

Court File No. CV-22-00674810-00CL  
Court of Appeal File No.: C70638

**COURT OF APPEAL FOR ONTARIO**

B E T W E E N:

KINGSETT MORTGAGE CORPORATION

Applicant  
(Respondent)

and

30 ROE INVESTMENTS CORP.

Respondent  
(Appellant)

**SUPPLEMENTARY APPEAL BOOK AND COMPENDIUM**

May 30, 2022

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**TABLE OF CONTENTS**

<b>1</b>	<b>Transcript of Phone Call Recording attached as Exhibit “B” to the Affidavit of R. Zar, sworn May 5, 2022.</b>
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# TAB 1

CO/jk

ROEHAMPTON ats KINGSETT MORTGAGE CORP.

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TRANSCRIPT OF PHONE CONVERSATION  
UNDATED

- - - - -

INDEX OF PROCEEDINGS

	<u>PAGE NUMBER</u>
General Discussion	3 - 12
Certificate	13

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

GENERAL DISCUSSION:

RAYMOND: Hey Scott, how are you?

SCOTT: Good. Good.

RAYMOND: Normally, I would be happy about a call on Monday, but fortunately, I don't have any applications before you right now, Your Honour, so Monday is good this time.

SCOTT: Monday is the new Friday.

RAYMOND: Yes, yes, so that's...it's good to connect with you guys, it's been a while.

SCOTT: I know.

RAYMOND: I'm sure, you've been busy. We've been many times more busy. It turns out when you don't have a lot of roadblocks in front of you, you can actually get a lot done and so, that's what we've been doing, lots of construction, lots of activity.

And you know, thanks to you guys for the indulgence you gave us a few months back. That definitely made things a lot easier and allowed us to focus on running our business.

So, 30 Roe, I spent some time to review it just before our call to give you an update. So, I see the loans coming up November 1st. Okay, so here is where things stand. Over the last three or four months, we've spent

1 about \$15,000 a unit, so roughly \$130,000 on the floor  
2 just in various CapEx projects, you know, both  
3 increasing the value and increasing rents.

4 Right now, the entire floor is actually fully leased,  
5 so zero vacancy. But most incredibly, which I actually  
6 had to triple-check this because it seemed a little  
7 unbelievable, is rents are up by 56 percent pre-COVID.

8 So, 56 percent more than before the pandemic. So,  
9 they're at about \$7.40 a square foot. I'm not too sure  
10 what's going on there.

11 I know there's lots of inventory coming in at Yonge  
12 and Eglinton, but you know, we definitely don't have  
13 any complaints. But because of the high rents, that's  
14 shifted our LTV a little bit. Because based on these  
15 new rent...these new leases we have, it brings the  
16 EBITDA of this asset to just over \$500,000. So, you  
17 got a 5 percent cap, that's about \$11,000,000.

18 So, because of the significantly higher EBITDA than  
19 we had anywhere in our books, along with CIBC that's  
20 working on the refinancing, but you know, they're  
21 limited to..they're not going to be lending based on  
22 EBITDA, they're just lending as residential rental  
23 properties and you know, so they're tied to maximum  
24 75 percent of, say \$8,500,000.

25 So, because of that, we engaged...last week, we engaged

1 RBC's AMS department, division. So, they are working  
2 on funding this through different channels at  
3 significantly higher LTVs. So, we have both that are  
4 working on it. I don't...we don't have any sort  
5 of...there's no issues that I see right now. So,  
6 November 1st seems fine. So, yes, if you have any  
7 questions, happy to clarify, answer.

8 SCOTT: Yes, I guess the only real question I have,  
9 and that's all great news...

10 RAYMOND: Yes.

11 SCOTT: ...and you know, we're in a better position  
12 and I acknowledge all that. But, just my gut is, you're  
13 not going to be able to write a cheque with your new  
14 financiers by November 1st. And so, my only...this  
15 is like, don't take the tone wrong because I  
16 just...like, you don't want to spend 20 minutes trying  
17 to get the tone right, but...

18 RAYMOND: Oh no, it's all right.

19 SCOTT: ...we gave you an open loan and gave you  
20 more money and gave you six months, which we thought  
21 was...I actually said for you not to take the extension  
22 and save yourself the fee which we're trying to help  
23 you out with, like structuring it the way we did. But,  
24 it's going to be October, a Friday, and it sounds like  
25 you...there's no way you're going to be in a position



1 to pay us out by November 1st. I just don't know why  
2 it's taking so long, that would be my only comment.

3 RAYMOND: I...

4 SCOTT: I'm not...and Raymond, I'm not...like,  
5 that's just obviously based on...

6 RAYMOND: No, no, no, no.

7 SCOTT: ...what you just said. I'm not losing  
8 sleep or anything over loan-to-value or anything like  
9 that obviously.

10 RAYMOND: Yes. And so, I can say CIBC is...has  
11 done its underwriting and everything for a few months  
12 now. The hold-up really has been us on the LTV. And  
13 that's why we engaged RBC's AMS division, was because,  
14 you know, thinking that the chances of CIBC giving us  
15 significantly higher LTV that we want, probably not  
16 high. And so, you know, but if we wanted to complete  
17 the refinancing based on conventional LTVs with CIBC,  
18 they're ready to go. They're just...the hold-up is  
19 us.

20 SCOTT: And yet, let me just answer, the CIBC debt  
21 today technically could refinance us without you  
22 putting any equity, correct?

23 RAYMOND: Oh, absolutely. I'd never put any...you  
24 know it by now...

25 SCOTT: No, I want to make sure there was no

1           shortfall, right?

2           RAYMOND:       Put equity in...

3           SCOTT:        Like, I thought your loan was...yes, like  
4           you'd put in equity, just with somebody else's money.

5           RAYMOND:       Yes, yes, yes, no, Justin (phon), those  
6           are bad words, never mention that to me on...

7           SCOTT:        Oh yes, oh yes.

8           RAYMOND:       ...to put equity in, oh my God, the E  
9           word, never after closing, my goodness.

10          SCOTT:        The E word, the E word.

11          RAYMOND:       The E word, okay, I know. We just...we  
12          get a return on it...

13          SCOTT:        So, the idea was already just to try and  
14          maximize value to pull some equity out.

15          RAYMOND:       Yes, significantly more...

16          SCOTT:        Okay.

17          RAYMOND:       ...because, you know, like the  
18          loan-to-value on this asset, the cap rate should be  
19          4 percent. I mean, it's even lower now. I mean, you  
20          guys are seeing this.

21          So, you know, at 4 percent cap, based on the actual  
22          income that it has now, is \$13,500,000 and the valuation  
23          CIBC is going with and you know, even you guys went  
24          with, was around the \$8,000,000 range. So, from 8 to  
25          13.5 is huge, even of a 5 percent cap, it's \$11,000,000.

1 So, you know, the rents have presented an interesting  
2 situation. And they're very high quality tenants, like  
3 international corporations, triple A literally. I'm  
4 probably going to visit the floor just to see what the  
5 heck is going on. Is there some sort of...like, why  
6 are these people attracted to that floor?

7 But, you know, it's...I mean, I'm seeing rents are  
8 increasing in Toronto of course, but not to this scale,  
9 56 percent since pre-COVID. So, that...

10 SCOTT: And for my knowledge, are these short-term  
11 rentals still or are you doing conventional...

12 RAYMOND: No, no, we ended that shortly after  
13 COVID...

14 SCOTT: Are you getting \$7 a foot on 12 months,  
15 like standard rent...

16 RAYMOND: \$7.40 average. It's...and I've, you  
17 know, reviewed the leases, I've...

18 SCOTT: These are furnished, right? These are  
19 furnished?

20 RAYMOND: They are, but they're not serviced. So,  
21 what we did is, we left everything that was there.  
22 Any furniture that was there, we just left it. And  
23 we gave an option, we said, "If you want it unfurnished,  
24 we'll remove everything and, you know, donate it  
25 somewhere. But if you don't, you can keep the

1 furniture". And, everybody kept the furniture.  
2 And then, the raise, we just...you know, got so many  
3 offers, they just went continuously higher and higher  
4 and higher. But the terms, they're not short-term,  
5 they're...I think the shortest one is six months. But,  
6 most are well over 12 months now. So, it's, you know,  
7 it's fully leased.

8 But it is quite odd, I will say that. \$7.40 was not  
9 in our projection ever, because we were at \$4.73 before  
10 COVID. Now, we're at \$7.40. And it's without any  
11 servicing, so you know, they pay everything, utilities,  
12 Rogers, whatever...

13 SCOTT: Yes.

14 RAYMOND: ...we're just paying maintenance fees  
15 and insurance and tax. So, that's the answer Scott.

16 The earlier point, that was partially the reason for  
17 exercising the renewal even though we appreciated the  
18 discount. The prospect of, you know, getting financing  
19 based on a \$13,000,000 valuation seemed to work, but  
20 I don't see CIBC doing it, that is, I just don't see  
21 it because it's...they can't go from 8.5 valuation to  
22 13 just because rent...like, it just...they won't.  
23 We're still trying, but I just don't see it. RBC  
24 though, can easily do it based on income.

25 SCOTT: Okay.

1           RAYMOND:        So, I mean...so, if...I mean, how do we  
2 do this? If we do need to extend it by say, 30 days,  
3 how would you guys feel about that? Is there any...are  
4 you guys buying anything that you need this, what is  
5 it \$1,875,000 for?

6           SCOTT:         No, no, no...no, we can figure that out,  
7 but we'd need to maintain our yield, so it would be  
8 the same interest rate and the same...

9           RAYMOND:        Yes.

10          SCOTT:         ...pro rata scheme, right? What I would  
11 prefer to do...well, let's...yes. So, as long as your  
12 taxes are current, you're making your payments, like  
13 I wouldn't worry about 30 days and we can just catch  
14 up with you as November 1st approaches.

15          RAYMOND:        Yes, and we've still...I mean, I do this  
16 on most loans. You know, when we're doing refinancing,  
17 we never tell the bank that's looking at their financing  
18 that we have the ability to extend. So, from CIBC's  
19 perspective, we're saying this is the last extension,  
20 it needs to close.

21          SCOTT:         Yes.

22          RAYMOND:        And to their credit, I mean, they're  
23 ready to go, we're the ones now, sort of dragging our  
24 feet because of the LTV. Now, in terms of the fees,  
25 I definitely appreciate, you know, the cost savings

1 element there, but I will say...and I'll say this to  
2 you openly, based on everything that you're financing  
3 and your cooperation enabled, I can say that even if  
4 we paid you 40 percent interest we would have still...we  
5 would have still come out on top.

6 So, I've said this before, I'll say it again, I deeply  
7 appreciate the cooperation you guys showed because it  
8 literally...so many different projects were on hold  
9 just because of this fiasco really. But everything  
10 is on track.

11 SCOTT: Good.

12 RAYMOND: So, yes...so, we'll...I can give you  
13 another update in two weeks?

14 SCOTT: Yes. Why don't I do this, I'll put  
15 something in our calendar and I'll give you a call in  
16 two weeks for an update and we'll go from there.

17 RAYMOND: Yes, sounds good.

18 SCOTT: Okay.

19 RAYMOND: Perfect.

20 SCOTT: Thanks Raymond.

21 RAYMOND: All right, I appreciate it. Thanks  
22 Scott.

23 SCOTT: Have a good day. Yes, you too, have a great  
24 night.

25 RAYMOND: Thanks. Bye bye.

1

SCOTT:       Bye.

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I hereby certify the foregoing to be a true and accurate transcription of the above noted proceedings on the **29th DAY OF MAY, 2022** and taken to the best of my skill, ability and understanding.

}  
} **Certified Correct:**  
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}  
} \_\_\_\_\_  
} **Chris Orr**  
} **Production Manager**  
} Victory Verbatim Reporting



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