



April 5, 2018

**Report of
KSV Kofman Inc.
as Proposed Receiver of
3291735 Nova Scotia Limited**

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HFX NO.: 474742

**IN THE SUPREME COURT OF NOVA SCOTIA
(IN BANKRUPTCY AND INSOLVENCY)**

**FIRST NATIONAL FINANCIAL GP CORPORATION AND
FIRST NATIONAL FINANCIAL LP**

APPLICANTS

- AND -

3291735 NOVA SCOTIA LIMITED

RESPONDENT

**REPORT OF
KSV KOFMAN INC.
AS PROPOSED RECEIVER**

APRIL 5, 2018

1.0 Introduction

1. KSV Kofman Inc. (“KSV”) understands that an application has been made to the Supreme Court of Nova Scotia (in Bankruptcy and Insolvency) (the “Court”) by First National Financial GP Corporation and First National Financial LP (jointly, “First National”) for an order (the “Receivership Order”) pursuant to subsection 243(1) of the *Bankruptcy and Insolvency Act* (“BIA”) and subsection 43(9) of the *Judicature Act* to appoint KSV as receiver of all the assets, undertaking and properties of 3291735 Nova Scotia Limited (the “Company”).
2. KSV has consented to act as receiver of the Company. A copy of KSV’s consent is attached as Appendix “A”.
3. The principal asset owned by the Company is the real property municipally described as 1017 – 1021 Beaufort Avenue, Halifax (Unit Nos. 1 – 6 of Halifax County Condominium Corporation, No. 412) (the “Real Property”).
4. The principal purpose of the proposed receivership proceedings is to conduct a sale process for the Real Property under the supervision of a Court-appointed receiver.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide the Court with background information on KSV;
 - b) provide background information on the proposed receivership proceedings;
 - c) summarize a recommended sale process for the Real Property, including the retention of Keller Williams Select Realty (“Keller Williams”) to act as listing agent (“Sale Process”);
 - d) summarize the terms under which KSV proposes to borrow up to \$200,000 under Receiver Certificates (the “Receiver’s Borrowings”) from First National; and
 - e) recommend that the Court issue an order, among other things:
 - appointing KSV as receiver of the Real Property;
 - approving the Sale Process; and
 - approving the terms of the Receiver’s Borrowings.

2.0 KSV

1. KSV is a trustee within the meaning of subsection 2(1) of the BIA. KSV is also a registered member of the *Canadian Association of Insolvency and Restructuring Professionals* and carries adequate professional liability insurance.
2. KSV is a Toronto based corporate restructuring practice. KSV was formerly the Toronto restructuring practice of RSM Richter Inc., which operated for over four decades prior to its sale to Duff & Phelps LLP (“D&P”) in 2011. In 2015, KSV acquired the practice from D&P. Further information concerning KSV is provided in Appendix “B”.
3. The senior KSV professional with responsibility for this matter, Robert Kofman, is a Chartered Insolvency and Restructuring Professional, a Licensed Insolvency Trustee and a member of the *Insolvency Institute of Canada*.
4. KSV has extensive experience acting as a court officer in real estate insolvencies. A summary of KSV’s recent real estate experience is reflected in Appendix “C”.
5. The senior lender has sought the appointment of KSV as receiver of the Company due to KSV’s extensive distressed real estate experience and the lender’s familiarity with KSV.

3.0 Background

1. The Real Property is approximately 1.24 acres and is divided into six condominium lots. KSV understands that each of the lots is fully serviced for water and utilities.
2. Five of the lots are vacant land and the Company's principal, David Bryson, and his wife, live in a house located on the sixth lot. Mr. Bryson is the Company's sole officer and director.
3. Mr. Bryson has advised First National that he intends to move out of the home on or around April 1, 2018.
4. Each of the six lots has been listed for sale by the Company since June, 2016; however, no lots have been sold.

3.1 Secured Creditors

3.1.1 First National

1. First National is a mortgagee of the Company and is owed approximately \$2.9 million under the mortgage. The mortgage is registered on title to the Real Property.
2. The Company did not pay its mortgage payment due to First National on February 1, 2018 and has not made any mortgage payments to First National since that time. Mr. Bryson has advised First National that the Company is unable to continue to service the First National mortgage and that he does not intend to service it personally.
3. On February 26, 2018, First National made demand and served a Notice of Intention to Enforce Security pursuant to Section 244 of the BIA in respect of the amounts owing under its mortgage.

3.1.2 Other Secured Creditors

1. The following mortgages are also registered on title to the Real Property:
 - a) a mortgage in the amount of \$505,000 held by Canadian Western Trust Company ("CWT"); and
 - b) a mortgage in the amount of \$500,000 held by Nick Bryson.
2. KSV understands that CWT and Nick Bryson have been served with the receivership application materials.

4.0 Sale Process

1. KSV recommends proceeding by way of a sales process overseen by a Court appointed receiver rather than foreclosure because the proposed process provides more flexibility for marketing as opposed to a foreclosure auction and therefore potentially a better return on the asset to stakeholders. In addition, the nature of the property (undeveloped land) is specialized and the proposed sales process allows marketing to developers en bloc, which also may improve realizations.

2. In advance of these proceedings, KSV solicited proposals from realtors to act as the listing agent to sell the Real Property. Each of the realtors is based in Halifax and has experience selling real estate similar to the Real Property.
3. On March 14, 2018, KSV sent a Request for Proposal (“RFP”) to the realtors. A copy of the RFP is attached as Appendix “D”. Proposals from the realtors were due on March 23, 2018. Each of the realtors submitted a proposal by the deadline.
4. KSV recommends that Keller Williams be retained as the listing agent. KSV expects that the Real Property will be sold to a residential developer. In that respect, a primary consideration for KSV was that Keller Williams has experience dealing with residential developers. First National, as the most significant mortgagee, supports the retention of Keller Williams.
5. Keller Williams will be entitled to a commission of 5% if the Real Property is sold through a co-operating brokerage. Keller Williams’ commission will be 4% if there is no co-operating broker. KSV is of the view that the commission is consistent with market, as evidenced by the listing proposals received and based on its experience selling real estate. As of the date of this Report, Keller Williams’ proposed listing agreement has not been finalized. A copy of the listing agreement will be available for the Court on the return of the application.

4.1 Sale Process

1. The recommended Sale Process is summarized in the table below.

Summary of Sale Process		
Milestone	Description of Activities	Timeline
<i>Phase 1 – Underwriting</i>		
Due diligence	➤ Keller Williams to review all available documents concerning the Real Property.	Week 1 - 2
Finalize marketing materials	➤ Keller Williams and KSV to: <ul style="list-style-type: none"> ○ prepare a marketing brochure; ○ populate an online data room; ○ prepare a Confidentiality Agreement (“CA”); and ○ prepare a Confidential Information Memorandum (“CIM”). 	
Prospect Identification	➤ Keller Williams will qualify and prioritize prospects; ➤ Keller Williams will also have pre-marketing discussions with targeted prospects.	

Summary of Sale Process		
Milestone	Description of Activities	Timeline
<i>Phase 2 – Marketing</i>		
Stage 1	<ul style="list-style-type: none"> ➤ Mass market introduction, including: <ul style="list-style-type: none"> ○ offering summary and marketing materials printed; ○ publication of the acquisition opportunity in a regional newspaper; ○ telephone and email canvass of leading prospects; and ○ meet with and interview bidders. 	Weeks 3 -4
Stage 2	<ul style="list-style-type: none"> ➤ Keller Williams to provide detailed information to qualified prospects which sign the CA, including the CIM and access to the data room; ➤ Keller Williams to facilitate diligence by interested parties; ➤ Keller Williams to canvass the market and then, with KSV, determine a bid date; and ➤ KSV will prepare a vendor’s form of Purchase and Sale Agreement (“PSA”) which will be made available in the data room. 	Week 5 - TBD
Stage 3	<ul style="list-style-type: none"> ➤ Prospective purchasers to submit PSAs. 	TBD
<i>Phase 3 – Offer Review and Negotiations</i>		
	<ul style="list-style-type: none"> ➤ Proposal short listing and approval; ➤ 2nd Round Bids and further bidding - prospective purchasers may be asked to re-submit PSAs on one or more occasions. 	TBD
Selection of Successful Bids	<ul style="list-style-type: none"> ➤ Select successful bidder and finalize definitive documents. 	TBD
Sale Approval Motion and Closing	<ul style="list-style-type: none"> ➤ Motion for sale approval and close transaction. 	TBD

2. The table reflects that the bid date in the Sale Process has not yet been determined. It is intended that after Keller Williams completes its initial marketing efforts, a bid date will be determined and communicated to interested parties.
3. Additional aspects of the Sale Process include:
 - a) The Real Property will be marketed on an “as is, where is” basis;
 - b) KSV will have the right to reject all offers, including the highest and best offer; and
 - c) any transaction will be subject to Court-approval.

4.2 Sale Process Recommendation

1. KSV recommends that the Court issue an order approving the Sale Process for the following reasons:
 - a) Keller Williams's team has experience selling residential development properties in Halifax;
 - b) First National, as the most significant mortgagee, has consented to the engagement of Keller Williams;
 - c) KSV is of the view that the commission rate is consistent with market and First National has consented to the fee structure;
 - d) the Sale Process is a fair, open and transparent process intended to canvass the market broadly on an orderly basis;
 - e) there will be no delay commencing the Sale Process – Keller Williams will be retained from the outset of these proceedings and is familiar with the Real Property. This should allow for the process to be conducted on a timely basis, which will assist to reduce costs; and
 - f) the Sale Process is flexible and will allow KSV to establish procedures it believes necessary to maximize value (for example, by setting a bid date only after market feedback has been obtained).
2. Based on the foregoing, KSV recommends the Court approve the Sale Process, including the retention of Keller Williams.

5.0 Receivership Funding

1. First National is prepared to fund the costs of these proceedings under Receiver's Certificates. The borrowings are to be used to maintain the Real Property and to fund the costs of these proceedings, including the professional costs of the Receiver and its counsel.
2. A summary of the key terms of the proposed First National borrowing facility is as follows:
 - a) Amount: up to \$200,000
 - b) Term: one year
 - c) Repayment: any time without penalty, with three business days written notice to First National.
 - d) Interest rate: 10% per annum, compounded monthly.

- e) Draws and Security: funds are to be advanced under Receiver's Certificates. Advances are to be secured by a Court-ordered charge on the Real Property which is only subordinate to the Receiver's Indemnity Charge (as defined in the proposed receivership order).
- f) Subsequent Loans: in the event the Receiver seeks a subsequent loan, the Receiver will first offer the opportunity to First National.
- g) Conditions: the only condition to the facility is that the Court approve the commitment letter and make the proposed receivership order.

5.1 Recommendation re Receiver's Borrowings

- 1. KSV recommends the Court issue an order approving the terms of the Receiver's Borrowings for the following reasons:
 - a) it will provide the Receiver with funding required for these proceedings; and
 - b) the terms of the facility are consistent with other recent real estate restructurings in which KSV is involved. A summary of these facilities is included in Appendix "E". If the Court approves the terms of the Receiver's Borrowings, KSV does not intend to solicit other financing proposals. Given the small size of the facility, the fees incurred running such a process would exceed the savings, if any, achieved by that process.

6.0 Conclusion and Recommendation

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

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC.,
SOLELY IN ITS CAPACITY AS PROPOSED RECEIVER OF
3291735 NOVA SCOTIA LIMITED
AND NOT IN ITS PERSONAL OR IN ANY OTHER CAPACITY**

Appendix “A”

2018

Hfx No. 474742

**IN THE SUPREME COURT OF NOVA SCOTIA
(In Bankruptcy and Insolvency)**

**FIRST NATIONAL FINANCIAL GP CORPORATION and
FIRST NATIONAL FINANCIAL LP**

Applicants

And

3291735 NOVA SCOTIA LIMITED

Respondent

CONSENT TO ACT

KSV Kofman Inc., a body corporate pursuant to the laws of the Province of Ontario, hereby consents to act as Court-appointed Receiver of 3291735 Nova Scotia Limited, if so appointed by the Court

DATED at Toronto, Ontario, this ^{2nd} ___ day of April 2018.

KSV KOFMAN INC.


Per: Robert Kofman

Appendix “B”



Further Information on KSV

April, 2018

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1

Practice Overview

Practice Overview

- Located in Toronto, KSV Advisory Inc.¹ (“KSV”) provides restructuring and valuation services to private and public companies and their stakeholders. For close to 50 years, KSV’s practice has been a leader in the area of insolvency and restructuring.
- KSV formerly operated as the Toronto restructuring practice of RSM Richter Inc., following which the practice was sold to Duff & Phelps LLP, a global financial services firm. In 2015, KSV acquired the practice from Duff & Phelps LLP.
- The restructuring services offered by KSV include: financial and operational consulting, distressed corporate finance, interim management, stakeholder representation, performance improvement and turnaround consulting. Additionally, pursuant to Canadian insolvency and other legislation, KSV is commonly appointed by the court to act as CCAA monitor, proposal trustee, receiver, receiver and manager and bankruptcy trustee.
- KSV and its professionals have provided financial advisory and other services on many high profile restructurings, including the Urbancorp Group, Sears Canada, Ravelston (the parent company in the Hollinger Group), Nortel, GM Canada, Canwest Global, Skylink, Coventree, US Steel, Stelco, Eatons, Danier Leather, Linens ‘n Things, Eddie Bauer, and Laura Secord.
- KSV has experience in virtually all major North American industries, including real estate, mining, automotive, construction, retail, technology, forestry, agriculture, telecommunications, pharmaceuticals and oil & gas.
- KSV performs mandates across Canada and the US.
- Further information concerning KSV can be found on our website at www.ksvadvisory.com.

1. KSV’s advisory mandates are performed by KSV Advisory Inc. When performing mandates as a court-officer, KSV’s mandates are performed by KSV Kofman Inc. In this document, the defined term “KSV” is used interchangeably for both KSV Advisory Inc. and KSV Kofman Inc.

Restructuring

- Our team is comprised of professionals with expertise in all industries and restructuring processes, including out-of-court workouts, formal insolvency proceedings and cross-border matters.
- Services include:
 - Restructuring strategy and execution
 - Financial and operational consulting
 - Corporate finance
 - Interim management
 - Oversight and monitoring of businesses in transition
 - Reporting to stakeholders
 - Financial projection preparation
 - Performance improvement and turnaround consulting
 - Stakeholder negotiation
 - Shareholders' disputes

Representative Restructuring / Special Situation Clients



Biography: Robert Kofman

Bobby Kofman

President and Managing Director, KSV Advisory Inc.



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bkofman@ksvadvisory.com

Bobby Kofman, MBA, CIRP is a managing director and President of KSV Advisory Inc. He has close to 25 years of experience in business turnarounds and restructuring. He is routinely engaged in Canada and the United States to represent debtors, secured creditors and other stakeholders. His experience working for various constituents allows him to understand the key issues relevant to each stakeholder group, enabling him to facilitate successful turnarounds, whether in the context of formal or informal restructuring proceedings. His ability to balance the interests of stakeholders has earned him a reputation for achieving exemplary results.

Bobby has extensive experience in virtually all industries. He has been involved with several of Canada's highest-profile restructurings, including The Ravelston Corporation Limited, the parent company in the Hollinger Group; Lear Corporation; Pliant Corporation; Eddie Bauer Limited; Jetsgo Corporation; Confederation Life Insurance Company; The T. Eaton Company Limited; Dylex Limited; The Canadian Red Cross Society, the Prizm Group of Companies and the Urbancorp Group. Additionally, he has been involved with numerous distress situations throughout the United States.

Bobby is a member of the Insolvency Institute of Canada. He is a licensed Trustee in Bankruptcy and a Chartered Insolvency and Restructuring Practitioner in Canada.

Bobby holds an M.B.A and a B.A. from the University of Toronto.

Appendix “C”

Appendix “C”

Summary of Recent Real Estate Experience

Company	Year of Filing	Description of Company	KSV’s Role	Location of Properties	Number of Properties Sold
Mady Steeles (2011) Ltd.	2015	Diversified real estate development group. Owned a 40-acre property in Toronto	Court - appointed Receiver	Toronto	One
Urbancorp Group	2016	Major developer of residential properties in the GTA	CCAA Monitor	Toronto	Seven
Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd. Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (555 Princess Street) Inc. and Textbook (525 Princess Street) Inc.	2017	Developers of student housing residences and aged care facilities, including low-rise condominium projects	Court - appointed Receiver	Kingston, Whitby, Huntsville, Kitchener, Burlington, Oakville	Five properties sold. Continue to market two properties.
Generx (Byward Hall) Inc.	2017	Developer of student housing residences	Court - appointed Receiver	Ottawa	One
M.Y. Residential Inc.	2017	Owned a student housing residence	Court - appointed Receiver	Kingston	One
Court-appointed “sales officer” of a private real estate portfolio	2017	Shareholder dispute involving a group of private companies with a real estate portfolio of six income producing properties, development land, residential land and industrial condos	Court-appointed sales officer	Toronto	Three properties sold. Continue to market several properties.
JD Developments	2018	Owner of student housing residence and development land	Court - appointed Receiver	Kitchener /Waterloo	Three properties to be listed for sale
Textbook (445 Princess Street) Inc.	2018	Developer of student housing residences	Court - appointed Receiver	Kingston	One

Appendix “D”

**Request for Proposals for
REAL ESTATE BROKER SERVICES
Re: 1017 – 1021 Beaufort Avenue, Halifax (Units 1- 6 of Halifax County Condominium
Corporation No. 412) (the “Property”)**

A. Background

- The Property is owned by 3291735 Nova Scotia Limited (the “Company”).
- First National Financial GP Corporation and First National Financial LP (collectively, the “Mortgagee”) has a mortgage registered on the Property. We understand that the Mortgagee is considering making an application to Court to appoint KSV Kofman Inc. (“KSV”) as receiver to conduct a sale process for the Property.
- In connection with a potential sale process, we request that you provide a proposal to act as listing agent to solicit sale proposals for the Property.
- The terms of a receivership, sale process and the selection of a realtor are subject to Court approval.

B. Proposal Submission Deadline

- Proposals are to be submitted to Noah Goldstein of KSV by 5:00 p.m. (Toronto time) on March 23, 2018. Should you have any questions regarding the process, please contact Mr. Goldstein at 416.932.6207 or ngoldstein@ksvadvisory.com.

C. Proposal Content

The Proposal must contain the following. Please note that some of the information may be included in Reports to the Court.

1. Work Plan: all bidders shall please provide a detailed work plan, including listing price and bid date, if any.
2. Valuation: all bidders shall provide an estimate of the value of the Property, together with supporting assumptions, if any. Bidders should note if the seller needs to consider any fees/deductions outside of HST, if the Property is sold to an end user;
3. Firm background and staff experience: all bidders shall provide background of the firm, including the experience of their staff on this assignment (including résumés). All bidders should provide a summary of their current listings, their past five sales and their past three sales to developers.
4. Prospective purchasers: all bidders should provide a list of prospective purchasers, including target buyer profile. Bidders should provide a high-level expectation of terms for a sale, including closing timelines, deposit structures, conditions, if any, and other pertinent information, as applicable.

5. Compensation Structure: all proposals shall indicate the proposed compensation structure.
6. Conflict of Interest Statement: all bidders shall disclose any professional or personal financial interests which could be a possible conflict of interest. In addition, all bidders shall further disclose any arrangements to derive additional compensation.

D. Proposal Consideration

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

- Bidder's marketing plan
- Relevant experience
- Depth of reach
- Professional qualifications of individuals assigned to the project
- Compensation structure

Appendix “E”

Appendix “E”

Summary of Loans in Real Estate Insolvency Proceedings in which KSV is Involved
(unaudited \$C)

Company	Year of Filing	Loan Amount (\$)	Interest Rate	Other Fees	Effective Interest Rate
Urbancorp Group	2016	10,000,000	8.25%	1.25%	9.5%
Memory Care Investments (Oakville) Ltd.	2017	1,662,000	9.5%	2%	11.5%
Memory Care Investments (Kitchener) Ltd.	2017	1,475,000	9.5%	2%	11.5%
1703858 Ontario Inc.	2017	1,775,000	9.5%	2%	11.5%
Textbook (525 Princess Street) Inc.	2017	400,000	9.5%	3.75%	13.25%
Textbook (555 Princess Street) Inc.	2017	400,000	9.5%	3.75%	13.25%
Legacy Lane Investments Ltd.	2017	300,000	9.5%	5%	14.5%
Generx (Byward Hall) Inc.	2017	200,000	11.5%	2%	13.5%
M.Y. Residential Inc.	2017	200,000	11.5%	2%	13.5%
Textbook (445 Princess Street) Inc.	2018	200,000	11.5%	2%	13.5%
2284649 Ontario Inc.	2018	1,000,000	10.0%	-	10.0%
Average		1,601,091	10%	2.3%	12.3%
Proposed loan to Receiver		200,000	10%	-	10%