1. The SISP is described in the Second Report.
2. Pursuant to the SISP Order, the Proposal Trustee engaged Colliers Macaulay Nicolls Ontario Inc. (“Colliers”) to act as listing agent to sell the Real Property and to solicit refinancing proposals for the Real Property.
3. Prior to the SISP Order, Colliers and the Proposal Trustee worked together to prepare an investment summary, form of confidentiality agreement, virtual data room and a confidential information memorandum (“CIM”).
4. On October 15, 2018, Colliers sent the investment summary to over 500 builders and investors in the Greater Toronto Area. To date, 21 parties have signed the confidentiality agreement. Each of those parties has been provided access to an online data room and the CIM. Most of the interested parties appear interested in a purchase transaction. The Proposal Trustee has been advised that there is some interest in a refinancing transaction.
5. The bid deadline in the SISP is November 28, 2018. If necessary, an auction is to be held on or before December 7, 2018 (within 7 business days of the bid deadline).

### **4.0 Cash Flow Forecast**

1. Pursuant to the provisions of the BIA, each of the Companies is required to prepare a cash flow forecast. Each of the Companies’ main asset is the Real Property. The projected receipts for each of the Companies during the projection period, being November 7, 2018 to December 21, 2018 (the “Period”), are nominal and are comprised solely of rent. The only disbursements projected by the Companies during the Period are management fees. The professionals involved in these proceedings will be paid from the transaction proceeds - no amounts are reflected as being paid to professionals in the projections. The Cash Flow Forecasts reflect that the cash receipts are sufficient to pay the anticipated disbursements during the Period. The Cash Flow Forecast for each of the Companies, together with Management’s Reports on the Cash-Flow Statements as required by Section 50.4(2)(c) of the BIA, are provided in Appendix “D”.
2. Based on the Proposal Trustee’s review of the Cash Flow Forecasts, there are no material assumptions which seem unreasonable in the circumstances. The Proposal Trustee’s Report on the Cash Flow Statement for each of the Companies as required by Section 50.4(2)(b) of the BIA is attached as Appendix “E”.

## 5.0 Companies Request for an Extension

1. The Companies are seeking an extension of the time to file a proposal with the Official Receiver to December 21, 2018.
2. The Proposal Trustee supports the Companies' request for the following reasons:
  - a) the Companies are acting in good faith and with due diligence;
  - b) the Companies would likely be able to make a viable proposal if the extension is granted;
  - c) no creditor would be materially prejudiced if the extension is granted;
  - d) it will allow the Proposal Trustee and the Companies time to complete the Court-approved SISP; and
  - e) as at the date of this Report, the Proposal Trustee is not aware of any party opposed to an extension.

## 6.0 Overview of the Proposal Trustee's Activities

1. The Proposal Trustee's activities since the commencement of the proceedings have included:
  - a) working with the Companies to prepare the documents required to commence the NOI process;
  - b) corresponding regularly with Mr. Tilley, the principal of the Companies, regarding various matters in these proceedings;
  - c) mailing notices to each of the Companies' creditors as required pursuant to the BIA;
  - d) preparing, for each of the Companies, statutory cash flow forecasts, Management's Reports on the Cash Flow Statements and the Proposal Trustee's Reports on the Cash Flow Statements;
  - e) compiling and updating the Companies' creditors lists;
  - f) corresponding with Mr. Tilley and Colliers regarding the SISP;
  - g) drafting the various Reports to Court;
  - h) negotiating and corresponding with EMIL and its counsel regarding the Stalking Horse APS;
  - i) attending at Court as required;

- j) corresponding with DLA Piper Canada LLP, the Companies' legal counsel, and Bennett Jones LLP, the Proposal Trustee's counsel, regarding various matters in these proceedings;
- k) corresponding with each of the Companies' lenders;
- l) corresponding with certain prospective purchasers;
- m) assisting with the preparation of a data room in connection with the SISP;
- n) posting materials filed with the Court on the Proposal Trustee's website established for these proceedings; and
- o) maintaining the service list.

## 7.0 Conclusion and Recommendation

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

\* \* \*

All of which is respectfully submitted,



**KSV KOFMAN INC.  
SOLELY IN ITS CAPACITY AS TRUSTEE UNDER THE  
NOTICES OF INTENTION TO MAKE A PROPOSAL OF  
2301132 ONTARIO INC. AND 2309840 ONTARIO INC.  
AND NOT IN ITS PERSONAL CAPACITY**



## **Appendix “A”**

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**  
**(IN BANKRUPTCY AND INSOLVENCY)**



THE HONOURABLE MR. )

MONDAY, THE 15<sup>th</sup> DAY OF

JUSTICE MCEWEN )

OCTOBER, 2018

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A  
PROPOSAL OF 2301132 ONTARIO INC. AND 2309840 ONTARIO INC.,  
OF THE CITY OF PORT PERRY, IN THE PROVINCE OF ONTARIO

**ORDER**

**THIS MOTION**, made by 2301132 Ontario Inc. (“**2301132**”) and 2309840 Ontario Inc. (“**2309840**”, and together with 2301132, the “**Companies**”), pursuant to Sections 50.4(9) and 64.2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), for an order, *inter alia*, approving a “stalking horse” sale and refinancing solicitation process (the “**SISP**”) in respect of the Companies and approving a stalking horse agreement of purchase and sale (the “**Stalking Horse APS**”) between the Companies and E. Manson Investments Limited, (“**EMIL**”) for the purposes of the SISP, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record of the Companies, the second report of KSV Kofman Inc., in its capacity as proposal trustee of each of the Companies (the “**Proposal Trustee**”), dated October 5, 2018 (the “**Second Report**”) and the appendices thereto, and on hearing the submissions of counsel for the Companies, counsel for the Proposal Trustee, counsel for EMIL and those other parties listed on the counsel slip, no one else appearing for any other person

although duly served as appears from the Affidavit of Service of Danny M. Nunes sworn October 10, 2018, filed.

## **SERVICE**

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

## **APPROVAL OF STALKING HORSE SISP**

2. **THIS COURT ORDERS** that the SISP, as described in Section 5 of the Second Report, be and is hereby approved.

3. **THIS COURT ORDERS** that the Bidding Procedures Set out in Schedule "A" to the Stalking Horse APS and the break fee and expense reimbursement set out in Section 14.2 of the Stalking Horse APS are each hereby approved and that the Stalking Horse APS is hereby approved solely for the purposes of standing as the Stalking Horse Bid in the SISP, provided that if EMIL is the successful bidder under the SISP, implementation of the transaction contemplated by the Stalking Horse APS will be subject to the Court's approval upon further motion by the Companies.

4. **THIS COURT ORDERS** that the Proposal Trustee be and is hereby authorized and directed to enter into the Multiple Listing Services Agreement in respect of the Real Property (as defined in the Second Report) with Colliers Macauley Nicolls Inc. as listing agent (the "**Listing Agreement**").

5. **THIS COURT ORDERS** that the Companies and the Proposal Trustee be and are hereby authorized and directed to perform their obligations under and in accordance with the SISP, including under the terms of the Listing Agreement, and take such further steps as they consider necessary or desirable in carrying out the SISP and any steps taken by the Companies and/or the Proposal Trustee in connection with the SISP prior to the date hereof, as described in the Second Report, be and are hereby approved and ratified.

6. **THIS COURT ORDERS** that the Companies and the Proposal Trustee shall have no personal or corporate liability in connection with the SISP.

#### **BREAK FEE CHARGE**

7. **THIS COURT ORDERS** that EMIL shall be entitled to the benefit of and is hereby granted a charge (the “**Break Fee Charge**”) on the current and future assets, undertakings and properties of the Companies of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”), which charge shall not exceed the amount of \$225,000, as security for payment of the break fee and expense reimbursement provided for under Section 14.2 of the Stalking Horse APS. The Break Fee Charge shall have the priority set out in paragraphs 8 and 9 hereof.

8. **THIS COURT ORDERS** that the filing, registration or perfection of the Break Fee Charge shall not be required, and that the Break Fee Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Break Fee Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

9. **THIS COURT ORDERS** that the Break Fee Charge shall rank subordinate to the real property mortgages granted by the Companies to and registered in favour of Home Trust Company (Instrument No. HR923507), 2413349 Ontario Inc. and Derek Martin (Instrument No. HR985367), Harbouredge Mortgage Investment Corporation (Instrument No. HR1071229) (the “**Priority Charges**”) and the administration charge granted pursuant to the Order of the Honourable Mr. Justice Wilton-Siegel dated September 20, 2018 (the “**Administration Charge**”). With the exception of the Priority Charges and the Administration Charge, the Break Fee Charge shall rank in priority as against all other valid perfected security interests, trusts, liens, charges and encumbrances, including the real property mortgage granted by 2301132 in favour of Stasis Group Inc. and 2561388 Ontario Inc. (Instrument No. HR1384990), claims of secured creditors, statutory or otherwise, granted by each of the Companies or to which each of the Companies is subject (together, the “**Encumbrances**”) as of the date of this Order.

10. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by further order of this Court, the Companies shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Break Fee Charge.

11. **THIS COURT ORDERS** that the Break Fee Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Break Fee Charge (the “**Chargees**”) thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (together, the “**Agreements**”) which binds the Companies, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Break Fee Charge shall not create or be deemed to constitute a breach by the Companies of any Agreement to which either of them is a party;
- (b) none of the Chargees shall have any liability to any person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Break Fee Charge; and
- (c) the payments made by the Companies pursuant to this Order, and the granting of the Break Fee Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.

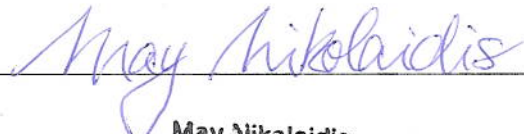
12. **THIS COURT ORDERS** that the Break Fee Charge created by this Order over leases of real property in Canada shall only be an Break Fee Charge in the Companies’ interest in such real property leases.

**GENERAL**

13. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or the United States, to give effect to this Order and to assist the Companies, the Proposal Trustee and their respective 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 Companies and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Companies and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

14. **THIS COURT ORDERS** that each of the Companies and the Proposal Trustee shall be at liberty and are 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.

15. **THIS COURT ORDERS** that Confidential Appendix 1 to the Second Report shall be sealed and remain confidential pending further order of this Court.



May Nikolaidis  
Registrar, Superior Court of Justice

ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

OCT 16 2018

PER / PAR:



IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 2301132 ONTARIO INC. and 2309840 ONTARIO INC., OF THE CITY OF PORT PERRY, IN THE PROVINCE OF ONTARIO

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**  
**IN BANKRUPTCY AND INSOLVENCY**

PROCEEDINGS COMMENCED AT TORONTO

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**ORDER**

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**Lawyers for 2309840 Ontario Inc. and 2301132 Ontario  
Inc.**

## **Appendix “B”**





**First Report to Court of  
KSV Kofman Inc. as Proposal  
Trustee of 2301132 Ontario Inc. and  
2309840 Ontario Inc.**

September 13, 2018

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COURT FILE NOS.: 31-2413445, 31-2413442

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
2301132 ONTARIO INC.,  
OF THE CITY OF PORT PERRY,  
IN THE PROVINCE OF ONTARIO

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
2309840 ONTARIO INC.,  
OF THE CITY OF PORT PERRY,  
IN THE PROVINCE OF ONTARIO

FIRST REPORT OF KSV KOFMAN INC. AS PROPOSAL TRUSTEE OF  
2301132 ONTARIO INC. AND 2309840 ONTARIO INC.

SEPTEMBER 13, 2018

## 1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") in its capacity as proposal trustee ("Proposal Trustee") in connection with Notices of Intention to Make a Proposal ("NOI") filed by 2301132 Ontario Inc. ("2301") and 2309840 Ontario Inc. ("2309", and together with 2301, the "Companies") on August 24, 2018 ("Filing Date") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("BIA").
2. The principal asset owned by 2301 is real property municipally described as 13764 Highway 7, Georgetown ("13764 Hwy 7") and 8 Lindsay Court, Georgetown ("8 Lindsay", and together with 13764 Hwy 7, the "2301 Properties").
3. The principal asset owned by 2309 is real property municipally described as 13758 Highway 7, Georgetown ("13758 Hwy 7"), 10 Lindsay Court, Georgetown ("10 Lindsay") and 22 and 24 Dayfoot Drive, Georgetown ("Dayfoot").
4. 8/10 Lindsay and 13758/13764 Hwy 7 are four of five properties that comprise one development site (the "Owned Assembly Properties"). The fifth property (the "Purchase Option Property") is owned by a third party, Credit Temple Corporation ("Credit Temple"). (Together, the Owned Assembly Properties and the Purchase Option Property are collectively referred to herein as the "Assembly". The Owned Assembly Properties and Dayfoot are collectively referred to as the "Real Property".)

5. 2491324 Ontario Inc. ("2491"), a corporation that is an affiliate of the Companies but is not part of the Companies' NOI proceedings, has entered into an Agreement of Purchase and Sale with Credit Temple to acquire the Purchase Option Property for \$4.2 million (the "Purchase Option"), with a closing date to occur within 90 days of site plan approval for the Assembly. 2491 is controlled by the individual who controls the Companies, Brian Tilley ("Mr. Tilley"). The Purchase Option requires that the option holder own all of the Real Property.
6. The principal purpose of the Companies' restructuring proceedings is to create a stabilized environment to allow the Companies to enter into a transaction for the Real Property with the benefit of the concurrent assignment of the Purchase Option to the successful party, by implementing a transaction through a "stalking horse" sale and investor solicitation process ("SISP"). The SISP is to be conducted by the Proposal Trustee. SISP approval will be the subject of a future motion in these proceedings.
7. The Companies, with the assistance and oversight of the Proposal Trustee, are finalizing the terms of an Agreement of Purchase and Sale (the "Stalking Horse APS") with Rescom Capital ("Rescom")<sup>1</sup> pursuant to which Rescom will offer to acquire the Real Property and take an assignment of the Purchase Option from 2491 if it is the successful bidder in the SISP. Once the terms of the Stalking Horse APS, including the stalking horse bid procedures and auction procedures forming schedules thereto, are finalized, the Companies intend to return to Court to seek approval of the Stalking Horse APS and the stalking horse bid procedures. The implementation of any asset purchase or other agreement (including the Stalking Horse APS if it is the successful bid in the SISP) relating to the Real Property will be conditional on Court approval to be sought at a later date after the SISP has been completed.
8. Although approval of the SISP will be the subject of a future Proposal Trustee's report, the Proposal Trustee believes that it is important to set the stage for the purpose of the SISP. In this regard, the SISP is intended to solicit purchase offers and refinancing proposals for the Real Property. As detailed in Confidential Appendix "1", the net proceeds of the contemplated Stalking Horse APS are more than sufficient to repay all First Mortgages (as defined below) on the Real Property, with the opportunity to generate additional value for stakeholders.

## 1.1 Purposes of this Report

1. The purposes of this Report are to:
  - a) provide background information about the Companies;
  - b) discuss the anticipated direction of these proceedings;
  - c) report on the status of the negotiation of the Stalking Horse APS;

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<sup>1</sup> Or an entity to be incorporated by it for the purpose of completing the transaction.

- d) report on the Companies' unconsolidated weekly cash flow projections for the period September 17, 2018 to November 11, 2018 (the "Cash Flow Forecasts");
- e) discuss the Companies' request for an extension of the stay of proceedings from September 23, 2018 to November 7, 2018;
- f) discuss the rationale for a charge in the amount of \$450,000 on the Real Property to secure the fees and disbursements of the Proposal Trustee, the Proposal Trustee's counsel, Bennett Jones LLP ("Bennett Jones"), and the Companies' counsel, DLA Piper LLP ("DLA") (the "Administration Charge");
- g) discuss the rationale for administratively consolidating the NOI proceedings of the Companies; and
- h) recommend that the Court make an order, *inter alia*:
  - sealing Confidential Appendix "1" to this Report until further order of this Court;
  - approving the Companies' request for an extension of the time to file a proposal with the Official Receiver from September 23, 2018 to November 7, 2018;
  - approving the Administration Charge; and
  - administratively consolidating the Companies' NOI proceedings.

## 1.2 Currency

1. All currency references in this Report are to Canadian dollars.

## 1.3 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by Mr. Tilley, the Companies' sole representative, the Companies' books and records and discussions with Mr. Tilley. The Proposal Trustee has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*.
2. The Proposal Trustee expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Proposal Trustee in preparing this Report. Any party wishing to place reliance on the Company's financial information should perform its own diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.

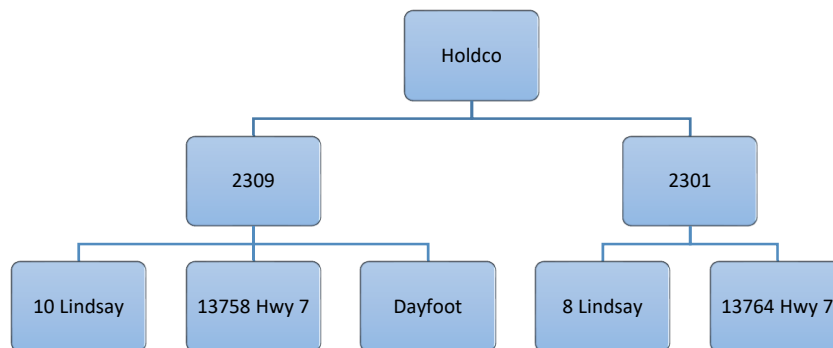
3. An examination of the Cash Flow Forecast as outlined in the *Chartered Professional Accountants Canada Handbook* has not been performed. Future oriented financial information relied upon in this Report is based upon the Company's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

## 2.0 Insolvency Proceedings

1. The Court materials filed in these proceedings are available on the Proposal Trustee's website at <http://ksvadvisory.com/insolvency-cases/2301132-ontario-inc-and-2309840-ontario-inc/>.

## 3.0 Background

1. The Companies are owned by 2399806 Ontario Inc. ("HoldCo"). Mr. Tilley is Holdco's President and sole shareholder.
2. The Companies' corporate chart is provided below.

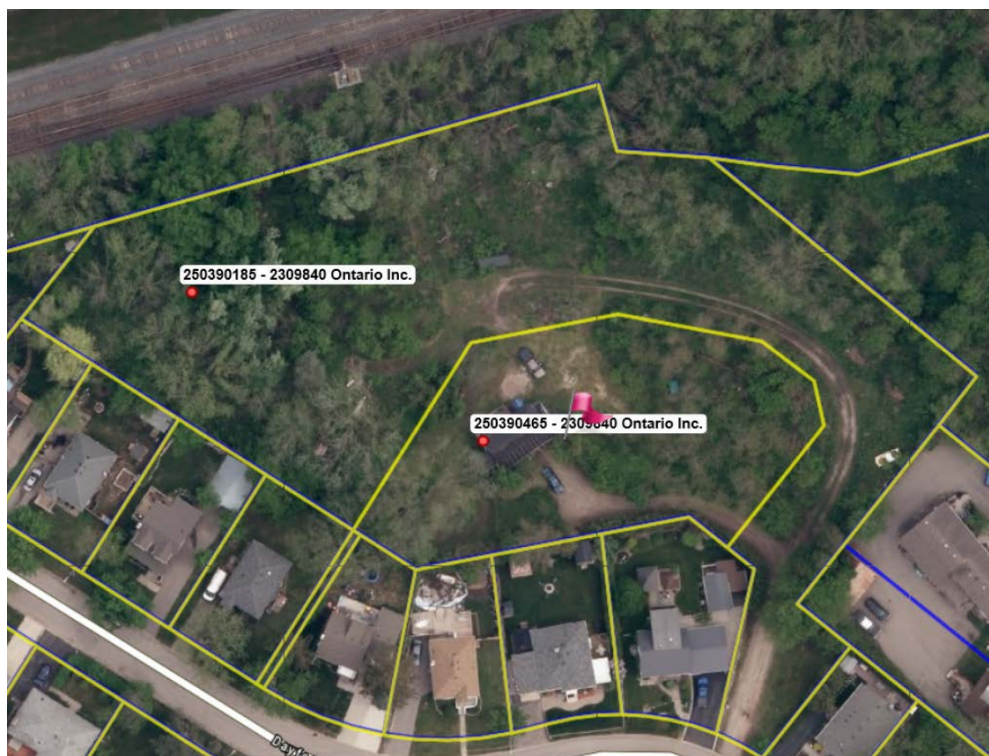


- An aerial shot of the Assembly is provided below. As reflected in the Assembly aerial, 12 Lindsay, being the Purchase Option Property, is situated in the middle of the Owned Assembly Properties. There is a Masonic temple on this property.



- The development plans for the Assembly contemplate construction of 109 townhomes. It can only be developed with all five Assembly properties in a single comprehensive plan. The development requires site plan approval, which the Proposal Trustee understands will not be achieved for some time. The Companies do not currently have the financial resources to take the Assembly through site plan approval. Further information concerning the development status of the Assembly is provided in Appendix "A".

- An aerial shot of Dayfoot is provided below. Dayfoot is not adjacent to the Assembly. It is a separate property with a home located on it.



- Dayfoot is currently zoned for low-density single-family homes. Mr. Tilley has advised the Proposal Trustee that it has secondary plan approval for medium density homes. The site has several development issues. An environmental study is required as the site neighbours a creek and there is a designated wood lot. The Companies do not currently have the financial resources to pursue these steps for Dayfoot.

### 3.1 Secured Creditors

- A summary of the first ranking mortgagees registered against each property is provided in the table below (the “First Mortgages”).

First Mortgagee	Mortgage Collateral	Original Mortgage Amount (\$)
Harbouredge Mortgage Investment Corporation (“HMIC”)	13764 Hwy 7 and Dayfoot	1,925,000
Home Trust Company (“Home Trust”)	13758 Hwy 7	412,000
2413349 and Derek Martin (“Martin/2413 <sup>2</sup> ”)	8 Lindsay	350,000
Stasis Group Inc. and 2561388 (“Stasis”)	10 Lindsay	2,697,655

<sup>2</sup> For the purpose of this Report, the Proposal Trustee has not distinguished between the two.



2. Certain of the lenders have taken initial steps to enforce their security. In this regard,
  - a. on April 25, 2018, HMIC issued a notice of intention to enforce its security under the *Bankruptcy and Insolvency Act* (“244 Notice”) and a notice of sale under mortgage; and
  - b. on January 30, 2018, Home Trust issued a notice of sale under mortgage in respect of 8 Lindsay Court. Subsequently, as guarantor of the mortgage loan, Martin/2413, paid this mortgage out and took an assignment of it from Home Trust.
3. To the Proposal Trustee’s knowledge, neither HMIC nor Martin/2413 has commenced a sale process for the properties subject to their mortgages. The Proposal Trustee is not aware of any sale efforts undertaken by Martin/2413 and the Proposal Trustee’s counsel has been in communication with Martin/2413’s counsel during these proceedings.
4. In addition to the First Mortgages<sup>3</sup>, the Real Property has the following subsequent ranking mortgages:
  - a. JYR Real Capital Mortgage Investment Corporation (“JYR”) has a mortgage over all of the Real Property in the amount of approximately \$2,368,000. The Proposal Trustee believes that JYR’s mortgage is subordinate to the First Mortgages, and may be subordinate to some or all of the Building & Development Mortgages Canada Inc. (“BDMC”) mortgages in respect of 8 Lindsay;
  - b. BDMC has mortgages in the aggregate approximate amount of \$14,000,000 over all of the Real Property. The Proposal Trustee believes that BDMC’s mortgages are subordinate to the JYR mortgage, subject to the potential issue identified in paragraph 4(a) above.
5. Writs in the amount of \$703,649 have been issued against the 2301 Properties (the “Writs”). The Proposal Trustee believes that the Writs are subordinate to all mortgages on the Real Property pursuant to the provisions of the BIA.
6. The Proposal Trustee’s counsel, Bennett Jones, is considering the priority of each of the mortgagees’ security. The priority discussion in the preceding paragraphs is summarized in the table below. The table is being provided **for information purposes only** and remains subject to change based on Bennett Jones’ review.

Rank	13764 Hwy 7	8 Lindsay	13758 Hwy 7	10 Lindsay	Dayfoot
1	HMIC	2413	Home Trust	Stasis	HMIC
2	JYR	JYR	JYR	JYR	JYR
3	BDMC	BDMC	BDMC	BDMC	BDMC
4	Writs	Writs	-	-	-

<sup>3</sup> All of the mortgages continue to accrue interest and costs.

7. The Proposal Trustee, Bennett Jones and/or the Companies' counsel, DLA, have been in contact with representatives of each of the mortgagees and/or their legal counsel concerning these proceedings and the intended SISP.

#### 4.0 Assembly Development Issues

1. For the value of the Owned Assembly Properties to be maximized, they must be sold as one development site, meaning the Purchase Option has to be included in the SISP. The Purchase Option is the lynchpin to maximizing value.
2. 2491 has agreed to include the Purchase Option in the SISP to facilitate a sale of the Assembly. Mr. Tilley has personally guaranteed the Stasis mortgage on 10 Lindsay and has a business relationship with Stasis. Mr. Tilley has also personally guaranteed the Home Trust mortgage loan against 13759 Hwy 7. As a result of these financial exposures, Mr. Tilley, as the shareholder of 2491, is prepared to cause 2491 to assign the Purchase Option to the Successful Bidder for the Real Property in the SISP.
3. The Proposal Trustee retained Colliers International Valuation & Advisory Services ("Colliers") to prepare two appraisals, both of which have been prepared on an "as is" basis (the "Appraisals"). One appraisal assumes that each of the Owned Assembly Properties is sold separately, while the other assumes an *en bloc* sale of the Assembly (i.e. the four Owned Assembly Properties and the Purchase Option Property). As of the date of this Report, the final Appraisals have not been provided to the Proposal Trustee. They are expected imminently. Confidential Appendix "1" includes a discussion of the values of the Appraisals as communicated to the Proposal Trustee by Colliers. The Proposal Trustee intends to file the Appraisals with the Court on a sealed basis at the SISP approval motion.
4. The Proposal Trustee believes that it is appropriate that Confidential Appendix "1" be sealed until completion of the SISP or further order of this Court as it contains confidential information which, if made publicly available, could impair the conduct of the SISP.
5. The Appraisals reflect that the value of the Assembly, if sold *en bloc*, substantially exceeds the value of each of the individual Owned Assembly Properties if sold separately. To avoid sales of the individual properties, the Purchase Option will be included in the SISP.
6. Under the terms of the approved Assembly development, access to the Assembly is restricted to Lindsay Court. Access is not permitted from Highway 7. This further reinforces that for the development to proceed and for value to be maximized, the Assembly has to be sold *en bloc* as one development.

## 5.0 Cash Flow Forecast

1. Pursuant to the provisions of the BIA, the Companies are required to prepare a cash flow forecast. The main assets of the Companies are raw land. The only receipts projected by the Companies during the period September 17, 2018 to November 11, 2018 (the "Period") are rent. The only disbursements projected by the Companies during the Period are management fees. The Cash Flow Forecasts of each of the Companies, together with Management's Reports on the Cash-Flow Statements as required by Section 50.4(2)(c) of the BIA, are provided in Appendix "B".
2. Based on the Proposal Trustee's review of the Cash Flow Forecasts, there are no material assumptions which seem unreasonable in these circumstances. The Proposal Trustee's Reports on the Cash Flow Statements for each for the Companies as required by Section 50.4(2)(b) of the BIA are attached as Appendix "C".

## 6.0 Companies' Request for an Extension

1. The Companies are seeking an extension of the time to file a proposal with the Official Receiver from September 23, 2018 to November 7, 2018.
2. The Proposal Trustee supports the Companies' request for the following reasons:
  - a) the Companies are acting in good faith and with due diligence;
  - b) the Companies would likely be able to make a viable proposal if the extension is granted;
  - c) no creditor would be materially prejudiced if the extension is granted;
  - d) it is possible that in a bankruptcy, each mortgagee would sell the properties subject to its mortgage. A sale of any of less than the entire Assembly to a single buyer provides disproportionate leverage to that buyer vis-à-vis the remaining mortgagees;
  - e) it will allow the Proposal Trustee and the Companies to conduct the SISP, which is in the interest of maximizing value for stakeholders; and
  - f) as at the date of this Report, the Proposal Trustee is not aware of any party opposed to an extension.

## 7.0 Administration Charge

1. The Companies are seeking an Administration Charge in the amount of \$450,000 in respect of the fees and disbursements of the Proposal Trustee, the Proposal Trustee's legal counsel and the Companies' legal counsel. An Administration Charge is a common feature in restructuring proceedings. The Proposal Trustee is of the view that the Administration Charge is appropriate in this case because the Companies' main asset, raw land, has no liquidity. The professionals have agreed to be paid out of the sale proceeds, subject to the granting of the Administration Charge. The professionals covered by the Administration Charge require the benefit of the Administration Charge to secure payment of their fees and expenses.
2. Absent further order from the Court, the Administration Charge is to rank ahead of the mortgage held by Stasis but behind the other First Mortgages. Stasis has consented to the priority of the Administration Charge on its property.
3. Absent approval of the Administration Charge, the professionals involved in these proceedings have no guarantee of payment and are unlikely to continue to act, which would likely cause these proceedings to come to an end.

## 8.0 Administrative Consolidation

1. The Companies are seeking an order to consolidate the administration of Companies' NOI proceedings into one estate.
2. Each of the Companies would remain separate for the purpose of a claims process, filing a proposal or making distributions to creditors.
3. The Companies and the Proposal Trustee believe that administratively consolidating the proceedings is appropriate as:
  - a) HMIC, JYR and Fortress are secured creditors of both Companies;
  - b) the Stalking Horse APS (which is still being finalized) contemplates a transaction for the Real Property, which is owned by both Companies;
  - c) it will facilitate the orderly administration of these proceedings;
  - d) the Companies have common management; and
  - e) it will reduce costs, including by filing materials in one proceeding only.

## 9.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (1)(h) 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 TRUSTEE UNDER THE  
NOTICES OF INTENTION TO MAKE A PROPOSAL OF  
2301132 ONTARIO INC. AND 2309840 ONTARIO INC.  
AND NOT IN ITS PERSONAL CAPACITY**

## **Appendix “C”**



**Second Report to Court of  
KSV Kofman Inc. as Proposal  
Trustee of 2301132 Ontario Inc. and  
2309840 Ontario Inc.**

October 5, 2018

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COURT FILE NO.: 31-2413442

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF  
2301132 ONTARIO INC. AND 2309840 ONTARIO INC.,  
OF THE CITY OF PORT PERRY, IN THE PROVINCE OF ONTARIO

SECOND REPORT OF KSV KOFMAN INC. AS PROPOSAL TRUSTEE OF  
2301132 ONTARIO INC. AND 2309840 ONTARIO INC.

OCTOBER 5, 2018

## 1.0 Introduction

1. This report (the "Report") is filed by KSV Kofman Inc. ("KSV") in its capacity as proposal trustee ("Proposal Trustee") in connection with Notices of Intention to Make a Proposal ("NOI") filed by 2301132 Ontario Inc. ("2301") and 2309840 Ontario Inc. ("2309", and together with 2301, the "Companies") on August 24, 2018 (the "Filing Date") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("BIA").
2. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated September 20, 2018 (the "Consolidation Order"), (i) the Companies' NOI proceedings were administratively consolidated, (ii) the time for the Companies to file a Proposal was extended to November 7, 2018, and (iii) a \$450,000 administrative charge was ordered pursuant to section 64.2(1) of the BIA. A copy of the Consolidation Order is attached as Appendix "A".
3. The principal asset owned by 2301 is real property municipally described as 13764 Highway 7, Georgetown ("13764") and 8 Lindsay Court, Georgetown ("8 Lindsay", and together with 13764, the "2301 Properties").
4. The principal asset owned by 2309 is real property municipally described as 13758 Highway 7, Georgetown ("13758"), 10 Lindsay Court, Georgetown ("10 Lindsay") and 22 and 24 Dayfoot Drive, Georgetown ("Dayfoot", and together with 13758 and 10 Lindsay, the "2309 Properties").

5. 8/10 Lindsay and 13758/13764 are four of five properties that comprise one development site (the “Owned Assembly Properties”). The fifth property (the “Purchase Option Property”) is owned by a third party, Credit Temple Corporation (“Credit Temple”). (Together, the Owned Assembly Properties and the Purchase Option Property are collectively referred to herein as the “Assembly”. The Owned Assembly Properties and Dayfoot are collectively referred to herein as the “Real Property”.)
6. 2491324 Ontario Inc. (“2491”), a corporation that is an affiliate of the Companies but is not part of these NOI proceedings, has entered into an Agreement of Purchase and Sale with Credit Temple to acquire the Purchase Option Property for \$4.2 million (the “Temple APS”), with a closing date to occur within 90 days of site plan approval for the Assembly. 2491 is controlled by Brian Tilley (“Mr. Tilley”), the individual who controls the Companies. The Temple APS requires that the buyer thereunder own all the Real Property.
7. The principal purpose of the Companies’ restructuring proceedings is to create a stabilized environment to allow the Companies to enter into a transaction for the Real Property with the concurrent assignment of the Temple APS to the successful party, by implementing a transaction through a “stalking horse” sale and investor solicitation process (“SISP”). The SISP is to be conducted by the Proposal Trustee.
8. E. Manson Investments Limited (“EMIL”), a party represented and advised by Rescom Capital (“Rescom”), and the Companies, with the assistance and oversight of the Proposal Trustee, have negotiated an Agreement of Purchase and Sale (the “Stalking Horse APS”) pursuant to which EMIL has agreed to act as a stalking horse bidder for the Real Property in the SISP and has agreed to purchase the Real Property on the terms set out therein. The closing of the Real Property purchase transaction contemplated by the Stalking Horse APS is conditional on, among other things: (i) EMIL being the successful bidder in the SISP, (ii) Court approval and (iii) the concurrent assignment of the Temple APS by 2491 to EMIL.

## **1.1 Purposes of this Report**

1. The purposes of this Report are to:
  - a) provide background information about the Companies;
  - b) summarize the Stalking Horse APS;
  - c) summarize the SISP and seek authority for the Proposal Trustee to engage Colliers Macaulay Nicolls Inc. (the “Realtor”) to sell the Real Property under the SISP; and

- d) recommend that the Court make an order, *inter alia*:
- sealing Confidential Appendix “1” to this Report until completion of the SISP or further order of this Court;
  - approving the SISP procedures, including the Bidding Procedures and Auction Procedures;
  - authorizing the Proposal Trustee to engage the Realtor in connection with the SISP;
  - approving the Stalking Horse APS, attached hereto as Appendix “B”<sup>1</sup>, solely for the purposes of standing as the Stalking Horse Bid in the SISP and Bidding Procedures, provided that if EMIL is the successful bidder under the SISP, implementation of the transaction contemplated by the Stalking Horse APS will be subject to the Court’s approval upon further motion by the Companies; and
  - authorizing and directing the Companies to pay the break fee and expense reimbursement set out in Section 14.2 of the Stalking Horse APS (the “Bid Protections”) in the event that a transaction superior to the Stalking Horse APS is accepted as the successful bid in the SISP, and granting a charge in favour of EMIL to secure the Companies’ obligation to pay the Bid Protections (the “Bid Protections Charge”).

## 1.2 Currency

1. All currency references in this Report are to Canadian dollars.

## 1.3 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by Mr. Tilley, the Companies’ sole representative, the Companies’ books and records and discussions with Mr. Tilley. The Proposal Trustee has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*.
2. The Proposal Trustee expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Proposal Trustee in preparing this Report. Any party wishing to place reliance on the Companies’ financial information should perform its own diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.

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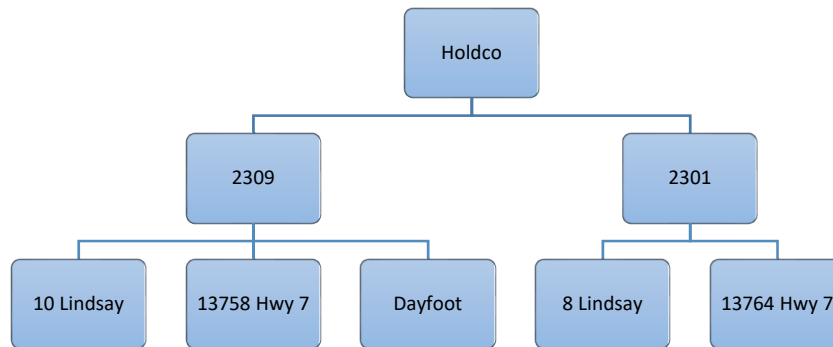
<sup>1</sup> The Bidding Procedures and Auction Procedures are appended to the Stalking Horse APS.

## 2.0 Insolvency Proceedings

1. The Court materials filed in these proceedings are available on the Proposal Trustee's website at <http://ksvadvisory.com/insolvency-cases/2301132-ontario-inc-and-2309840-ontario-inc/>.

## 3.0 Background

1. The Companies are owned by 2399806 Ontario Inc. ("HoldCo"). Mr. Tilley is Holdco's President and sole shareholder.
2. The Companies' corporate chart is provided below.



3. An aerial shot of the Assembly is provided below. As reflected in the Assembly aerial, 12 Lindsay, being the Purchase Option Property, is situated in the middle of the Owned Assembly Properties. There is a Masonic temple on this property.



4. The development plans for the Assembly contemplate construction of 109 townhomes. It can only be developed with all five Assembly properties in a single comprehensive plan. The development requires site plan approval, which the Proposal Trustee understands will not be achieved for some time. The Companies do not currently have the financial resources to take the Assembly through site plan approval.
5. An aerial shot of Dayfoot is provided below. Dayfoot is not adjacent to the Assembly. It is a separate, stand alone property with a home located on it.



6. Dayfoot is currently zoned for low-density single-family homes. Mr. Tilley has advised the Proposal Trustee that Dayfoot has secondary plan approval for medium density homes. The site has several development issues. An environmental study is required as the site neighbours a creek and there is a designated wood lot. The Companies do not currently have the financial resources to advance Dayfoot's development process.

### 3.1 Secured Creditors

1. A summary of the first ranking mortgagees registered against each property is provided in the table below (the “First Mortgages”).

First Mortgagee	Mortgage Collateral	Original Mortgage Amount (\$)
Harbouredge Mortgage Investment Corporation (“HMIC”)	13764 Hwy 7 and Dayfoot	1,925,000
Home Trust Company (“Home Trust”)	13758 Hwy 7	412,000
2413349 and Derek Martin (“Martin/2413 <sup>2</sup> ”)	8 Lindsay	350,000
Stasis Group Inc. and 2561388 (“Stasis”)	10 Lindsay	2,697,655

2. Certain of the lenders have commenced efforts to enforce their security. In this regard:
  - a) on April 25, 2018, HMIC issued a notice of intention to enforce its security under the BIA (“244 Notice”) and a notice of sale under mortgage; and
  - b) on January 30, 2018, Home Trust issued a notice of sale under mortgage in respect of 8 Lindsay Court. Subsequently, as guarantor of this mortgage, Martin/2413, paid it out and took an assignment of it from Home Trust.
3. To the Proposal Trustee’s knowledge, neither HMIC nor Martin/2413 has commenced a sale process for the properties subject to their mortgages. DLA Piper (Canada) LLP (“DLA”), the Companies’ counsel, has been in communication with representatives of HMIC. Bennett Jones LLP (“Bennett Jones”), the Proposal Trustee’s counsel, has been in communication with Martin/2413’s counsel during these proceedings.
4. In addition to the First Mortgages, the Real Property has the following subsequent ranking mortgages<sup>3</sup>:
  - a) JYR Real Capital Mortgage Investment Corporation (“JYR”) has a mortgage over all of the Real Property in the amount of approximately \$2,368,000. The Proposal Trustee believes that JYR’s mortgage is subordinate to the First Mortgages;
  - b) Building & Development Mortgages Canada Inc. (“BDMC”) has mortgages in the aggregate amount of approximately \$14,000,000 over all of the Real Property. The Proposal Trustee believes that BDMC’s mortgages are subordinate to the JYR mortgage, subject to a potential circular priority issue that the Proposal Trustee is still working through with its counsel in respect of 8 Lindsay; and
  - c) there are certain other mortgages on the Real Property that appear to be subordinated to JYR and/or BDMC (the “Deeply Subordinated Mortgages”).

<sup>2</sup> For the purpose of this Report, the Proposal Trustee has not distinguished between the two.

<sup>3</sup> Interest and costs continue to accrue on all mortgages.

5. Writs in the amount of \$703,649 have been issued against the 2301 Properties (the "Writs"). The Proposal Trustee believes that, pursuant to the provisions of the BIA, the Writs are subordinate to all mortgages on the Real Property.
6. Bennett Jones is considering the priority of each of the mortgagees' security. The priority discussion in the preceding paragraphs is summarized in the table below, excluding the Deeply Subordinated Mortgages. The table is being provided for information purposes only at this time and remains subject to change based on Bennett Jones' review.

Rank	13764 Hwy 7	8 Lindsay	13758 Hwy 7	10 Lindsay	Dayfoot
1	HMIC	Martin/2413	Home Trust	Stasis	HMIC
2	JYR	JYR	JYR	JYR	JYR
3	BDMC	BDMC	BDMC	BDMC	BDMC
4	Writs	Writs	-	-	-

7. The Proposal Trustee, Bennett Jones and/or DLA have been in contact with representatives of each of the secured lenders and/or their legal counsel concerning these proceedings and the intended SISP.

#### 4.0 Development Issues

1. As discussed in the Proposal Trustee's first report to Court dated September 13, 2018 (the "First Report"), the value of the Owned Assembly Properties can only be maximized if sold as one development site, which requires the Purchase Option to be included in the SISP. The Purchase Option is the lynchpin to maximizing value for the Owned Assembly Properties. Without the Purchase Option, each of the properties comprising the Assembly is only saleable as an individual lot with a residential home located on it. A copy of the First Report is attached as Appendix "C", without appendices.
2. To facilitate a transaction for the entire Assembly, 2491 has agreed to include the Purchase Option in the SISP and to assign the Purchase Option to the Successful Bidder for the Real Property in the SISP for assignment consideration of \$300,000 (the "Assignment Consideration") payable by the successful SISP bidder to 2491. The incremental increase in value of the Owned Assembly Properties as a result of the inclusion of 10 Lindsay in the overall Real Property transaction substantially exceeds the Assignment Consideration.
3. The Proposal Trustee retained Colliers International Valuation & Advisory Services ("Colliers Valuations") to prepare an appraisal under two scenarios (the "Appraisal"). One scenario assumes that each of the Owned Assembly Properties is sold separately on an "as is" basis, while the other assumes an *en bloc* sale of the Assembly (i.e. the four Owned Assembly Properties and the Purchase Option Property) on an "as is" basis. The Appraisal is provided in Confidential Appendix "1".

4. The Proposal Trustee believes that it is appropriate that Confidential Appendix “1” be sealed until completion of the SISP or further order of this Court as it contains confidential information which, if made publicly available, could impair the conduct of the SISP and may adversely impact the ability to maximize recoveries for the Real Property.
5. The Appraisal reflects that the value of the Assembly, if sold *en bloc*, substantially exceeds the value of each of the individual Owned Assembly Properties if sold separately. To avoid sales of the individual properties, the Purchase Option will be included in the SISP.
6. Further reinforcing the need to sell the Assembly as one development to maximize value is access to the site, which is restricted to Lindsay Court under the approved development plan.

## 5.0 SISP

### 5.1 Overview

1. The purpose of the SISP is to maximize value for the Real Property. The SISP is designed to solicit purchase and refinancing offers. The Proposal Trustee has engaged the Realtor, subject to Court approval. The Realtor will be tasked with maximizing value through any viable transaction, including sales of the Real Property, refinancing the existing debt, joint ventures or other transactions.
2. The listing agreement contemplates a fee of 1.5% payable to the Realtor and a minimum fee of \$108,750. To the extent that a cooperating fee is payable, it is intended that it will be paid by the successful purchaser. The listing fee will be payable regardless of the Successful Bidder, including if the Stalking Horse APS is approved. Absent this provision, it is unlikely that a Realtor will invest the time and effort required to properly market the Real Property.

### 5.2 The Stalking Horse Agreement<sup>4</sup>

1. The key terms and conditions of the Stalking Horse APS are provided below.
  - a) **Purchaser:** EMIL
  - b) **Purchased Assets:**
    - (i) the Real Property (Assembly and Dayfoot);
    - (ii) all prepaid expenses and all deposits with any Person, public utility or Governmental Authority relating to the Real Property;
    - (iii) the Plans;

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<sup>4</sup> Capitalized terms in this section have the meaning provided to them in the Stalking Horse APS unless otherwise defined herein.



- (iv) the Contracts;
  - (v) the Permits, to the extent transferable; and
  - (vi) all intellectual property, if any, owned by the Companies with respect to the projects to be developed on the Real Property.
- c) **Purchase Price:** \$6.7 million, plus all applicable Taxes.
- d) **Deposit:** \$700,000, being approximately 10.5% of the purchase price (before any applicable Taxes).
- e) **Excluded Assets:** the right, title and interest of the Companies in any of their assets, other than the Purchased Assets, including: (i) books and records that do not exclusively or primarily relate to the Purchased Assets; and (ii) tax refunds.
- f) **Representations and Warranties:** consistent with the standard terms of an insolvency transaction, i.e. on an “as is, where is” basis, with limited representations and warranties.
- g) **Closing:** first business day which is five business days after receipt of Sale Approval Order.
- h) **Material Conditions:**
- (i) the purchase price is to be allocated to each of the Real Properties so that each of the First Mortgages is repaid in full;
  - (ii) the assignment of the Temple APS to EMIL;
  - (iii) there shall be no order issued by a Governmental Authority against either the Companies or EMIL or involving the Purchased Assets that prevents completion of the Transaction;
  - (iv) there shall be no new work orders or similar orders and no new Encumbrances registered on title to the Real Property or affecting title to the Real Property arising or registered after the Acceptance Date which cannot be foreclosed pursuant to the Sale Approval Order;
  - (v) there shall be no new environmental issue that causes a material adverse effect on the Real Property nor any other material adverse change to the condition or operation of the Assembly; and
  - (vi) the Court shall have issued the Bidding Procedures Order and the Sale Approval Order and those orders shall not have been amended or dismissed at the time of Closing.

**i) Termination:**

- (i) The Stalking Horse APS can be terminated:
- upon mutual written agreement of the Companies and EMIL;
  - if any of the conditions in favour of EMIL or the Companies are not waived or satisfied; or
  - if prior to closing: (a) the Purchased Assets are substantially damaged or destroyed<sup>5</sup>; or b) all or a material part of the Real Property is expropriated by a Governmental Authority.
- (ii) The Stalking Horse APS will be terminated in the event it is not the Successful Bid.

### **5.3 Bid Protections**

1. The Stalking Horse APS provides EMIL with the following Bid Protections in the event a superior transaction is the Successful Bid:
  - a \$175,000 break fee (approximately 2.6% of the Purchase Price); and
  - an expense reimbursement in an amount up to \$50,000 in respect of all reasonable and documented out of pocket expenses incurred by EMIL in agreeing to act as the initial bidder through the Stalking Horse APS, negotiating the Stalking Horse APS and performing due diligence in connection with the Stalking Horse APS.
2. The Bid Protections are only payable to EMIL upon closing a superior transaction with another party. The granting of the Bidding Protections Charge to secure the Companies' obligation to pay the Bid Protections is commercially reasonable and "market" for a stalking horse transaction, and the granting of the proposed charge will not materially prejudice any secured creditor whose security will be subordinated to the Bidding Protections Charge.
3. The Proposal Trustee is of the view that the Bid Protections are reasonable as break fees in restructuring and insolvency transactions commonly range between 2% and 4%. Appendix "D" provides a summary of break fees in other Canadian restructuring proceedings. The total amount of the Bid Protections (break fee and expense reimbursement) is also within this range.
4. The Proposal Trustee is of the view that the Bid Protections should not discourage other interested parties from submitting offers for the Purchased Assets.
5. The Proposal Trustee is also of the view that the Bid Protections fairly compensate EMIL for being the stalking horse while still facilitating the main purpose of these proceedings, which is to maximize value for the Real Property.

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<sup>5</sup> Substantial damage is deemed to have occurred if the loss or damage to the Purchased Assets exceeds 15% of the Purchase Price.

## 5.4 SISP Procedures

1. A summary of the SISP is provided below.

Summary of Sale and Investor Solicitation Process		
Milestone	Description of Activities	Timeline
<i>Phase 1 – Underwriting</i>		
Due diligence	➤ Realtor to review all available documents concerning the Real Property.	In process
Finalize marketing materials	➤ Realtor and Proposal Trustee to: <ul style="list-style-type: none"> <li>○ prepare a marketing brochure;</li> <li>○ populate an online data room;</li> <li>○ prepare a Confidentiality Agreement (“CA”); and</li> <li>○ prepare a Confidential Information Memorandum (“CIM”).</li> </ul>	
<i>Phase 2 – Marketing</i>		
Prospect Identification	<ul style="list-style-type: none"> <li>➤ Realtor will qualify and prioritize prospects;</li> <li>➤ Realtor will also have pre-marketing discussions with targeted prospects;</li> <li>➤ Realtor to advise of purchase and refinancing opportunities.</li> </ul>	Week 1
Stage 1	<ul style="list-style-type: none"> <li>➤ Mass market introduction, including: <ul style="list-style-type: none"> <li>○ offering summary and marketing materials printed;</li> <li>○ publication of the acquisition opportunity in a regional newspaper;</li> <li>○ telephone and email canvass of leading prospects; and</li> <li>○ meet with and interview bidders.</li> </ul> </li> </ul>	Weeks 1 and 2
Stage 2	<ul style="list-style-type: none"> <li>➤ Realtor to provide detailed information to qualified prospects which sign the CA, including the CIM and access to the data room;</li> <li>➤ Realtor to facilitate diligence by interested parties.</li> </ul>	Weeks 3 to 6
Stage 3	➤ Bid deadline – in order to submit an offer, a prospective purchaser must submit a “Qualified Bid” (as discussed in section 5.6.1 below).	On or around end of week 6
<i>Phase 3 – Offer Review and Negotiations</i>		
Auction	➤ Qualified Bidders will be invited to the Auction, as detailed below.	Within seven business days of the Bid Deadline
Selection of Successful Bids	➤ Successful bidder and Back-up Bid to be determined at auction.	At Auction
Transaction Approval Motion and Closing	➤ Motion for transaction approval and close transaction.	Within 10 business days of the Auction

## 5.5 Bidding Procedures<sup>6</sup>

1. The Bidding Procedures are summarized below.

## 5.6 Qualified Bids

1. To be a “Qualified Bid”, a bid must meet the following requirements:
  - a) a cash purchase price (or transaction value in a refinancing or other proposal) equal to or greater than \$6.975 million, plus HST (to the extent applicable), being the value of the Stalking Horse Bid (\$6.7 million) plus the Break Fee (\$175,000), the Expense Reimbursement (up to \$50,000) and an initial bid increment of \$50,000;
  - b) include a provision stating that the bidder’s offer is irrevocably open for acceptance until the first business day following completion of the transaction for the Purchased Assets;
  - c) be in the form of an executed copy of the proposed purchase agreement with a redline of the bidder’s proposed purchase agreement reflecting variations from the Stalking Horse APS or, in the case of a refinancing proposal, a definitive, unconditional agreement providing sufficient details to allow the Proposal Trustee to assess the probability of closing, the timeframe for closing and all material transaction terms;
  - d) a cash deposit at least equivalent to the deposit in the Stalking Horse APS, being \$700,000;
  - e) the purchase price (or transaction value in a refinancing or other proposal) is required to be allocated between the properties comprising the Real Property such that the first mortgagees of the properties comprising the Real Property are repaid in full (or are otherwise dealt with on terms satisfactory to each mortgagee, which consent is to be obtained in advance of the Auction, as discussed below); and
  - f) the offer is received by the Bid Deadline.
2. EMIL, as the stalking horse bidder, is a Qualified Bidder.
3. If no Qualified Bids are submitted by the Bid Deadline, EMIL will be the Successful Bidder.

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<sup>6</sup> Capitalized terms in sections 5.5, 5.6 and 5.7 have the meaning provided to them in the Bidding Procedures unless otherwise defined herein.

## 5.7 Auction Procedures

1. If one or more Qualified Bids are received by the Bid Deadline:
  - a) the Proposal Trustee will invite all Qualified Bidders (including EMIL) to attend an Auction to be held within seven Business days of the Bid Deadline and will advise Qualified Bidders at least two Business Days before the Auction of the amount of the best offer (the "Lead Bid") so that they may determine whether they wish to participate in the Auction. Any party who intends to participate in the Auction must advise the Proposal Trustee by noon on the day preceding the Auction;
  - b) the Auction (if any) will be conducted by the Proposal Trustee in accordance with the Auction Procedures appended hereto as Appendix "B". The Proposal Trustee will declare the Successful Bidder at the conclusion of the Auction;
  - c) at the conclusion of the Auction, the next best offer, as determined by the Proposal Trustee, shall be required to keep its offer open and available for acceptance until the closing of the sale to the Successful Bidder and such bidder will be the "Back-up Bidder". If the transaction with the Successful Bidder does not close, the Companies will close the transaction with the Back-up Bidder; and
  - d) if EMIL is not the Successful Bidder, it will be paid the Bid Protections forthwith after closing from the proceeds generated from the transaction with the Successful Bidder.

## 5.8 SISP Recommendation

1. The Proposal Trustee recommends that this Court issue an order approving the Stalking Horse APS and the SISP for the following reasons:
  - a) the SISP is commercially reasonable;
  - b) the SISP is intended to solicit purchase and refinancing offers for the Real Property;
  - c) stalking horse offers are commonly used to maximize recoveries in restructuring cases in Canada;
  - d) the Stalking Horse APS assists to maximize value and to protect downside risk should a superior offer not be submitted;
  - e) the value of the Stalking Horse APS is supported by the Appraisal;
  - f) the duration of the SISP is sufficient to allow interested parties to perform diligence and submit offers;
  - g) the Bid Protections are reasonable in the circumstances and are consistent with such fees in other Canadian restructuring proceedings. The Proposal Trustee does not believe that the Bid Protections will discourage potential purchasers from participating in the SISP;

- h) Mr. Tilley has agreed, as part of the SISP, to assign the Purchase Option owned by 2491 to the Successful Bidder for the Assignment Consideration on the condition that all First Mortgages are paid in full. Without the Purchase Option, the Assembly cannot be sold for development. The Purchase Option allows value to be maximized for all stakeholders;
- i) absent confirmation that the SISP is designed to repay the first mortgagees in full, the first mortgagees may oppose the SISP, including HMIC, which is in a position to enforce on its security; and
- j) Dayfoot is included in the SISP because it is a condition of the Purchase Option that the option holder owns all the Real Property.

## 5.9 Considerations Regarding the Stalking Horse Offer

1. The Proposal Trustee believes that use of the Stalking Horse APS as the stalking horse offer in the SISP is appropriate for the following reasons:
  - a) the value of the Stalking Horse APS is supported by the Appraisal;
  - b) the Stalking Horse APS provides a floor price for the Real Property which is sufficient to fully repay all First Mortgages. The SISP provides an opportunity to generate additional value for creditors, either through a sale or refinancing transaction; and
  - c) the Stalking Horse APS is not being approved as the Successful Bidder at this time. Approval of the Successful Bidder is subject to the outcome of the SISP.

## 6.0 Conclusion and Recommendation

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

\* \* \*

All of which is respectfully submitted,



**KSV KOFMAN INC.  
SOLELY IN ITS CAPACITY AS TRUSTEE UNDER THE  
NOTICES OF INTENTION TO MAKE A PROPOSAL OF  
2301132 ONTARIO INC. AND 2309840 ONTARIO INC.  
AND NOT IN ITS PERSONAL CAPACITY**

## **Appendix “D”**


2301132 Ontario Inc.  
**Projected Statement of Cash Flow**  
 For the period November 7, 2018 to December 21, 2018  
 (C\$, unaudited)

Note	5 Days Ending		Week Ending				5 Days Ending	Total
	11-Nov-18	18-Nov-18	25-Nov-18	02-Dec-18	09-Dec-18	16-Dec-18	21-Dec-18	
1								
<b>Total Receipts</b>	2	-	-	-	3,200	-	-	3,200
<b>Disbursements</b>								
Management fees	3	-	-	-	3,200	-	-	3,200
Mortgage payments	4	-	-	-	-	-	-	-
Property taxes	5	-	-	-	-	-	-	-
Insurance	6	-	-	-	-	-	-	-
Contingency		-	-	-	-	-	-	-
<b>Total Operating Disbursements</b>		-	-	-	3,200	-	-	3,200
<b>Net Cash Flow before the Underrated</b>		-	-	-	-	-	-	-
Professional fees	7	-	-	-	-	-	-	-
<b>Net Cash Flow</b>		-	-	-	-	-	-	-
Opening Cash Balance	8	1,163	1,163	1,163	1,163	1,163	1,163	1,163
Closing Cash Balance		1,163	1,163	1,163	1,163	1,163	1,163	1,163

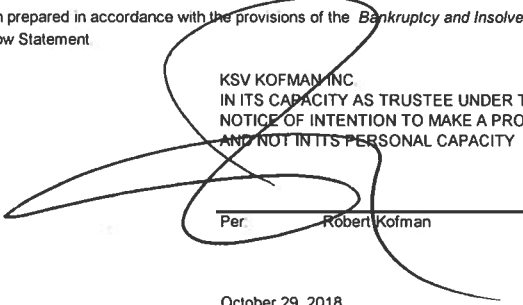
The above financial projections are based on management's assumptions detailed in Appendix "1-1".  
 The note references correspond to the assumption numbers shown in Appendix "1-1".

The statement of projected cash-flow of 2301132 Ontario Inc. has been prepared in accordance with the provisions of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on Cash-flow Statement

2301132 ONTARIO INC

  
 Per: Brian Tilley

October 29, 2018  
 Date

  
 KSV KOFMAN INC.  
 IN ITS CAPACITY AS TRUSTEE UNDER THE  
 NOTICE OF INTENTION TO MAKE A PROPOSAL  
 AND NOT IN ITS PERSONAL CAPACITY  
 Per: Robert Kofman

October 29, 2018  
 Date



2301132 Ontario Inc.

**Notes to Projected Statement of Cash Flow**

For the period November 7, 2018 to December 21, 2018

(C\$; unaudited)

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**Purpose and General Assumptions**

1. The purpose of the projection is to present a forecast of the cash-flow of 2301132 Ontario Inc. (the "Company") for the period November 7, 2018 to December 21, 2018 ("Period") in respect of its proposal proceedings under the Bankruptcy and Insolvency Act.

The projected cash flow statement has been prepared based on hypothetical and most probable assumptions developed and prepared by the Company.

**Hypothetical Assumptions**

2. Represents monthly rent collections from three tenants of the Company's real properties (the "Properties").
3. Represents monthly management fee payments payable to 2491324 Ontario Inc.

**Most Probable Assumptions**

4. The cash-flow assumes that principal and interest on all secured obligations will accrue and not be paid by the Company during the NOI proceedings. To the extent not paid, these amounts will be added to the respective indebtedness of the secured creditors and will be addressed upon the sale of the Properties or in accordance with a proposal to creditors to be filed by the Company (the "Proposal").
5. Property taxes will be settled as an adjustment when the Properties are sold or as part of the Proposal.
6. Insurance is paid to Intact Insurance in three installments per year and was most recently remitted on August 10, 2018. No insurance payments are due during the Period.
7. Professional fees will accrue through the Period and are to be paid from proceeds of the sale of the Properties or as part of the Proposal.
8. Represents the estimated opening cash balance in the Company's bank account as at November 7, 2018.

**Report on Cash Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the BIA)**

The management of 2301132 Ontario Inc. (the "Company") has developed the assumptions and prepared the attached statement of projected cash flow of the Company for the period ending December 21, 2018.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 1 to 8.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in Note 1, using a set of hypothetical and probable assumptions set out in Notes 2 to 8. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, Ontario, this 29<sup>th</sup> day of October, 2018.

2301132 Ontario Inc.



Per: Brian Tilley

2309840 Ontario Inc.  
**Projected Statement of Cash Flow**  
 For the period November 7, 2018 to December 21, 2018  
 (C\$; unaudited)

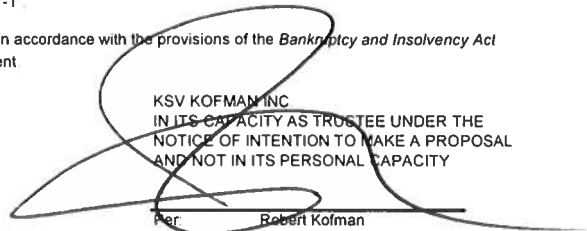
	Note	5 Days Ending		Week Ending			5 Days Ending	Total
		11-Nov-18	18-Nov-18	25-Nov-18	02-Dec-18	09-Dec-18	16-Dec-18	
	1							
<b>Total Receipts</b>	2	-	-	-	3,300	-	-	3,300
<b>Disbursements</b>								
Management fees	3	-	-	-	3,300	-	-	3,300
Mortgage payments	4	-	-	-	-	-	-	-
Property taxes	5	-	-	-	-	-	-	-
Insurance	6	-	-	-	-	-	-	-
Contingency		-	-	-	-	-	-	-
<b>Total Operating Disbursements</b>		-	-	-	3,300	-	-	3,300
<b>Net Cash Flow before the Undermoted</b>		-	-	-	-	-	-	-
Professional fees	7	-	-	-	-	-	-	-
<b>Net Cash Flow</b>		-	-	-	-	-	-	-
Opening Cash Balance	8	-	-	-	-	-	-	-
Closing Cash Balance		-	-	-	-	-	-	-

The above financial projections are based on management's assumptions detailed in Appendix "1-1".  
 The note references correspond to the assumption numbers shown in Appendix "1-1".

The statement of projected cash-flow of 2309840 Ontario Inc. has been prepared in accordance with the provisions of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on Cash-flow Statement.

2309840 ONTARIO INC

  
 Per: Brian Tilley

  
 KSV KOFMAN INC  
 IN ITS CAPACITY AS TRUSTEE UNDER THE  
 NOTICE OF INTENTION TO MAKE A PROPOSAL  
 AND NOT IN ITS PERSONAL CAPACITY  
 Per: Robert Kofman

October 29, 2018  
 Date

October 29, 2018  
 Date

2309840 Ontario Inc.

**Notes to Projected Statement of Cash Flow**

For the period November 7, 2018 to December 21, 2018

(C\$; unaudited)

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**Purpose and General Assumptions**

1. The purpose of the projection is to present a forecast of the cash-flow of 2309840 Ontario Inc. (the "Company") for the period November 7, 2018 to December 21, 2018 ("Period") in respect of its proposal proceedings under the Bankruptcy and Insolvency Act.

The projected cash flow statement has been prepared based on hypothetical and most probable assumptions developed and prepared by the Company.

**Hypothetical Assumptions**

2. Represents monthly rent collections from three tenants of the Company's real properties (the "Properties").
3. Represents monthly management fee payments payable to 2491324 Ontario Inc.

**Most Probable Assumptions**

4. The cash-flow assumes that principal and interest on all secured obligations will accrue and not be paid by the Company during the NOI proceedings. To the extent not paid, these amounts will be added to the respective indebtedness of the secured creditors and will be addressed upon the sale of the Properties or in accordance with a proposal to creditors to be filed by the Company (the "Proposal").
5. Property taxes will be settled as an adjustment when the Properties are sold or as part of the Proposal.
6. Insurance is paid to Intact Insurance in three installments per year and was most recently remitted on August 10, 2018. No insurance payments are due during the Period.
7. Professional fees will accrue through the Period and are to be paid from proceeds of the sale of the Properties or as part of the Proposal.
8. Represents the estimated opening cash balance in the Company's bank account as at November 7, 2018.

**Report on Cash Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the BIA)**

The management of 2309840 Ontario Inc. (the "Company") has developed the assumptions and prepared the attached statement of projected cash flow of the Company for the period ending December 21, 2018.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 1 to 8.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in Note 1, using a set of hypothetical and probable assumptions set out in Notes 2 to 8. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, Ontario, this 29<sup>th</sup> day of October, 2018.

2309840 Ontario Inc.

A handwritten signature in black ink, appearing to read 'Brian Tilley', is written over a horizontal line.

Per: Brian Tilley

## **Appendix “E”**

**Trustee's Report on Cash-flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)**

The attached statement of projected cash-flow of 2309840 Ontario Inc., as of the 29<sup>th</sup> day of October, 2018, consisting of a weekly cash flow statement for the period November 7<sup>th</sup>, 2018 to December 21<sup>st</sup>, 2018, has been prepared by the management of the insolvent person for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Notes 2-8.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated this 29<sup>th</sup> day of October, 2018.

**KSV KOFMAN INC.  
TRUSTEE**

Per. Robert Kofman

**Trustee's Report on Cash-flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)**

The attached statement of projected cash-flow of 2301132 Ontario Inc., as of the 29<sup>th</sup> day of October, 2018, consisting of a weekly cash flow statement for the period November 7<sup>th</sup>, 2018 to December 21<sup>st</sup>, 2018, has been prepared by the management of the insolvent person for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Notes 2-8.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated this 29<sup>th</sup> day of October, 2018.

  
KSV KOFMAN INC.  
TRUSTEE

Per: Robert Kofman