



**Supplement to the First Report of  
KSV Kofman Inc.  
as Proposal Trustee of  
58 Old Kennedy Development Inc.,  
76 Old Kennedy Development Inc.,  
82 Old Kennedy Development Inc.,  
9500 Dufferin Development Inc.,  
250 Danforth Development Inc.,  
3310 Kingston Development Inc.,  
1296 Kennedy Development Inc., and  
159 Carrville Development Inc.**

November 7, 2018

**- and -**

**Report of  
KSV Kofman Inc.  
as Proposed CCAA Monitor of  
Forme Development Group Inc.  
and the Companies Listed on  
Appendix "A"**

COURT FILE NO.:CV-18-608313-00CL

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT  
OF FORME DEVELOPMENT GROUP INC.  
AND THE COMPANIES LISTED ON APPENDIX "A"**

**SUPPLEMENT TO THE FIRST REPORT OF KSV KOFMAN  
INC. AS  
PROPOSAL TRUSTEE AND  
REPORT OF KSV KOFMAN INC. AS PROPOSED MONITOR**

**November 7, 2018**

## **1.0 Introduction**

1. This report ("Supplemental Report") supplements KSV's report dated November 6, 2018 (the "First Report"). Capitalized terms not otherwise defined herein have the meanings given to such terms in the First Report.
2. This Supplemental Report provides:
  - a. a letter from TD concerning its preliminary view of the value of the Pacific Properties (the "TD Letter"); and
  - b. further details concerning the Administration Charge and the DIP Lender's Charge.

## **2.0 Background**

1. The Applicants sought protection under the CCAA on November 6, 2018 (the "Initial Application"). At the return of the Application, due to concerns raised by legal counsel representing certain mortgagees regarding short service, Mr. Justice Hainey issued an endorsement adjourning the application until November 8, 2018 (the "Return Date") and providing the Applicants an interim stay of proceedings until the Return Date. A copy of the Endorsement is provided in Appendix "B".

2. A copy of the TD Letter is provided in Appendix “C”. The letter provides further details concerning TD’s preliminary views of the values of the Pacific Properties.
3. The primary issue that arises is that the Pacific Properties are assembled into four developments. The table provided in Appendix “D” details the entities which comprise each development. Each entity owns its own real estate and each piece of real estate has its own mortgagees. To maximize value, it is likely, but not certain, that the Pacific Properties will be sold as their intended development versus as separate parcels of real estate.
4. The table in Appendix “D” illustrates KSV’s view that an orderly sale process is required given the multiple mortgages on the Pacific Properties. It is possible that each mortgagee will have its own view as to the best way to realize on the real property. It is KSV’s view at this time, based on, among other things, discussions with TD, that value is more likely to be maximized for the benefit of all stakeholders if the Pacific Properties are sold on the basis of their intended developments. That said, KSV and TD are prepared to sell the properties on the basis of any value maximizing opportunity that arises and the contemplated sale process would allow for that.
5. Chief among the concerns raised by mortgagees on the Pacific Properties has been the attachment of the DIP Lender’s Charge to each Pacific Property in the full amount. KSV is of the view that is a cost allocation issue – and is further of the view that none of the Pacific Properties’ mortgagees (the “Mortgagees”) should be prejudiced by an unfavourable allocation. KSV recommends that any equity realized from the sale of any of the Applicants’ properties, including, but not limited to the Pacific Properties, first be used to pay the amounts owing under the Administration Charge and the DIP Lender’s Charge so that no Pacific Properties’ mortgagee suffers a shortfall. In the event that the equity in all of the Applicants’ properties is insufficient to repay in full the Administration Charge and the DIP Lender’s Charge (which is not expected at this time), then any amounts required to satisfy that shortfall would be allocated pro-rata based on the value received for each of the Pacific Properties.
6. Since the Initial Application, the Company’s counsel, Goldman Sloan Nash & Haber LLP, KSV, as proposed Monitor, and its counsel, Bennett Jones LLP, have had discussions with, and corresponded with, representatives of certain lenders concerning the matters discussed herein. As detailed below, the contemplated Initial Order has been amended to reflect feedback received from these parties – a summary of the proposed changes is listed below:
  - a. The proposed Initial Order already provided the proposed Monitor with oversight and required consents for any disbursements made by the Applicants, as well as control over the DIP funds and that any further development work by the Applicants must be consented to by the Monitor – further changes have been made to clarify those provisions;
  - b. The priority of the proposed Administration Charge has been amended such that it will rank immediately below the first mortgagee on all Properties (not just the non-Pacific Properties) and further, the priority of the Administration Charge on the non-Pacific Properties will be deferred until the comeback

hearing as certain affected mortgagees on those properties may not have received notice; and

- c. the provisions and protections regarding allocation of costs as described above have been added – namely that costs that are not attributable to a specific Property or Properties will first be allocated to unencumbered funds or equity in Properties or, where there are no unencumbered funds on a pro rata basis, based on the sale price for the Properties (or if not sold, an appraised value approved by KSV).
7. KSV understands that as discussions continue before the Return Date, there may be further proposed changes to the proposed Initial Order and that further revisions may be circulated prior to the Court hearing tomorrow morning.

\* \* \*

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.  
IN ITS CAPACITY AS PROPOSED MONITOR OF  
FORME DEVELOPMENT GROUP INC. AND  
THE AFFILIATED ENTITIES LISTED ON APPENDIX "A"  
AND AS PROPOSAL TRUSTEE OF THE NOI ENTITIES  
AND NOT IN ITS PERSONAL CAPACITY**

Forme Development Group Inc.  
Supplemental Report dated November 7, 2018  
List of Appendices

List of Applicants	Appendix "A"
Endorsement of Mr. Justice Hainey dated November 6, 2018	Appendix "B"
TD Letter	Appendix "C"
Pacific Properties Summary	Appendix "D"

## **Appendix “A”**

**Schedule “A” – List of Companies**

2358825 Ontario Ltd.  
27 Anglin Development Inc.  
29 Anglin Development Inc.  
4 Don Hillock Development Inc.  
250 Danforth Development Inc.  
3310 Kingston Development Inc.  
1296 Kennedy Development Inc.  
7397 Islington Development Inc.  
1326 Wilson Development Inc.  
101 Columbia Development Inc.  
4208 Kingston Development Inc.  
376 Derry Development Inc.  
390 Derry Development Inc.  
189 Carrville Development Inc.  
169 Carrville Development Inc.  
159 Carrville Development Inc.  
5507 River Development Inc.  
4439 John Development Inc.  
186 Old Kennedy Development Inc.  
31 Victory Development Inc.  
58 Old Kennedy Development Inc.  
76 Old Kennedy Development Inc.  
82 Old Kennedy Development Inc.  
22 Old Kennedy Development Inc.  
35 Thelma Development Inc.  
19 Turff Development Inc.  
4550 Steeles Development Inc.  
9500 Dufferin Development Inc.

## **Appendix “B”**



November 6, 2018

At Mr. Terry's request  
This application is adjourned  
to Thursday November 8/18  
at 10 AM.

I order that pending the  
return of this application on  
November 8, 2018 the applicants  
shall have the benefit and  
protection of an interim  
stay of proceedings and no  
actions shall be commenced  
or continued against them.

Fairy J.

## **Appendix “C”**



**TD Cornerstone Commercial Realty Inc.**

TD Tower  
66 Wellington Street West, 9<sup>th</sup> Floor  
Toronto, Ontario M5K 1A2

November 7, 2018

KSV Kofman Inc.  
2308-150 King Street West  
Toronto, Ontario  
M5H 1J9

Attn: Bobby Kofman, President and Managing Director

**RE: FORME DEVELOPMENT GROUP INC. ("Forme"), PACIFIC PROPERTIES  
("Properties")**

Further to your request, I'm writing to provide context to our preliminary views on value for the Properties.

By way of background, TD Cornerstone Commercial Realty Inc., is a wholly owned subsidiary of The Toronto-Dominion Bank. We are a full service real estate brokerage firm that specializes in the sale of commercial real estate across all sectors including commercial, multi-family and land. We are one of the most active bank-owned firms in the sector having transacted or advised on over \$2 billion in real estate in the past 12 months and over \$30 billion since 2012. TD Bank is also one of the largest lenders to the development sector and as such, we have the added benefit of the insight of our lending teams as it relates to current market conditions and sentiment.

With respect to our approach on forming a view of value for the Properties, we have completed the following:

- a) Discussions with Forme's planning consultants, Weston Consulting (Ryan Guetter, Senior Vice President and Jason De Luca, Planner), as to the current planning status of the lands as well as a review of certain concept plans produced by their firm;
- b) Detailed review of the recent appraisal reports prepared by Cushman & Wakefield including their methodology, comparative transactions and conclusions reached;
- c) Desktop review of the Properties including sales data;
- d) Analysis of recent market transactions; and
- e) Discussions with market participants (without disclosing the Properties) to assess market sentiment.

Based on the above, our aggregate value for the Properties totals \$119.04 million (or \$34 million after the mortgage debt<sup>1</sup>) which, on the basis of our approach, we view as conservative. This compares to the Cushman & Wakefield appraisal value of \$174.4 million, and after adjusting for change in unit count or potential density since the date of appraisal (as informed by Forme and/or their consultants), a value of \$153.2 million (or \$68 million after the mortgage debt).

<sup>1</sup> Before certain interest, costs and fees, which continue to accrue.



We reconcile the difference in value between our approach and that of Cushman & Wakefield on the basis of how a buyer may view the status of the Properties. It is clear that Forme has added value through successfully assembling land parcels and the advancement of the planning / entitlement process through consultants. The Cushman & Wakefield value, in our opinion, reflects the "added" value of Forme's efforts. If a buyer takes a conservative view of Forme's "added" value they will likely trend towards our value estimate. However, should they ascribe value to Forme's efforts, their value should trend towards the Cushman & Wakefield estimates. Based on our experience with similar sales, buyers in a competitive process tend to put value where it can easily be identified. Assembly of land and advancement of land planning / entitlement are areas that could be used by a buyer to support a higher offering price in hopes of being the successful proponent in a property auction.

I trust this addresses your questions and am available to discuss in further detail.

**TD Cornerstone Commercial Realty Inc.**

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

per:  
Ashley Martis, Broker

## **Appendix “D”**

Development 1									
	1st	2nd	Other	Total	Acres	Estimated Value Per Acre	Total Estimated Value	Estimated Equity - Low	First Mortgagee
186 Old Kennedy	25,000	13,700	5,000	43,700	5.86				Krashnik/Gabel Krashnik/Gabel
51 Victory					3.10				
	25,000	13,700	5,000	43,700	8.96	6,500	58,240	14,540	
31 Victory	1,650	1,000	-	2,650	0.67	6,500	4,355	1,705	Vector
	26,650	14,700	5,000	46,350	9.63	6,500	62,595	16,245	

Development 2									
	1st	2nd	Other	Total	Acres	Estimated Value Per Acre	Total Estimated Value	Estimated Equity - Low	First Mortgagee
58 Old Kennedy	5,100	5,300		10,400	0.36				All Seasons
20 Thelma Ave					1.13				
	5,100	5,300		10,400	1.49	8,300	12,367	1,967	
64 - 76 Old Kennedy	2,800	-		2,800	0.36	8,300	2,988	188	Danan (Matthew Castilli) Wu's Int'l
82 Old Kennedy	8,625	-		8,625	1.97	8,300	16,351	7,726	
	16,525	5,300		21,825	3.82	8,300	31,706	9,881	

Development 3									
	1st	2nd	Other	Total	Acres	Estimated Value Per Acre	Total Estimated Value	Estimated Equity - Low	First Mortgagee
4550 Steeles Ave & 31 Old Kennedy	9,000	3,000	-	12,000	1.56	9,900	15,444	3,444	WFCU

Development 4									
	1st	2nd	Other	Total	Acres	Estimated Value Per Acre	Total Estimated Value	Estimated Equity - Low	First Mortgagee
22 Old Kennedy	1,250	1,100	-	2,350	0.22				Vector
16 Old Kennedy					0.20				
	1,250	1,100	-	2,350	0.42	8,300	3,486	1,136	
19 Turff					0.23		-	-	U-Feel
35 Thelma	2,540		-	2,540	0.47		-		
	2,540	-	-	2,540	0.70	8,300	5,810	3,270	
	3,790	1,100	-	4,890	1.12	8,300	9,296	4,406	
<b>Total, low end TD estimated value</b>								<b>33,976</b>	

General notes:

1. Excludes interest, costs and fees, which continue to accrue.
2. TD is of the view that one buyer could take up the entire property.
3. TD value estimates are "conservative".
4. The above table does not list cross registered mortgages in Developments 2, 3 and 4.