



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

December 14, 2018

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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 OTHER COMPANIES
LISTED ON APPENDIX "A"**

**APPLICATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT
ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**FIRST REPORT OF KSV KOFMAN INC. AS MONITOR
December 14, 2018**

1.0 Introduction

1. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on November 30, 2018, as amended and restated on December 6, 2018 (the "Initial Order"), Forme Development Group Inc. and the affiliated entities listed on Appendix "A" (the "Applicants") were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and KSV Kofman Inc. ("KSV") was appointed monitor (the "Monitor"). A copy of the Initial Order is attached as Appendix "B".
2. The principal purpose of these restructuring proceedings is to create a stabilized environment to conduct a Court-approved sale process ("Sale Process") for the Applicants' real property. The Initial Order approved the Sale Process, including the listing agreement between the Applicants and TD Cornerstone Commercial Realty Inc. ("TD").
3. KSV is filing this report ("Report") in its capacity as Monitor.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about these proceedings;
 - b) report on the Company's cash flow projection for the period December 17, 2018 to February 22, 2019 ("Cash Flow Forecast");

- c) discuss the reasons to extend the stay of proceedings from December 28, 2018 to February 22, 2019; and
- d) recommend that this Honourable Court make an order extending the stay of proceedings from December 28, 2018 to February 22, 2019.

1.2 Currency

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

2.0 Background

1. The Applicants are part of a commercial and residential real estate development group specializing in low-rise, high-rise, mixed-use and hospitality developments. The Applicants' properties are primarily located in the Greater Toronto Area, with a few in Southwestern Ontario.
2. KSV filed a report to Court dated November 6, 2018 in its capacity as proposed CCAA monitor (the "Proposed Monitor's Report"). KSV also filed three supplements to the Proposed Monitor's Report (the "Supplemental Reports"). Detailed information about the Applicants and these proceedings is set out in the Proposed Monitor's Report and the Supplemental Reports and, accordingly, that information is not repeated in this Report.
3. Copies of the Proposed Monitor's Report and the Supplemental Reports are attached as Appendices "C", "D", "E" and "F", respectively, without appendices.

3.0 Cash Flow Forecast

1. The Cash Flow Forecast and the Applicants' statutory report on the cash flow prepared pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "G".
2. Based on the Monitor's review of the Cash Flow Forecast, the assumptions appear reasonable. The Monitor's statutory report on the Cash Flow Forecast is attached as Appendix "H".

4.0 Stay Extension

1. The Monitor supports an extension of the stay of proceedings from December 28, 2018 to February 22, 2019 for the following reasons:
 - a) the Monitor is working with the Applicants to the extent possible to ensure that the Applicants are acting in good faith and with due diligence in these proceedings;
 - b) should there be a funding requirement during the proposed extension period, the Initial Order provides a mechanism under which funding can be advanced to the Applicants, either from the existing mortgagees and/or from an alternative lender under a Standby DIP (as defined in the Initial Order);

- c) TD is presently working with representatives of the Applicants and the Monitor to prepare the information required to launch the Sale Process in accordance with the timeline attached as Appendix "I". TD has provided an update concerning its efforts to-date, a copy of which is provided in Appendix "J". The extension will provide the opportunity for TD to continue to advance the Sale Process; and
- d) no creditor will be materially prejudiced if the extension is granted.

5.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor 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.
IN ITS CAPACITY AS MONITOR OF
FORME DEVELOPMENT GROUP INC. AND
THE AFFILIATED ENTITIES LISTED ON APPENDIX "A"
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

Appendix "A"

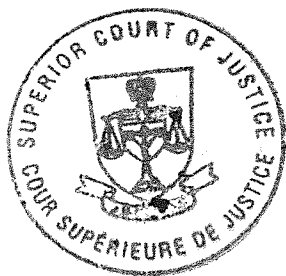
List of Applicants

3310 Kingston Development Inc.
1296 Kennedy Development Inc.
1326 Wilson Development Inc.
376 Derry Development Inc.
5507 River Development Inc.
4439 John Development Inc.
9500 Dufferin Development Inc.
2358825 Ontario Ltd.
250 Danforth Development Inc.
159 Carrville Development Inc.
169 Carrville Development Inc.
189 Carrville Development Inc.
27 Anglin Development Inc.
29 Anglin Development Inc.

Appendix “B”

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) FRIDAY, THE 30TH
JUSTICE HAINEY) DAY OF NOVEMBER, 2018



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 OTHER COMPANIES LISTED ON SCHEDULE "A"
HERETO

APPLICATION UNDER THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

INITIAL ORDER

THIS APPLICATION, made by Forme Development Group Inc. and those other parties listed on Schedule "A" (collectively, the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Yuan Hua Wang sworn November 5, 2018 and the Exhibits thereto (the "**Wang Affidavit**"), the affidavit of Katie Parent sworn November 6, 2018 and the Exhibit thereto (the "**Parent Affidavit**"), and on reading the consent of KSV Kofman Inc. ("**KSV**") to act as the Monitor (in such capacity, the "**Monitor**"), and upon reading the pre-filing report of KSV dated November 6, 2018 (the "**Report**"), in its capacity as Proposal Trustee and the proposed Monitor, the supplemental report of KSV dated November 7, 2018 (the "**Supplemental Report**"), the second supplemental report of KSV dated November 7, 2018 (the

“**Second Supplemental Report**”), and the third supplemental report of KSV dated November 29, 2018 (the “**Third Supplemental Report**”), and on hearing the submissions of counsel for the Applicants, the proposed Monitor and those other parties present, no one appearing for any other party although duly served as appears from the affidavits of service of Katie Parent sworn November 6, 2018, November 7, 2018 and November 29, 2018.

SERVICE

1. **THIS COURT ORDERS** that the time for service of each of the Notice of Application, the Application Record, the Parent Affidavit, the Report, the Supplemental Report, the Second Supplemental Report and the Third Supplemental Report is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

3. **THIS COURT ORDERS AND DECLARES** that the proposal proceedings (the “**Proposal Proceedings**”) of each of 9500 Dufferin Development Inc. (Estate No. 31-2438977), 250 Danforth Development Inc. (Estate No. 31-2439433), 3310 Kingston Development Inc. (Estate No. 31-2439448) and 1296 Kennedy Development Inc. (Estate No. 31-2439440) (collectively the “**NOI Entities**”) commenced under Part III of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), be taken up and continued under the CCAA and that the provisions of Part III of the BIA shall have no further application to the NOI Entities.

TITLE OF PROCEEDINGS

4. **THIS COURT ORDERS** that the title of proceedings in this matter be amended as follows:

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., 3310 KINGSTON DEVELOPMENT INC., 1296 KENNEDY DEVELOPMENT INC., 1326 WILSON DEVELOPMENT INC., 376 DERRY DEVELOPMENT INC., 9500 DUFFERIN DEVELOPMENT INC., 4439 JOHN DEVELOPMENT INC., 5507 RIVER DEVELOPMENT INC. and 2358825 ONTARIO LTD.

APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

PLAN OF ARRANGEMENT

5. **THIS COURT ORDERS** that, subject to paragraph 24 of this Order, the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan or plans of compromise or arrangement (hereinafter referred to as the “**Plan**” or “**Plans**”).

POSSESSION OF PROPERTY AND OPERATIONS

6. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (including, without limitation, those properties listed on Schedule “B” hereto, the “**Property**”). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the “**Business**”) and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order. For greater certainty, the retention of TD Cornerstone Commercial Realty Inc. (“**TD**”) is hereby approved substantially on the terms of the listing agreement appended to the Third Supplemental Report.

7. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; provided that no such amounts shall be paid to Mr. Wang (as defined below) or any known relative of Mr. Wang without further Order of this Court; and
- (b) subject to paragraph 30 below, the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

8. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance, maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

9. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected

after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

10. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time (“**Rent**”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. **THIS COURT ORDERS** that, subject to paragraph 24 of this Order, the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding, in the aggregate \$200,000, in any one or more transactions; and
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate,

provided however, and without limiting the provisions of paragraphs 24 and 25, all disbursements shall require the advance consent of the Monitor, and all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

13. **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of the Applicants’ intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants’ entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants’ claim to the fixtures in dispute.

14. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours’ prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that

nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

15. **THIS COURT ORDERS** that until and including December 28, 2018 or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court. Notwithstanding the foregoing, no stay shall apply to Forme Development Group Inc. with respect to the enforcement of mortgages on properties not included in these CCAA proceedings.

16. **THIS COURT ORDERS** that during the Stay Period, except with the written consent of the Applicants and the Monitor, or with leave of this Court, no Proceedings shall be commenced or continued against or in respect of Yuan Hua Wang (“**Mr. Wang**”) or any of his current and future assets, businesses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the “**Wang Property**”), arising upon or as a result of any default under the terms of any document entered into in connection with any of Mr. Wang’s guarantees of any of the commitments or loans of any of the Applicants (collectively, the “**Wang Default Events**”). Without limitation, the operation of any provision of a contract or agreement between Mr. Wang and any other Person (as hereinafter defined) that purports to effect or cause a termination or cessation of any rights of Mr. Wang, or to accelerate, terminate, discontinue, alter, interfere with, repudiate, cancel, suspend, amend or modify such contract or agreement, in each case as a result of one or more Wang Default Events, is hereby stayed and restrained during the Stay Period.

NO EXERCISE OF RIGHTS OR REMEDIES

17. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the

foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

18. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any Person against or in respect of Mr. Wang, or affecting the Wang Property, as a result of a Wang Default Event are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower Mr. Wang to carry on any business which Mr. Wang is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

19. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

20. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any other party as a result of a Wang Default Event, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

22. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

23. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such

obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

APPOINTMENT OF MONITOR

24. **THIS COURT ORDERS** that KSV Kofman Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and its shareholders, officers, directors, and Assistants shall not take any steps with respect to the Applicants, the Business or the Property save and except at the direction of the Monitor pursuant to paragraph 25 of this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

25. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) cause the Applicants, or any one or more of them, to exercise rights under and observe its obligations under this Order;
- (b) cause the Applicants to perform such functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist the Applicants in dealing with the Property;
- (c) monitor the Applicants' receipts and disbursements, and if necessary or convenient, in the Monitor's sole discretion, take control of the Applicants' receipts and disbursements;
- (d) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (e) if applicable, reporting to the DIP Lender (as defined below) on a basis to be agreed with the DIP Lender;

- (f) report to and advise mortgagees and other stakeholders of the Applicants as to the status of the sale process and, to the extent requested by mortgagees, convene a bi-weekly conference call with mortgagees, to report on the status of the Property;
- (g) advise the Applicants in its preparation of the Applicants' cash flow statements;
- (h) borrow funds in accordance with the terms of this Order;
- (i) conduct and carry out a sale process or sales processes for all of the Applicants' Property in accordance with the sale process described in the Third Supplemental Report and retain or consult with the agents, consultants or other parties;
- (j) propose or cause the Applicants to propose one or more Plans in respect of the Applicants or any one or more of them;
- (k) provide any consents that are contemplated by this Order;
- (l) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (m) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (n) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (o) perform such other duties as are required by this Order or by this Court from time to time.

26. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or the Property, or any part thereof and that nothing in this

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

27. **THIS COURT ORDERS** that without limiting the provisions herein, each employee of an Applicant shall remain an employee of that Applicant until such time as the applicable Applicant may terminate the employment of such employee. Nothing in this Order shall, in and of itself, cause the Monitor to be liable for any employee-related liabilities or duties, including, without limitation, wages, severance pay, termination pay, vacation pay and pension or benefit amounts, as applicable.

28. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender (if applicable) with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

29. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

30. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants' counsel, the Monitor and the Monitor's counsel shall be entitled to invoice on a monthly or other periodic basis in their discretion provided that such fees and disbursements shall be paid out of sale proceeds of the Property in accordance with the priority set out below.

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

32. **THIS COURT ORDERS** that, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of these proceedings ("**Administration Fees**"), the Monitor, counsel to the Monitor and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on all of the Applicants' Property on the following terms:

- (a) the maximum amount of the Administration Charge per Property shall only be for security of the applicable Administration Fees that constitute Property Specific Costs (as defined below) for that particular Property and any pro rata portion of General Costs (as defined below) attributable to such Property in accordance with paragraph 34(b) below; and
- (b) the Administration Charge shall automatically attach to any Property that is unencumbered or not fully secured.

33. **THIS COURT ORDERS** that the Administration Charge shall rank in priority to all security interests, trusts, deemed trusts, liens, charges and encumbrances, claims of secured

creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person, other than (a) any first mortgagee on a Property (in respect of the first mortgage registered on the Property only); (b) the DIP Lender’s Charge (as defined below, and to the extent applicable); and (c) the second mortgagee on the Property owned by 2358825 Ontario Ltd. (1483 Birchmount Road).

FUNDING

34. **THIS COURT ORDERS** that these CCAA Proceedings shall be funded in the following manner:

- (a) With respect to costs related to a specific Property (a “**Property Specific Cost**”),
 - (i) the first mortgagee on such Property will have the right (but not the obligation) to fund such amount as an advance under its mortgage at an interest rate accruing at a rate that is the higher of (i) the applicable rate under its mortgage; and (ii) 9.5% per annum, calculated in arrears;
 - (ii) if the first mortgagee does not fund such amount, the second mortgagee will have the right (but not the obligation) to fund such amount as an advance under its mortgage at an interest rate accruing at a rate that is the of the higher of (i) the applicable rate under its mortgage; and (ii) 9.5% per annum, calculated in arrears. The amount advanced will have a first-ranking super-priority charge over the applicable Property only. If necessary, this process will continue until all mortgagees on a Property have been given the opportunity to fund;
 - (iii) where no mortgagee funds such amount, the Monitor shall draw such amount on the Standby DIP (defined below);
- (b) with respect to costs not specific to a particular Property (“**General Costs**”) in an amount up to \$400,000 in the aggregate, if there is not sufficient funding through the Applicant’s cash on hand or cash immediately available generated by the sale of any Properties (after repayment of all known debts):
 - (i) each first mortgagee shall have the right (but not the obligation) to fund its pro-rated estimated share of such funding based on the principal amount of its first mortgage as an advance under its mortgage at an interest rate accruing at a rate that is the of the higher of (i) the applicable rate under its mortgage; and (ii) 9.5% per annum, calculated in arrears;

- (ii) if the first mortgagee does not fund such amount, the second mortgagee will have the right (but not the obligation) to fund such amount as an advance under its mortgage at an interest rate accruing at a rate that is the higher of (i) the applicable rate under its mortgage; and (ii) 9.5% per annum, calculated in arrears. The amount advanced will have a first-ranking super-priority charge over the applicable Property only. If necessary, this process will continue until all mortgagees on a Property have been given the opportunity to fund;
- (iii) where no mortgagee funds such amount, the Monitor shall draw such amount on the Standby DIP.

35. **THIS COURT ORDERS** that the Monitor shall be at liberty and it is hereby empowered to cause any Applicant to borrow by way of a revolving credit or otherwise (the “**Standby DIP**”) from such lender as it may arrange in accordance with paragraph 34 (whether an existing mortgagee or otherwise, a “**DIP Lender**”), such monies from time to time as it may consider necessary or desirable to fund Project Specific Costs and General Costs in accordance with paragraph 34.

36. **THIS COURT ORDERS** that the Monitor is at liberty and authorized to issue certificates substantially in the form annexed as Schedule “C” hereto (the “**DIP Certificates**”) for any amount borrowed pursuant to paragraph 35 and, for greater certainty, each DIP Certificate shall indicate the Property to be charged and the amount to be charged pursuant to the DIP Certificate.

37. **THIS COURT ORDERS** that any DIP Lender shall be entitled to the benefit of and is hereby granted a fixed and specific charge on the Property identified in a DIP Certificate (the “**DIP Lender's Charge**”) as security for the payment of the principal amount set out in any DIP Certificate, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, including, without limitation, the Administration Charge, provided however, that the amount of any DIP Lender’s Charge shall attach only to the Property identified in a DIP Certificate with respect to that borrowing.

38. **THIS COURT ORDERS** that the monies from time to time borrowed pursuant to paragraph 35 and any and all DIP Certificates evidencing the same or any part thereof shall rank

on a *pari passu* basis per Property, unless otherwise agreed to by the holders of any prior issued DIP Certificates.

VALIDITY OF CHARGES CREATED BY THIS ORDER

39. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge and DIP Lender's Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the beneficiaries of the applicable Charges or further Order of this Court.

41. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, 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 or by the Proposal Proceedings and the declarations of insolvency made therein; (b) any application(s) for bankruptcy order(s) issued pursuant to 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 (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance in connection thereof shall create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;

- (b) the payments made by the Applicants pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

42. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

SALE PROCESS

43. **THIS COURT ORDERS** that the sale process (the "Sale Process"), as described in Section 3.0 of the Third Supplemental Report be and is hereby approved.

44. **THIS COURT ORDERS** that the Monitor and TD be and are hereby authorized and directed to perform their obligations under and in accordance with the Sale Process, and to take such further steps as they consider necessary or desirable in carrying out the Sale Process as described in the Third Supplemental Report, subject to prior approval of this Court being obtained before completion of any transactions under the Sale Process.

45. **THIS COURT ORDERS** that without limiting the terms of the Sale Process as set out in the Third Supplemental Report, to the extent that a mortgagee will not be paid in cash in full through bids received through the Sale Process, such mortgagee will be entitled to credit bid its indebtedness and purchase the Property over which it has a mortgage provided that such mortgagee pays any prior ranking indebtedness in full in cash (or such other arrangement to which a prior ranking creditor may in its sole discretion agree).

46. **THIS COURT ORDERS** that the Monitor, and its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of performing its obligations under the Sale Process, except to the extent such losses, claims, damages or liabilities result from the gross negligence or willful misconduct of the Monitor in performing its obligations under the Sale Process (as determined by this Court).

47. **THIS COURT ORDERS** that in connection with the Sale Process and pursuant to clause 7(3)(c) of the *Personal Information and Electronic Documents Act* (Canada), the Monitor, the Applicants and TD are authorized and permitted to disclose personal information of identifiable individuals to prospective purchasers or offerors and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more transactions (each, a "**Transaction**"). Each prospective purchaser or offeror to whom such information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall: (i) return all such information to the Monitor, the Applicants or TD, as applicable; (ii) destroy all such information; or (iii) in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so. The transacting party with respect to any Property shall be entitled to continue to use the Personal Information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Applicants, and shall return all other personal information to the Monitor, the Applicants, or TD, as applicable, or ensure that all other personal information is destroyed.

48. **THIS COURT ORDERS** that to the extent there is equity available in any project of the Applicants (each of the projects is set out in Section 3.0(3) of the Report) after payment of all debts, fees and costs owing or incurred in respect of that project (in each case, the "**Project Equity**"), each mortgagee of that project will be entitled to receive in cash an amount equal to 10% of the principal amount of its mortgage prior to any payment to the project's shareholder (the "**Equity Kicker**"); provided that to the extent there is insufficient Project Equity to pay the Equity Kicker in full, each such mortgagee shall be entitled to its *pro-rata* share of the Equity Kicker based on the principal amount of its mortgage; and further provided that any mortgagee with a collateral mortgage will be entitled to collect its Equity Kicker in respect of any Property where it has a mortgage, provided that (i) in no event will such mortgagee receive in the aggregate an Equity Kicker that is greater than 10% of the principal amount of its mortgage owed by the primary mortgagor, and (ii) the advances it provided were used either for the property subject to the mortgage or for another property in the same project.

SERVICE AND NOTICE

49. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

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

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

GENERAL

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

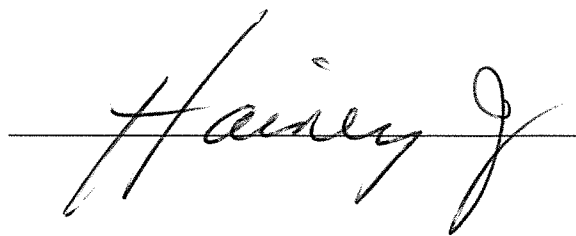
53. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

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

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

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

57. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

A handwritten signature in cursive script, reading "Hainey J.", is written over a horizontal line.

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

NOV 30 2018

PER / PAR: RW

Schedule "A" – List of Applicants

3310 Kingston Development Inc.

1296 Kennedy Development Inc.

1326 Wilson Development Inc.

376 Derry Development Inc.

5507 River Development Inc.

4439 John Development Inc.

9500 Dufferin Development Inc.

2358825 Ontario Ltd.

SCHEDULE "B" – LIST OF PROPERTIES

Block 55 - Dairy Dr., Toronto, ON (PIN 06449-0741)
Block 53 - Bamblett Dr., Toronto, ON (PIN 06449-0739)
Block 54 - Bamblett Dr., Toronto, ON (PIN 06449-0740)
3314 Kingston Rd., Toronto, ON
1296 Kennedy Rd., Toronto, ON
1326 Wilson Ave, Toronto, ON
1328 Wilson Ave, Toronto, ON
376 Derry Rd. W., Mississauga, ON
4439 John St., Niagara Falls, ON
4407 John St., Niagara Falls, ON
4413 John St., Niagara Falls, ON
4427 John St., Niagara Falls, ON
5507 River Rd. Niagara Falls, ON
5471 River Rd., Niagara Falls, ON
5491 River Rd., Niagara Falls, ON
9500 Dufferin St., Maple, ON
1483 Birchmount Rd., Toronto, ON

SCHEDULE "C" – FORM OF DIP CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

AFFECTED PROPERTY _____ (the "**Charged Property**")

1. THIS IS TO CERTIFY that KSV Kofman Inc., the monitor (the "**Monitor**") in the CCAA proceedings of Forme Development Group Inc. and certain of its affiliates (the "**Applicants**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the ___ day of _____, 2018 (the "**Initial Order**") made in an action having Court file number CV-18-608313-00CL, has received as such Monitor from the holder of this certificate (the "**DIP Lender**") the principal sum of \$ _____.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the first day of each month after the date hereof at a notional rate of _____ per annum equal.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Monitor pursuant to the Initial Order or to any further order of the Court, a charge upon the Charged Property which charge shall have the priority set out in the Initial Order.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate on the Charge Property shall be issued by the Monitor to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Monitor to deal with the Charged Property as authorized by the Initial Order and as authorized by any further or other order of the Court.

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

DATED the _____ day of _____, 20__.

KSV KOFMAN INC., solely in its capacity
as Monitor in the CCAA proceedings of Forme
Development Group Inc. and the other parties
therein, and not in its personal capacity

Per: _____

Name:

Title:

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 OTHER COMPANIES LISTED ON SCHEDULE
"A" HERETO

Court File No. CV-18-608313-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

INITIAL ORDER

GOLDMAN SLOAN NASH & HABER LLP
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Lawyers for the Applicants

Appendix “C”



**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 6, 2018

- and -

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

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ESTATE FILE NOS.: 31-2436538, 31-2436600, 31-2436604, 31-2438977, 31-2439433, 31-2439440, 31-2439448 AND 31-2440234

COURT FILE NO.: _____

**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"**

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

November 6, 2018

1.0 Introduction

1. Forme Development Group Inc. ("FDG") and its affiliated entities listed on Appendix "A" (collectively, FDG and the affiliated entities listed on Appendix "A" are referred to as the "Applicants") intend to make an application to the Ontario Superior Court of Justice (Commercial List) (the "Court") under the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36*, as amended (the "CCAA") for an initial order (the "Initial Order") granting the Applicants protection under the CCAA and appointing KSV Kofman Inc. ("KSV") as the CCAA monitor in these proceedings ("Monitor"). KSV has consented to act as Monitor in these proceedings. A copy of its consent is provided in Appendix "B".
2. As summarized in the table below, certain of the Applicants (the "NOI Entities") recently filed Notices of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* ("BIA") (collectively, the "NOI Proceedings"). KSV is the proposal trustee in each of the NOI Proceedings (the "Proposal Trustee").

Debtor	Date of NOI filing
58 Old Kennedy Development Inc.	October 26, 2018
76 Old Kennedy Development Inc.	October 26, 2018
82 Old Kennedy Development Inc.	October 26, 2018
9500 Dufferin Development Inc.	November 1, 2018
250 Danforth Development Inc.	November 2, 2018
3310 Kingston Development Inc	November 2, 2018
1296 Kennedy Development Inc.	November 2, 2018
159 Carrville Development Inc.	November 5, 2018

3. The Affidavit of Yuan Hua Wang (“Mr. Wang”), the Applicants’ founder, sole shareholder and director, sworn November 5, 2018 and filed in support of the Applicants’ application for CCAA protection (the “Affidavit”), provides, *inter alia*, background information concerning the Applicants, including the reasons for the commencement of these proceedings and an overview of the Applicants’ intended restructuring plan.
4. KSV is filing this report (the “Report”) in its capacity as Proposal Trustee of the NOI Entities and as proposed Monitor in the Applicants’ CCAA proceedings.

2.0 Executive Summary

1. The Applicants are comprised of 30 companies which own 18 real estate projects.
2. The Applicants are indebted to mortgagees in the aggregate amount of approximately \$220 million, before certain interest, costs and fees which continue to accrue.
3. Several of the Applicants’ properties have multiple mortgages.
4. Mr. Wang has personally guaranteed a large percentage of the Applicants’ mortgage obligations.
5. The Applicants are illiquid – as at the date of this Report, they have a combined bank balance of approximately \$230,000, cannot pay their obligations as they come due and have defaulted on all of their mortgages.
6. Certain of the Applicants’ projects, particularly the Pacific Properties (as defined below) are estimated to have substantial equity – estimated to be between \$30 million and \$70 million. The Applicants believe that the equity may exceed the high end of this range.
7. The Applicants’ mortgagees are frustrated due to the defaults under their mortgages and broken promises from representatives of the Applicants.
8. The Applicants contacted KSV approximately two weeks ago. Since that time, KSV has worked with TD Cornerstone Commercial Realty Inc. (“TD”) to independently consider the estimated value of the Applicants’ real property, particularly the properties (the “Pacific Properties”) owned by nine¹ of the Applicants (the “Pacific Entities”). The Pacific Properties are located in close proximity to the Pacific Mall in Markham, Ontario. TD is of the view that, even on an “as is” basis, the Pacific Properties have considerable equity.
9. To stabilize the situation and conduct an orderly realization process for the benefit of creditors, the Applicants require protection under the CCAA.

¹ The Pacific Entities are: 186 Old Kennedy Development Inc., 31 Victory Development Inc., 58 Old Kennedy Development Inc., 82 Old Kennedy Development Inc., 76 Old Kennedy Development Inc., 22 Old Kennedy Development Inc., 35 Thelma Development Inc., 19 Turff Development Inc. and 4550 Steeles Development Inc.

10. While preparing for CCAA protection, certain of the Applicants have filed NOIs under the BIA in response to those mortgagees which commenced enforcement proceedings by issuing 244 notices under the BIA and/or have commenced power of sale proceedings.
11. If the Initial Order is granted, the Applicants intend to conduct a sale process for the majority of its properties, under the supervision of KSV, as Monitor. It is contemplated that TD would be retained as listing agent for the sale process. KSV has negotiated a favourable fee arrangement with TD for this assignment, as detailed below. It is important that the sale process be commenced forthwith for several reasons, including the significant interest and other debt costs which are accruing on the Applicants' mortgage debt.
12. Because the Applicants are without liquidity, KSV has also arranged a DIP facility (the "DIP Facility") to fund these restructuring proceedings. The DIP Facility is contemplated to have a super-priority charge on the property of the Pacific Entities (including the Pacific Properties), subordinate only to the Administration Charge (as defined and described below). The majority (but not all) of the equity in the Applicants' real properties appears to be in the Pacific Properties.
13. The Monitor, its counsel and the Applicants' counsel have not been paid retainers. The Initial Order contemplates that they would be provided a super-priority first-ranking Administration Charge on the property of the Pacific Entities (including the Pacific Properties) and a charge ranking immediately behind the other Applicants' first mortgagees for their costs and fees incurred to-date and going forward.
14. These proceedings will also provide senior ranking mortgagees with the same result as if they moved forward with their own enforcement processes – an expedited sale process. They also gain the benefit of a Court-supervised process, which assists to insulate them from improvident realization claims from junior ranking mortgagees.
15. The materials contemplate that a comeback motion will be heard within the first two weeks of these proceedings (the "Comeback Motion"). Until that time, the Administration Charge has been limited to \$300,000 and the DIP Facility has been limited to \$750,000. Increases to both amounts are contemplated at the Comeback Motion (\$1 million in the case of the Administration Charge, and \$5 million plus accrued interest, fees and expenses in the case of the DIP Facility).
16. The proposed Court-ordered charges have been situated in each entity and on each piece of real estate having consideration for the parties which will obtain the greatest benefit from the orderly sale process contemplated in these restructuring proceedings, primarily junior ranking mortgagees.
17. KSV, as the proposed Monitor, believes that these proceedings also provide benefits to senior ranking mortgagees as it provides an orderly and expedited sale process under the supervision of the Court.

18. Through the stability created, it is believed that the equity in the Pacific Properties will be realized for the benefit of those mortgagees who may suffer shortfalls but have guarantees from Mr. Wang. If it turns out that the value of the Pacific Properties is materially less than expected, the Monitor will advise the Court forthwith.

2.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide KSV's qualifications to act as Monitor;
 - b) provide background information about the Applicants;
 - c) summarize the terms of a \$5 million DIP Facility (which is to have an interim borrowing limit of \$750,000 until the Comeback Motion) to be made available to the Pacific Entities by KingSett Mortgage Corporation ("KingSett" or the "DIP Lender") pursuant to a DIP term sheet dated November 6, 2018, which is proposed to be secured by a Court-ordered charge on the property of the Pacific Entities, including the Pacific Properties;
 - d) summarize the terms of a listing agreement dated November 5, 2018, pursuant to which the Applicants propose to engage TD to act as the listing brokerage for the Applicants' real property;
 - e) report on the Applicants' cash flow projection for the period November 5, 2018 to December 9, 2018 ("Cash Flow Forecast"); and
 - f) discuss the rationale for:
 - converting the NOI Proceedings into a consolidated CCAA proceeding that includes the NOI Entities and each of the Applicants which are not subject to the NOI Proceedings;
 - retaining TD at this time to prepare for a sale process², the details of which will be subject to approval at the Comeback Motion;
 - extending the stay of proceedings to Mr. Wang to prevent enforcement actions against him;
 - an administration charge in the interim amount of \$300,000 to secure the fees and disbursements of the Applicants' counsel, the Monitor and its counsel in these proceedings (the "Administration Charge"), which is proposed to have a super-priority charge on the property of each of the Applicants. The Administration Charge is proposed to rank first on the property of the Pacific Entities (including the Pacific Properties) and to be subordinate to the first mortgagees as against the other Applicants;

² TD's mandate includes attempting to refinance certain projects, as discussed in greater detail in Section 3 below.

- a charge in favour of the DIP Lender to secure borrowings of up to \$750,000 under the DIP Facility (the “DIP Lender’s Charge”) until the Comeback Motion, which charge is proposed to rank immediately behind the Administration Charge on the Pacific Properties. For greater certainty, the DIP Lender will only have a charge against the property of the Pacific Entities (including the Pacific Properties), and not the other Applicants;
 - a charge (the “Intercompany Charge”) in favour of any Applicant that makes an intercompany advance to another Applicant (the “Receiving Applicant”) to the extent of the intercompany advances made by those Applicants, which charge is proposed to rank subordinate to the first mortgages on each Property (as well as to the Administration Charge and DIP Lender’s Charge, where applicable); and
- g) recommend that this Court grant the relief sought by the Applicants in their CCAA application materials.

2.2 Restrictions

1. In preparing this Report, KSV has relied upon the Applicants’ unaudited financial information, third party appraisals, discussions with the Applicants’ management and discussions with TD. KSV 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. In reviewing the Applicants’ financial information, KSV has determined that the Applicants’ books and records need to be brought current and adjustments will be required to certain of the financial statements. KSV intends to work with the Applicants in this regard if appointed Monitor.
3. KSV expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by KSV in preparing this Report. Any party wishing to place reliance on the Applicants’ 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.
4. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountant Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Applicants’ assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

2.3 Currency

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

2.4 KSV's Qualifications to Act as Monitor

1. KSV is qualified to act as Monitor in these proceedings:
 - a) KSV is a trustee within the meaning of subsection 2(1) of the BIA. KSV is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA.
 - b) KSV has been working with the Applicants' management team for the past two weeks and is presently the Proposal Trustee of the NOI Entities. KSV has familiarized itself with the Applicants' issues, financial situation and the status of their projects.
 - c) KSV has extensive experience acting as a court officer in a wide variety of industries, including several mandates in recent years acting as a Court officer in the real estate sector. Recently, as detailed below, KSV has been involved as the court officer in not less than 11 real estate related files³.

Debtor	Description	KSV's Role
Urbancorp Group	Major developer of residential properties in the GTA	CCAA Monitor
Mady Steeles (2011) Ltd.	Diversified real estate development group	Court-appointed Receiver
Textbook and Memory Care Group of Companies	Developers of student housing residences and aged care facilities.	Court-appointed Receiver in 11 separate receiverships, each with at least one piece of owned real estate
Generx (Byward Hall) Inc.	Developer of student housing residences	Court-appointed Receiver
M.Y. Residential Inc.	Owned a student housing residence	Court-appointed Receiver
Court-appointed "sales officer" of a private real estate portfolio	Shareholder dispute involving a group of private companies with a real estate portfolio in the GTA of greater than \$110 million including, development land, residential land, farm land, industrial land and industrial condominiums	Court-appointed sales officer
JD Phillip Street LP	Owner of student housing residence and development land	Court-appointed Receiver
Textbook (445 Princess Street) Inc.	Developer of student housing residences	Court-appointed Receiver
Seaway Travel Centre Ltd.	Commercial property owner	Court-appointed Receiver
3291736 Nova Scotia Limited	Owner of six condominium lots in Halifax, Nova Scotia	Court-appointed Receiver
2301132 Ontario Inc. and 2309840 Ontario Inc.	Owner of several pieces of real estate located in Georgetown, Ontario, including four of five pieces which comprise one assembly	Proposal Trustee

³ Certain of these mandates have multiple insolvency processes.

3.0 Background

1. The Applicants are a commercial and residential real estate development group specializing in low-rise, high-rise, mixed-use and hospitality developments. The Applicants' projects are primarily located in the Greater Toronto Area with a few in Southwestern Ontario and one in Western Canada. The Applicants' organization chart is provided in Appendix "C".
2. Mr. Wang is the sole director and shareholder of each of the Applicants. FDG has 12 employees, including Mr. Wang. The Applicants' workforce is not unionized and the Applicants do not maintain a registered pension plan. Other than FDG, the other Applicants are single purpose entities that own real estate for development.
3. A table summarizing the Applicants' projects is provided below. The action plan for each project is also provided.

No.	Entity Name	Purchase Price (\$)	Acquisition Year(s)	Mortgage Debt (\$)	Appraised Value ⁴ (\$)	Appraisal Date	Action plan
1	4 Don Hillock Development Inc.	2,002,500	2017	2,400,000	3,200,000	5-Jun-17	Sell
2	250 Danforth Development Inc.	7,330,000	2014	20,300,000	32,200,000	5-Jul-18	Sell
3	3310 Kingston Development Inc.	3,830,000	2014, 2015	12,700,000	14,500,000	20-Oct-16	Sell
4	12696 Kennedy Development Inc.	2,740,000	2015	7,200,000	12,100,000	1-Jun-18	Sell
5	7397 Islington Development Inc.	3,200,000	2015	8,000,000	13,800,000	27-Oct-17	Sell
6	1326 Wilson Development Inc.	1,700,000	2016	3,000,000	10,400,000	0-Jan-00	Sell
7	101 Columbia Development Inc.	3,908,887	2016	4,345,000	11,000,000	25-Jul-18	Sell
8	4208 Kingston Development Inc.	5,878,000	2016	7,908,000	1,790,000	18-Sep-18	Sell
9	376 Derry Development Inc.; and 390 Derry Development Inc.	14,850,000	2016	19,075,000	34,600,000	1-Aug-17	Sell
10	159 Carrville Development Inc.; 169 Carrville Development Inc.; and 189 Carrville Development Inc.	10,653,000	2015, 2016, 2017	15,491,500	19,600,000	7-Nov-17	Sell
11	4439 John Development Inc.; and 5507 River Development Inc.	5,209,900	2016	4,336,930	N/A	N/A	Development under consideration
12	186 Old Kennedy Development Inc.; and 31 Victory Development Inc.	34,500,000	2015, 2016	46,350,000	77,500,000	1-Jun-18	Develop
13	58 Old Kennedy Development Inc.; 82 Old Kennedy Development Inc.; and 76 Old Kennedy Development Inc.	20,800,000	2015, 2016	21,525,000	55,600,000	3-Apr-18	Sell
14	22 Old Kennedy Development Inc.; 35 Thelma Development Inc.; and 19 Turff Development Inc.	5,262,000	2015, 2016	4,890,000	10,400,000	2017-Apr-5 and 2018-Apr-03	Sell
15	4550 Steeles Development Inc.	11,700,000	2016	12,000,000	30,900,000	3-Apr-18	Sell

⁴ C&W prepared the appraisal for all but one property, which was prepared by Colliers. Appraisals for three properties were not available.

No.	Entity Name	Purchase Price (\$)	Acquisition Year(s)	Mortgage Debt (\$)	Appraised Value ⁴ (\$)	Appraisal Date	Action plan
16	9500 Dufferin Development Inc.	14,750,000	2017	13,500,000	14,750,000	25-Aug-17	Sell
17	27 Anglin Development Inc.; and 29 Anglin Development Inc.	6,170,000	2016	6,923,500	12,100,000	15-Jun-17	Sell
18	2358825 Ontario Ltd. (Birchmount)	N/A	N/A	8,550,000	N/A	N/A	Complete closing
Total		154,484,287		220,608,930	354,440,000		
Note: Mortgage balances above are before certain interest, costs and fees, which continue to accrue.							

4. As set out in the Affidavit, TD has reviewed certain of the Applicants' appraisals prepared by Cushman & Wakefield Ltd. ("C&W") and has provided its view of the estimated "as is" value of certain of those properties. KSV asked that TD focus its diligence on the Pacific Properties. TD's diligence included speaking to the planner retained by the Applicants on those properties, considering the development plans and development status of those sites, reviewing the C&W appraisals and looking at comparable transactions. Based on its review, TD estimates that the Pacific Properties have between \$30 million to \$70 million of value on an "as is" basis after repayment of the mortgages on those properties.
5. These proceedings contemplate that, subject to further Court approval, TD will carry out a sale process, under the supervision of the Monitor, for all of the Applicants' real property other than the following (the "Retained Properties"):
 - a) 186 Old Kennedy/31 Victory/51 Victory, which comprise one development project on the Pacific Properties. The Applicants envision that the equity in this project and the other Pacific Properties are to be used to fund shortfalls incurred on those mortgages that Mr. Wang has guaranteed. Mr. Wang believes that this property, if developed, will create significant additional value; and
 - b) Birchmount Gardens, being a group of urban townhouses in Scarborough, Ontario, which is fully sold with construction completed. The Applicants have advised KSV that closings are expected to take place before year-end and that the closing proceeds will be sufficient to repay all mortgagees on the project.
6. The Applicants are also considering whether to continue development activity on a project in Niagara Falls known as the River Development (the "River Road Project"). Additional time is required to determine whether this project should be sold or developed. A determination will be made by the Applicants, in consultation with KSV, TD and the mortgagees on this project.
7. TD has retained Kevin Schledewitz, a licensed mortgage broker with Onedin Acceptance Corporation ("Onedin"). Onedin's principal mandate will be refinancing the mortgages on 186 Old Kennedy/31 Victory/51 Victory. Onedin may also look for opportunities to refinance the River Road Project.
8. Following the Comeback Motion (but not before), the Applicants intend to service the interest on 186 Kennedy/31 Victory/51 Victory while development activity is pursued. This is also true on the River Road Project provided a decision is made to continue development activity on that project.

9. Further information concerning the Applicants, their current situation and the purpose of these proceedings is provided in the Affidavit. In order to avoid duplication, that discussion has not been repeated in this Report.

4.0 Creditors

4.1 Secured Creditors

1. The Applicants' mortgage debt totals approximately \$220 million.
2. As reflected in the project summary above, there is one or more mortgagees on each of the Applicants' real property, with the majority of the projects having more than one mortgagee. The Applicants have essentially no liquidity at this time. The Applicants' monthly operating and debt service costs are in excess of \$1 million. The Applicants are unable to service their mortgage debt, pay their operating costs and/or advance development activity. None of the Applicants paid their mortgage obligations due on November 1st. Each mortgage is presently in default and several mortgagees have made demand and issued notices pursuant to Section 244 of the BIA. Given the default on all mortgages on November 1, absent the commencement of restructuring proceedings, it is reasonable to assume many more demands and enforcement notices will be forthcoming.
3. KSV understands that Mr. Wang has personally guaranteed many of the mortgages granted by the Applicants.

4.2 Unsecured Creditors

1. According to representatives of the Applicants, the Applicants' consolidated unsecured obligations are estimated to total approximately \$2.2 million, excluding intercompany and employee obligations. The Applicants are in the process of updating their internal accounting records and, accordingly, the amount of these obligations may need to be updated in a future Monitor's report.
2. The Applicants' arm's length unsecured creditors are largely comprised of professional firms that provided consulting and legal services related to the development of the Applicants' projects.

5.0 DIP Facility⁵ and Intercompany Funding

5.1 DIP Facility

1. During the week ended November 2, 2018, KSV approached two parties to provide the DIP Facility. Each party is well known in the real estate community and provides loans to real estate development companies.

⁵ Terms not defined in this section have the meaning provided to them in the DIP Term Sheet.

2. The terms of the proposed DIP Facility are detailed in a DIP term sheet, a copy of which is attached as Appendix "D". The significant terms of the DIP Facility are summarized below.

- a) Borrowers: the Pacific Entities
- b) Lender: KingSett
- c) Maximum Loan Amount: \$5 million plus accrued interest and unpaid fees, to be advanced in tranches of \$250,000, limited to \$750,000 until the Comeback Motion.
- d) Repayment: the earlier of: a) demand by KingSett; b) November 15, 2019, as may be extended in writing; and c) consummation of a Sale Transaction for the Pacific Properties or implementation of a plan of compromise or arrangement or other restructuring transaction involving any of the Pacific Entities.
- e) Interest rate: Royal Bank of Canada prime rate +5% per annum.
- f) Fees and expenses: non-refundable fully earned commitment fee of \$100,000, an extension fee of \$25,000⁶ on each four-month extension of the DIP Facility and the DIP Lender's out-of-pocket expenses, including legal expenses, incurred by the DIP Lender in connection with these proceedings.
- g) DIP Lender's Charge: all obligations under the DIP Facility are to be secured by the DIP Lender's Charge.
- h) Intercompany Charge: pursuant to the Initial Order, advances from the Pacific Entities to a Receiving Applicant are to be secured by an Intercompany Charge on the assets, property and undertaking of the Receiving Applicant, ranking immediately behind the first ranking mortgagees of the Receiving Applicant, the Administration Charge and the DIP Lender's Charge, as applicable.
- i) Reporting: reporting obligations include an update conference call on no less than a monthly basis among the Monitor, representatives of the Applicants and the DIP Lender.
- j) Conditions: the conditions precedent to the DIP Facility include the entry of the Initial Order approving the DIP Facility and the granting of the DIP Lender's Charge.

⁶ This fee is to be pro-rated based on the length of each extension.

5.2 Intercompany Funding

1. The Applicants will require funds throughout the CCAA proceedings to fund the administration and sale process costs and, where applicable, to fund additional debt or development costs. It is anticipated that most of these funds will be advanced by the Pacific Entities to the other Applicants with funds from the DIP Facility. There is a possibility that funds from other Applicants may also be available for intercompany funding purposes. The Applicants are proposing an Intercompany Charge to account for any such advances.

5.3 Allocation of Costs

1. Costs incurred by the Applicants throughout the CCAA proceedings (including professional fees) will be allocated across the various Properties with no single Property bearing all of the costs. KSV intends to assist the Applicants with maintaining Property specific reconciliations. Where costs can be allocated specifically to one or more Properties, those costs will be allocated accordingly. If costs cannot be attributed specifically to one or more Properties they will be allocated on a pro rata or other basis across the Properties based on a methodology to be addressed at a future motion in these proceedings.

5.4 Recommendation

1. KSV considered the following factors when reviewing the reasonableness of the DIP Facility, as well as those set out in Section 11.2 of the CCAA:
 - a) the DIP Lender is not willing to provide the required interim financing other than on the terms and conditions set out in the DIP term sheet;
 - b) without the DIP Facility, the Applicants will be unable to fund these proceedings and conduct an orderly sale process. In that scenario, there could be a disorganized realization process whereby the Applicants' mortgagees conduct multiple and separate power of sale or other enforcement proceedings;
 - c) the DIP Facility will provide the Applicants, and this process, with the liquidity required to orderly and expediently conduct a sale process for substantially all of the Properties, and to continue development activity for the Retained Properties and potentially the River Road Project. KSV believes that the contemplated process provides the opportunity to generate better recoveries than if the projects were sold under power of sale proceedings, while still providing mortgagees with a sale process that will be carried out in the near term under the supervision of the Court;
 - d) KSV compared the terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings commenced in 2017 and 2018. The comparison is attached as Appendix "E". Based on the comparison, the costs of the proposed DIP Facility are superior to other DIP financings approved by this and other Canadian courts;
 - e) it is intended that DIP funds will be advanced through KSV (as Monitor) and that KSV will provide oversight as to the business and financial affairs of the Applicants during the CCAA proceedings; and

- f) KSV believes that approval of the DIP Facility is in the best interests of the Applicants' stakeholders and will enhance the prospects of maximizing value in the circumstances. The DIP Facility is projected to be sufficient to fund the costs of these proceedings, including the sale process. KSV does not believe that creditors will be prejudiced from approval of the DIP Facility particularly given the estimated value of the Pacific Properties – to the contrary, they should benefit from it as it will allow the Applicants to work with the Monitor to maximize value for as many mortgagees and other creditors as possible and will be more efficient than allowing for individual enforcement processes to be carried out on each of the Applicants' properties.
2. KSV has also considered the proposed Intercompany Charge. The Intercompany Charge is not proposed to rank in priority to any first mortgagee. Amounts funded under the Intercompany Charge are contemplated to be used for conservatory measures and professional costs to conduct the sale process. The Intercompany Charge primarily affects those creditors that will derive the greatest benefit from an orderly sale process, i.e. junior ranking mortgagees that are at greatest risk of loss.
3. Based on the foregoing, KSV believes that the terms of the DIP Facility and the Intercompany Charge are reasonable in the circumstances.

6.0 Cash Flow Forecast

1. The Applicants prepared the Cash Flow Forecast, which covers the period November 5, 2018 to December 9, 2018. The Cash Flow Forecast and the Applicants' statutory report on the cash flow prepared pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "F".
2. The Cash Flow Forecast reflects that the DIP Facility will be required to service the mortgage debt on the Retained Projects and to pay head office costs, such as payroll and rent, some development activity and professional costs.
3. The Cash Flow Forecast also reflects that \$750,000 is sufficient to fund any costs incurred, or to be incurred, in connection with these proceedings until the Comeback Motion, at which time it is intended that approval of the full amount of the DIP Facility will be sought on notice to the Service List, including the Applicants' mortgagees.
4. Based on KSV's review of the Cash Flow Forecast, the assumptions appear reasonable. KSV's statutory report on the Cash Flow Forecast is attached as Appendix "G".

7.0 Proposed Engagement of TD

1. Immediately following KSV's initial meeting with the Applicants in late October, KSV contacted TD to consult with it on the Applicants' properties. KSV asked TD to perform diligence on the Applicants' properties, particularly the Pacific Properties. TD reviewed the C&W appraisals, spoke with, and received information from, the Applicants' third-party planning and development consultants and considered the value of the Pacific Projects on an "as is" basis based on comparative transactions. TD concluded that there appears to be significant value in the Pacific Properties on an "as is" basis.

2. On November 5, 2018, the Applicants, TD and KSV finalized a listing agreement, a copy of which is attached as Appendix “H”. The listing agreement is subject to Court approval. The material terms of the proposed listing agreement are as follows:
 - Fee: 1.1% of the sale price of the properties (attached as Appendix “I”, for comparative purposes, is a summary of the fees paid to realtors on certain of KSV’s other real estate mandates).
 - Term: 180-day exclusive listing term.
 - Sub-Consultant: TD is authorized to retain Onedin to provide mortgage refinancing services.
 - Other: TD may elect to retain other real estate brokerage firms to assist in the sale of certain properties.
 - Sale Process Overview: Schedule “B” of TD’s engagement letter provides an overview of the contemplated sale process. The sale process will be subject to Court approval at a subsequent motion. Neither the sale process nor its timeline have been finalized. Both will be dealt with at the Comeback Motion; however, KSV is of the view that TD should be retained immediately so that it can underwrite and prepare marketing materials that will be required for the Applicants’ real estate, which is in the interest of facilitating a timely sale of the Applicants’ real estate.
3. It is the intention of KSV and TD, if possible, to be in the market for as many properties as possible before the new year. However, with the holiday season fast approaching, it is possible that the sale process for the majority of the properties will not commence until early January.
4. A CV for the two individuals at TD who would lead this assignment, Jamie Ziegel and Ashley Martis, is provided in Appendix “J”. Messrs. Ziegel and Martis have been retained by KSV previously and have achieved successful outcomes. Messrs. Ziegel and Martis are experienced real estate professionals.

7.1 Recommendation

1. KSV recommends that the Court issue an order approving the retention of TD as the listing brokerage for the following reasons:
 - a) KSV is of the view that it is critical to the overall success of these proceedings for a credible realtor such as TD to be engaged at the outset;
 - b) the retention of TD is the first step in developing an efficient and orderly process to be coordinated by KSV, with the assistance of TD, to generate greater recoveries for all creditors than power of sale or other enforcement processes – any delay (even a week or two) of the approval of TD’s retention will cause delay in the work that needs to be done to commence a sale process. TD requires the certainty of Court approval of its retention to move forward with its preparatory work. Additionally, interest and other costs in these proceedings are material and accruing and accordingly, time is of the essence;

- c) TD has spent time familiarizing itself with the Applicants' properties. It is well qualified to perform this mandate. In recommending TD, KSV considered, among other things, the results it achieved working with TD on other Court-supervised matters, as well as TD's relationship with the buyer community, experience selling similar properties, time spent to-date on this assignment, ability to enhance value and its fee for this assignment;
- d) TD's team will be led by Messrs. Ziegel and Martis, each of whom has vast real estate experience in the Greater Toronto Area; and
- e) TD's fee structure is reasonable and appropriate in these circumstances, as reflected by the schedule attached as Appendix "I".

8.0 Stay of Proceedings against Mr. Wang

1. Mr. Wang has guaranteed a large number of the Applicants' mortgages. His personal net worth is directly tied to the outcome of these proceedings. All of the mortgages are in default. Allowing mortgagees to enforce on Mr. Wang's guarantees during the CCAA proceedings could cause him to lose focus on the contemplated restructuring process, which is designed to maximize value for stakeholders. Mr. Wang's intention is to monetize the equity in the Applicants' projects, particularly the Pacific Properties, to repay his creditors, including his exposure under his guarantees. Absent extending the stay of proceedings to Mr. Wang, he may not accomplish the principal objective of these proceedings and may have to personally commence insolvency proceedings. KSV understands that Mr. Wang does not have the financial means to satisfy his guarantees on the mortgages without the benefit of realizing on his equity in the Properties, and accordingly, mortgagees should suffer no prejudice by having their guarantees against Mr. Wang stayed.
2. As a result of the risks identified above, KSV believes that extending the stay of proceedings to Mr. Wang is in the best interests of the Applicants and is not prejudicial to their stakeholders and these proceedings.

9.0 Court Ordered Charges

9.1 Administration Charge

1. The Applicants are seeking an Administration Charge in the interim amount of \$300,000 to secure the fees and expenses of the Monitor, its counsel and the Applicants' counsel to-date and going forward. The Administration Charge is to have a super-priority status over all other creditors of the Pacific Entities and is to rank immediately subordinate to the first mortgagees on the balance of the Applicants.
2. None of the professionals involved in these proceedings has received a retainer and considerable time and effort has been spent preparing for these proceedings.
3. The Administration Charge is a customary provision in an Initial Order in a CCAA proceeding - it is required to protect certain professionals in the event the debtor is unable to pay their fees and costs during the CCAA process.

4. The Applicants worked with KSV to estimate the proposed amount of the Administration Charge until the Comeback Motion. It is anticipated that an increase in the amount of the Administration Charge will be sought at the comeback motion.
5. KSV believes that the Administration Charge is reasonable and appropriate in the circumstances given the complexities of the Applicants' CCAA proceedings, the services provided by the professionals to-date and those to be provided by the professionals going forward.

9.2 DIP Lender's Charge

1. The Applicants are seeking a charge over the property of the Pacific Entities (including the Pacific Properties) to secure advances under the DIP Facility ranking immediately subordinate to the Administration Charge on the property of the Pacific Entities. Until the comeback motion, it is proposed that borrowings under the DIP Facility be limited to \$750,000.
2. KSV is of the view that the DIP Lender's Charge is required and appropriate at this time for the reasons set out above as well as (i) the Applicants are in immediate need of liquidity; (ii) the financial and other terms of the DIP Facility are reasonable; (iii) no lender would be prepared to provide financing without the benefit of the DIP Lender's Charge; and (iv) it is contemplated that the DIP Lender's Charge shall only attach to the property of the Pacific Entities, most notably the Pacific Properties, which appear to have substantial equity.

9.3 Intercompany Charge

1. The Applicants' cash management system is described in the Affidavit. Given the structure of the DIP Facility, in most cases, funding of the Applicants will be made by the Pacific Entities as borrowers under the DIP Facility. There is a possibility, however, that one or more of the non-Pacific Entities may fund intercompany advances if they have the available resources.
2. The proposed Initial Order contemplates that the Intercompany Advances will be secured by the Intercompany Charge over the assets of each Receiving Applicant to the extent of any advances a Receiving Applicant receives from another Applicant.
3. KSV is of the view that the Intercompany Charge is reasonable as it is required for the protection of the creditors of any lending entities and that it is proposed to be subordinate to the first mortgagees of the Receiving Applicant (it will also be subordinate to the Administration Charge and the DIP Facility, where applicable).
4. As noted above, the Intercompany Charge provides a benefit to junior ranking mortgagees because it facilitates an orderly sale process, which is in the interest of those mortgagees.

9.4 Priority of Charges

1. The Initial Order provides that the Court-ordered charges shall have the following priority:
 - a) Administration Charge: first ranking charge over the property of the Pacific Entities (including the Pacific Properties) and subordinate to the first mortgagees of the other Applicants;

- b) DIP Lender's Charge: first ranking charge over the property of the Pacific Entities (including the Pacific Properties), subject only to the Administration Charge; and
 - c) Intercompany Charge: subordinate to the first mortgage on any Properties of the Receiving Entity (and immediately subordinate to the Administration Charge and the DIP Lender's Charge, where applicable).
2. The Comeback Motion will provide stakeholders with an opportunity to address their concerns regarding the Court-ordered charges and the contemplated increases thereto.

10.0 Conversion of NOI Proceedings

1. KSV is of the view that converting the NOI Proceedings into a single CCAA proceeding with the other Applicants will facilitate the efficiency of these proceedings by, *inter alia*, reducing professional costs. To date, no proposals in any of the NOI Proceedings have been filed and there have been no Court attendances in the NOI Proceedings. There is no benefit to continuing the NOI Proceedings and running a concurrent CCAA proceeding for related companies. Accordingly, the proposed conversion of the NOI Proceedings and the conduct of one consolidated CCAA proceeding appears reasonable and appropriate in the circumstances.

11.0 Relief to be Sought in the Near Term

1. Subject to the Court granting the Initial Order, KSV intends to work with the Applicants, the Applicants' legal counsel and its legal counsel to, *inter alia*:
- a) finalize a sale process, for which Court approval is expected to be sought at the Comeback Motion on notice to the Service List;
 - b) determine whether any of the Retained Properties should be listed for sale in the near term, particularly the River Road Project; and
 - c) bring a motion for an increase in the quantum of available borrowings under the DIP Facility from \$750,000 to \$5 million and to increase the Administration Charge.

12.0 Creditor Notification

1. The proposed Initial Order requires the Monitor to:
- a) publish without delay a notice in the national edition of *The Globe and Mail* newspaper containing the information prescribed under the CCAA; and
 - b) within five days of the issuance of the Initial Order to:
 - i. make the Initial Order publicly available in the manner prescribed under the CCAA;
 - ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1,000 advising that the order is publicly available; and

- iii. prepare a list, showing the names and addresses of those creditors (other than employees), and the estimated amounts of those claims, and make it publicly available in the prescribed manner.
2. KSV intends to post the Initial Order and all motion materials on its website in accordance with the *E-Service Protocol*.

13.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 2.1(1)(g) of this Report.

* * *

All of which is respectfully submitted,

KSV Kofman Inc.

**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**

Appendix “D”



**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**

Appendix “E”



**Second 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” to the First Report**

**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"
TO THE FIRST REPORT**

**SECOND 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 (the "Second Supplemental Report") further 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 Second Supplemental Report provides:
 - a. the schedule (attached) reflecting the value in the Pacific Properties after the first mortgagees (the "First Mortgage Schedule"); and
 - b. a summary of reductions in the cost of the DIP Facility.

2.0 First Mortgage Schedule

1. The First Mortgage Schedule (attached as Appendix "A") reflects that there is an estimated value of approximately \$63.1 million after the first mortgages on the Pacific Properties.

3.0 DIP Facility

1. The DIP Lender has agreed to:
 - a. reduce the interest rate on the DIP Facility from the Royal Bank of Canada (“RBC”)¹ prime rate plus 5% to the RBC rate plus 4.55%, with a minimum interest rate of 8.5%; and
 - b. reduce the commitment fee from \$100,000 to \$75,000.

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC.
IN ITS CAPACITY AS PROPOSED MONITOR OF
FORME DEVELOPMENT GROUP INC. AND
THE AFFILIATED ENTITIES LISTED ON APPENDIX “A”
TO THE FIRST REPORT
AND AS PROPOSAL TRUSTEE OF THE NOI ENTITIES
AND NOT IN ITS PERSONAL CAPACITY**

¹ As at October 25, 2018.

Appendix “F”



**Third 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 29, 2018

- and -

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

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Appendix

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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"
TO THE FIRST REPORT**

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

November 29, 2018

1.0 Introduction

1. This report (the "Third Supplemental Report") further 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 Third Supplemental Report provides:
 - a. a summary of the activities of KSV, as Proposed Monitor, Bennett Jones, as counsel to the Proposed Monitor, and GSNH, counsel to the Applicants, since the CCAA application on November 6, 2018 (the "Initial Application");
 - b. the framework for these proceedings ("Framework"), including a sale process ("Sale Process") for each of the properties other than the Birchmount Gardens project ("Birchmount");
 - c. a summary on the Applicants' cash flow projection for the period November 30, 2018 to February 10, 2019 (the "Cash Flow Forecast"); and
 - d. KSV's recommendation that the entities listed in Appendix "A" be subject to the CCAA proceedings, including the rationale for that recommendation.

2.0 Activities Since the Initial Application

1. Since the Initial Application, KSV, Bennett Jones and GSNH have worked diligently to develop the Framework. This has required countless communications and meetings with substantially all of the Applicants' mortgagees and/or their legal counsel.
2. The first mortgagees of the properties owned by the companies listed on Appendix "A" now appear supportive of the CCAA proceedings, provided it is conducted in a manner consistent with the Framework.
3. There are three projects and/or properties where the first mortgagees are supportive of the process but subsequent ranking mortgagees have contacted the proposed Monitor, its counsel or counsel to the Applicants, and advised that they are opposed to it, or as at the date of this Report, had not conclusively confirmed that they were supportive. These are: 58 Old Kennedy Development Inc. (opposed), the Carrville Development¹ (undetermined) and the Anglin Development (undetermined)². A motion is scheduled to be heard on December 6, 2018 (the "December 6th Motion") in order to determine whether any disputed properties should be part of the CCAA proceedings.
4. There is one project, 4 Don Hillock Development Inc., where a decision is pending from the first mortgagee. That project is not contemplated to be included in these proceedings at this time.
5. There is one project, 376 Derry, where the first mortgagee has not contacted any of the proposed Monitor, Bennett Jones or GSNH. The first mortgagee was served on November 19, 2018. It is contemplated that 376 Derry will be part of these proceedings.
6. The key provisions of the Framework include, *inter alia*, the following:

Super Monitor

- a. KSV would be appointed "super monitor" under the Initial Order and would, to the exclusion of any other person, have all of the rights and powers of the Applicants, including collecting all receipts and making all disbursements;
- b. KSV would have exclusive authority over the Sale Process;

Sale Process Overview

- c. All of the properties subject to the Initial Order (with the exception of Birchmount) would be made available for sale. Birchmount is a completed condominium project. The Applicants' real estate counsel (not GSNH) is working to close the sale of each condominium. The transactions are expected to close in December 2018 or early in 2019;

¹ 159, 169 and 189 Carrville Road, Richmond Hill

² 29 and 31 Anglin Drive, Richmond Hill

- d. TD will be retained as the exclusive listing agent in the Sale Process. Its fee will be based on the aggregate purchase paid by the Applicants for each of the properties subject to these proceedings. TD's fee is contemplated to range from 1.25% to 1.75% of the gross selling price of the properties;
- e. Offers will be solicited in the Sale Process for each property separately, and where applicable, as an assembly;
- f. The timelines for the Sale Process are provided in Section 3(1) below;
- g. TD will provide bi-weekly written updates to the Monitor, which will be shared with the relevant mortgagees, subject to each mortgagee entering into confidentiality arrangements satisfactory to the Monitor. Each mortgagee shall be entitled to make reasonable inquiries on the subject matter of these reports and additional details with respect to its particular Property;
- h. Any mortgagee can credit bid its debt at the conclusion of the sale process if the Sale Process does not generate proceeds sufficient to repay it in full. Subsequent mortgagees opting to credit bid will be required to pay out or reach terms acceptable to prior ranking creditors (in their sole discretion) to assume their obligations;
- i. Any and all principal, interest and costs will continue to accrue on each mortgage in accordance with its terms;

“Equity Kicker”

- j. To the extent there is equity available in any project of the Applicants after payment of all debt, fees and costs owing or incurred in respect of that project (in each case, the "Project Equity"), each mortgagee of that project will be entitled to receive in cash an amount equal to 10% of the principal amount of its mortgage prior to any payment to the project's shareholder (the "Equity Kicker"); provided that to the extent there is insufficient Project Equity to pay the Equity Kicker in full, each such mortgagee shall be entitled to its *pro-rata* share of the Equity Kicker based on the principal amount of its mortgage. Any mortgagee entitled to the Equity Kicker with a collateral mortgage on a separate Property will be entitled to collect its Equity Kicker in respect of any Property where it has a mortgage; provided: i) that in no event shall such mortgagee receive in the aggregate an Equity Kicker that is greater than 10% of the principal amount of its mortgage owed by the primary mortgagor; and ii) the advances it provided were used either for the property subject to the mortgage or for another property in the same assembly;
- k. The Equity Kicker is a gratuitous incentive created to encourage mortgagees to participate in the CCAA process. It allows the mortgagees the opportunity to recover more than what they are owed at the expense of the Applicants' shareholder;

Funding

- I. The Administration Charge will be for the benefit of the Monitor, Bennett Jones and GSNH. The Administration Charge shall rank immediately subordinate to the first mortgagee on each property, except in the case of Birchmount, where the Administration Charge will rank subordinate to all mortgagees;
- m. The Monitor, Bennett Jones and GSNH will only be paid from proceeds of sale after the first mortgagees on each property are paid in full (but before the Equity Kicker);
- n. The Administration Charge on each Property will only secure the fees directly allocable to the particular Property and such Property's share of the costs not-directly allocable to a particular Property;
- o. To the extent that the proceeds of realization are not sufficient to repay in full the amounts due under the Administration Charge on a particular Property, such deficiency can be satisfied from the proceeds of any transaction which remain after all mortgagees have been paid in full on any other Property;
- p. Any costs directly allocable to a particular Property will be so allocated. Those costs will be funded as follows:
 - i. The first mortgagee on the Property will have the right (but not the obligation) to fund such amount as an advance under its mortgage at an interest rate accruing at a rate that is the higher of (i) the applicable rate under its mortgage and (ii) 9.5% per annum, calculated monthly in arrears;
 - ii. If the first mortgagee does not fund such amount, the second mortgagee on the Property will have the right (but not the obligation) to fund such amount as an advance under its mortgage at an interest rate accruing at a rate that is the higher of (i) the applicable rate under its mortgage and (ii) 9.5% per annum, calculated monthly in arrears. The amount advanced will have a first-ranking super-priority charge over the applicable Property only. If necessary, this process will continue until all mortgagees on a Property have been given the opportunity to fund;
 - iii. If no mortgagee on the Property funds such amount, the Monitor will be entitled to draw on a standby DIP facility to be arranged by the Monitor³. The amount advanced will have a first-ranking super-priority charge over the applicable Property only.

³ The Monitor has arranged this facility and approval will be sought at a subsequent motion.

- q. Any costs not directly allocable to a particular property (such as the head office lease and skeletal employee staff⁴)⁵ will be allocated *pro-rata* based on the principal amount of the first mortgage and funded by:
- i. First, using existing available cash of the Applicants;
 - ii. Second, to the extent required and available, using any equity generated by the sale of any of the Applicants' Properties, including, but not limited to, Birchmount⁶;
 - iii. Third, to the extent required, the first mortgagee on each Property will have right (but not the obligation) to fund its share as an advance under its mortgage at an interest rate accruing at a rate that is the higher of (i) the applicable rate under its mortgage and (ii) 9.5% per annum, calculated monthly in arrears;
 - iv. If the first mortgagee does not fund such amount, the second mortgagee on the Property will have the right (but not the obligation) to fund such amount as an advance under its mortgage at an interest rate accruing at a rate that is the higher of (i) the applicable rate under its mortgage and (ii) 9.5% per annum, calculated monthly in arrears. The amount advanced will have a first-ranking super-priority charge over the applicable Property only. If necessary, this process will continue until all mortgagees on a Property have been given the opportunity to fund; and
 - v. If no mortgagee on the Property funds such amount, the Monitor shall be entitled to draw such amount under a standby DIP facility to be arranged by the Monitor. The amount advanced will have a first-ranking super-priority charge over the applicable Property only.
7. The Monitor will prepare rolling monthly cash flows in respect of costs that cannot be directly allocated to a particular property. Such cash flows will be provided to each mortgagee. The total indirect costs for the duration of the Sale Process is estimated to be less than \$400,000⁷, which amount is to be controlled by the Monitor, as funded, and is to be allocated across all first mortgagees on a pro-rata basis based on the principal amount of their mortgage. These costs include payroll for a small number of the Applicants' employees who have knowledge of the projects and who will facilitate the sale process.

⁴ No wages or other amounts will be paid to Mr. Wang or any known relative of his.

⁵ These amounts are currently estimated not to exceed \$50,000 per month in the aggregate.

⁶ The Applicants have advised that there may be at least \$1 million of net proceeds from this transaction available to fund costs of these proceedings. KSV has been trying to confirm this with the Applicant's real estate counsel (not GSNH) who is handling this matter.

⁷ Subject to adjustment, which is not anticipated to be material.

3.0 Sale Process

- The intended Sale Process and related timelines are summarized in the table below. The timelines in this process assume a CCAA commencement date of November 30, 2018. Delays commencing the CCAA will result in corresponding delays in the Sale Process timeline. Properties added to the CCAA after November 30, 2018 may have corresponding delays in the timeline. If the commencement of these proceedings is delayed until the holiday season, a short additional delay is likely.

Summary of Sale Process		
Milestone	Description of Activities	Timeline
<i>Phase 1 – Underwriting</i>		
Finalize marketing materials	<ul style="list-style-type: none"> ➤ Advisor and the Monitor to: <ul style="list-style-type: none"> ○ prepare an offering summary; ○ populate an online data room; and ○ prepare a confidentiality agreement (“CA”). 	November 30, 2018 to February 5, 2019
Prospect Identification	<ul style="list-style-type: none"> ➤ Advisor to develop a master prospect list. ➤ Advisor will qualify and prioritize prospects. ➤ Advisor will have pre-marketing discussions with targeted prospects. 	
<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 The Globe and Mail (National Edition) and other community or industry targeted publications, as applicable; ○ telephone and email canvass of leading prospects, both from a sale and refinancing perspective; and ○ meet with and interview prospective bidders. ➤ Assist the Monitor and its legal counsel in the preparation of a Vendor’s form of Purchase and Sale Agreement (the “PSA”). ➤ Advisor to provide detailed information to qualified prospects which execute the CA including an offering summary and access to the data room. ➤ Advisor to facilitate all diligence by interested parties. 	February 6, 2019 to March 26, 2019

Summary of Sale Process		
Milestone	Description of Activities	Timeline
Stage 3	➤ Prospective purchasers to submit PSAs.	March 27, 2019
<i>Phase 3 – Offer Review and Negotiations</i>		
Short-listing of Offers	<ul style="list-style-type: none"> ➤ Short listing bidders. ➤ Further bidding - Interested bidders may be asked to improve their offers in as many rounds of bidding as is required to maximize the consideration. 	April 3, 2019
Selection of Successful Bid	➤ Select successful bidder and finalize definitive documents.	April 10, 2019
Sale Approval Motion and Closing	➤ Motion for transaction approval and close transaction.	April 17, 2019 to April 24, 2019

4.0 Cash Flow Forecast

1. The Applicants have prepared a Cash Flow Forecast for the period November 30, 2018 to February 10, 2019. The Cash Flow Forecast and the Applicants' statutory report on the cash flow prepared pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "C".
2. Based on KSV's review of the Cash Flow Forecast, the assumptions appear reasonable. KSV's statutory report on the Cash Flow Forecast is attached as Appendix "D".

5.0 Conclusion and Recommendation

1. At the commencement of this process, the Applicants were comprised of 30 companies which own 18 real estate projects and owe more than \$220 million in mortgage debt. At the last two Court attendances in this matter, the senior mortgagees on several projects were permitted to move forward with their own enforcement processes and accordingly the entities that own that real estate are not part of the contemplated CCAA proceedings.
2. TD is to be the listing brokerage in the Sale Process. TD's commission is significantly less than the commission that would be payable if the properties were sold separately. A copy of TD's Listing Agreement is attached as Appendix "B". At the time this Third Supplemental Report was finalized, the Listing Agreement had been signed by TD and KSV, as Proposed Monitor, and it was with the Applicants' representative to be executed.

3. This CCAA is focused on the overriding goal of maximizing value on a timely basis. In this regard,
 - a. senior mortgagees will have the benefit of an expedited sale process completed under the supervision of the Court. The Sale Process timelines are intended to be consistent with or superior to their enforcement rights under their mortgages, such as a power of sale. Senior mortgagees also gain the benefit of a Court-supervised process, which assists to insulate them from improvident realization claims from junior ranking mortgagees; and
 - b. subordinate ranking mortgagees gain the benefit of an orderly sale process, which is more likely to maximize value than a mortgagee enforcement process, especially in the case of properties that are part of an assembly.
4. Since the date of the Initial Application:
 - a. KSV, Bennett Jones and GSNH have discussed with each of the mortgagees their concerns with the proposed CCAA. The intended CCAA process responds to those concerns, including:
 - i. KSV will be appointed "Super Monitor" given concerns about the Applicants' management raised by several mortgagees;
 - ii. the Monitor, its counsel and the Company's counsel will defer payment of their fees until each property is sold – fees are to be paid from sale proceeds;
 - iii. neither the proposed stay of proceedings in the Initial Order nor the extensions under the NOIs restrict mortgagees on the excluded properties from enforcing their mortgages, including guarantee claims they have against Forme Development Group Inc. or Mike Wang personally;
 - iv. the mortgagees will have the option to fund all disbursements on the basis set out in the proposed Initial Order, which is intended to minimize drawings under the Standby DIP facility;
 - v. mortgagees will be entitled to a fee of up to 10% of the principal amount of their mortgages; and
 - vi. any mortgagee will have the right to credit bid its debt if the mortgagee is not paid in full from the transaction proceeds. Any subsequent ranking mortgagee would also have the right to pay out prior ranking creditors or assume the prior ranking creditors on terms acceptable to those creditors in their sole discretion.
5. Given the significant debt carrying costs and the Applicants' negligible liquidity, it is important that these proceedings, and the Sale Process, commence forthwith.

6. In respect of the December 6th Motion, KSV is of the view that the rights of a subsequent mortgagee should not trump those of prior ranking mortgagees. To the extent that a subsequent ranking mortgagee does not wish to participate in this process, they should be obligated to repay in full prior ranking mortgagees or to participate in the CCAA proceedings. This is not an issue for the present motion.

7. The Proposed Monitor continues to be of the view that this process is in the interest of the mortgagees. It is to be conducted on a timely basis and is cost effective. It also preserves the rights of mortgagees. It will not unnecessarily tie up any property for an extended period of time. Offers for the properties will be received early in 2019, and if those offers are not acceptable, the mortgagees have a right to credit bid or otherwise enforce their mortgages. The process will be transparent and the Proposed Monitor intends to communicate frequently with the mortgagees concerning the Sale Process.

* * *

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"
TO THE FIRST REPORT
AND AS PROPOSAL TRUSTEE OF THE NOI ENTITIES
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “G”

Forme Development Group Inc. and the other companies listed on Schedule "A" (the "Applicants")

Projected Cash Flow

For the Period Ending February 22, 2019

(Unaudited; C\$)

Notes	Week Ending									5 Days Ending	Total	
	23-Dec-18	30-Dec-18	06-Jan-19	13-Jan-19	20-Jan-19	27-Jan-19	03-Feb-19	10-Feb-19	17-Feb-19	22-Feb-19		
1												
<i>Receipts</i>												
Collections	2	-	-	90,000	-	-	-	-	-	-	-	90,000
<i>Total Receipts</i>		-	-	90,000	-	-	-	-	-	-	-	90,000
<i>Disbursements</i>												
Consulting fees	3	-	-	-	-	-	-	-	-	-	-	-
Insurance		6,852	-	4,686	-	1,073	-	13,810	-	-	8,811	35,232
Office and general expenses	4	925	3,550	1,250	2,350	850	2,350	850	2,750	850	2,350	18,075
Payroll costs	5	-	15,000	-	10,000	-	10,000	-	10,000	-	10,000	55,000
Property taxes	6	-	-	-	-	-	-	-	-	-	-	-
Rent payments	7	-	8,073	-	-	-	-	8,073	-	-	-	16,146
Maintenance expenses	8	10,675	10,675	10,675	10,675	10,675	10,675	10,675	10,675	10,675	10,675	106,750
Utility payments		560	1,900	-	-	-	1,700	1,600	-	-	-	5,760
Other operating expenses		2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	29,500
Miscellaneous		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
<i>Total Disbursements</i>		26,962	47,148	24,561	30,975	20,548	32,675	42,958	31,375	19,475	39,786	316,463
<i>Net Cash Flow before the undernoted</i>		(26,962)	(47,148)	65,439	(30,975)	(20,548)	(32,675)	(42,958)	(31,375)	(19,475)	(39,786)	(226,463)
Professional fees re: restructuring	9	-	-	-	-	-	-	-	-	-	-	-
<i>Net Cash Flow</i>		(26,962)	(47,148)	65,439	(30,975)	(20,548)	(32,675)	(42,958)	(31,375)	(19,475)	(39,786)	(226,463)
Opening cash balance	10	124,113	97,151	50,003	115,442	84,467	63,919	31,244	-	-	-	124,113
Net cash flow		(26,962)	(47,148)	65,439	(30,975)	(20,548)	(32,675)	(42,958)	(31,375)	(19,475)	(39,786)	(226,463)
DIP funding required	11	-	-	-	-	-	-	11,714	31,375	19,475	39,786	102,350
Closing cash balance		97,151	50,003	115,442	84,467	63,919	31,244	-	-	-	-	-

Forme Development Group Inc. and the other companies listed on Schedule "A" (the "Applicants")

Notes to Projected Statement of Cash Flow

For the Period Ending February 22, 2019

(Unaudited; \$C)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash forecast of Forme Development Group Inc. and the companies listed on Schedule "A" (together, the "Forme Group") for the period December 17, 2018 to February 22, 2019 (the "Period") in respect of their proceedings under the *Companies' Creditors Arrangement Act*.

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

Hypothetical Assumptions

2. Represents forecasted cost contributions from the mortgagees during the Period.

Most Probable Assumptions

3. No consulting fees and expenses for municipal lawyers, architects, municipal planners, civil engineers, environmental engineers, landscape architects, traffic consultants and permits have been forecasted during the Period. These costs will be reviewed on a project-by-project basis as they arise to determine what further costs, if any, should be incurred during the Period. These costs, to the extent necessary, would be funded by the mortgagees and they would receive a DIP certificate in respect of the amounts funded.
4. Represents office supplies, IT expenses, photocopier lease expenses, postage and office cleaning costs.
5. Payroll is paid bi-weekly. Payroll includes source deductions, benefits and WSIB.
6. For the time being, no property taxes are assumed to be paid during the Period.
7. Represents rent payments for the Forme Group's head office and a sales center for the Danforth development.
8. Includes costs for fence rental, daily inspection, minor housekeeping, the removal of garbage, yard maintenance and general repairs.
9. Represents professional fees for the Monitor, its legal counsel and legal counsel to the Forme Group. Professional fees will accrue through the Period and are to be paid from proceeds of the sale of each property.
10. Represents the opening cash balance in the CCAA Monitor's estate account as at December 17, 2018.
11. Represents an estimate of the funding requirement, before interest and fees. Funding to be provided by mortgagees or the Standby DIP Lender.

Forme Development Group Inc. and the other companies listed on Schedule "A" (the "Applicants")

Schedule "A"

(Unaudited; C\$)

3310 Kingston Development Inc.

1296 Kennedy Development Inc.

1326 Wilson Development Inc.

376 Derry Development Inc.

5507 River Development Inc.

4439 John Development Inc.

9500 Dufferin Development Inc.

2358825 Ontario Inc.

250 Danforth Development Inc.

159 Carrville Development Inc.

169 Carrville Development Inc.

189 Carrville Development Inc.

27 Anglin Development Inc.

29 Anglin Development Inc.

**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 OTHER COMPANIES
LISTED ON SCHEDULE "A" HERETO
MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)**

Forme Development Group Inc. and those other entities listed on Schedule "A" hereto (collectively, the "Applicants") have developed the assumptions and prepared the attached statement of projected cash flow as of the 12th day December, 2018 for the period December 17, 2018 to February 22, 2019 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow.

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

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 12th day of December, 2018.



Yuan Hua Wang,

President of the Applicants

Appendix “H”

**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 OTHER COMPANIES LISTED ON
SCHEDULE "A" HERETO**

**MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)**

The attached statement of projected cash-flow of Forme Development Group and those other entities listed on Schedule "A" hereto (collectively, the "Applicants"), as of the 12th day December, 2018, consisting of a weekly projected cash flow statement for the period December 17, 2018, to February 22, 2019 ("Cash Flow") has been prepared by the management of the Applicants for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Applicants. 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 Cash Flow. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

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 Cash Flow;
- 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 Applicants or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow 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 Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow 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 at Toronto this 12th day of December, 2018.

KSV Kofman Inc

**KSV KOFMAN INC.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF
THE APPLICANTS
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “I”

Summary of Sale Process		
Milestone	Description of Activities	Timeline
<i>Phase 1 – Underwriting</i>		
Finalize marketing materials	<ul style="list-style-type: none"> ➤ Advisor and the Monitor to: <ul style="list-style-type: none"> ○ prepare an offering summary; ○ populate an online data room; and ○ prepare a confidentiality agreement (“CA”). 	November 30, 2018 to February 5, 2019
Prospect Identification	<ul style="list-style-type: none"> ➤ Advisor to develop a master prospect list. ➤ Advisor will qualify and prioritize prospects. ➤ Advisor will have pre-marketing discussions with targeted prospects. 	
<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 The Globe and Mail (National Edition) and other community or industry targeted publications, as applicable; ○ telephone and email canvass of leading prospects, both from a sale and refinancing perspective; and ○ meet with and interview prospective bidders. ➤ Assist the Monitor and its legal counsel in the preparation of a Vendor’s form of Purchase and Sale Agreement (the “PSA”). ➤ Advisor to provide detailed information to qualified prospects which execute the CA including an offering summary and access to the data room. ➤ Advisor to facilitate all diligence by interested parties. 	February 6, 2019 to March 26, 2019
Stage 3	<ul style="list-style-type: none"> ➤ Prospective purchasers to submit PSAs. 	March 27, 2019

Summary of Sale Process		
Milestone	Description of Activities	Timeline
<i>Phase 3 – Offer Review and Negotiations</i>		
Short-listing of Offers	<ul style="list-style-type: none"> ➤ Short listing bidders. ➤ Further bidding - Interested bidders may be asked to improve their offers in as many rounds of bidding as is required to maximize the consideration. 	April 3, 2019
Selection of Successful Bid	<ul style="list-style-type: none"> ➤ Select successful bidder and finalize definitive documents. 	April 10, 2019
Sale Approval Motion and Closing	<ul style="list-style-type: none"> ➤ Motion for transaction approval and close transaction. 	April 17, 2019 to April 24, 2019

Appendix “J”

David Sieradzki

From: Bobby Kofman
Sent: December 12, 2018 7:00 AM
To: forte@gsnh.com; stam@gsnh.com; parent@gsnh.com; Bobby Kofman; David Sieradzki; zweigs@bennettjones.com; nelmsa@bennettjones.com; jeff.larry@paliareroland.com; max.starnino@paliareroland.com; george@chaitons.com; mark.hemingway@hometruster.ca; dmichaud@robapp.com; jpreece@robapp.com; dpreger@dickinsonwright.com; LCorne@dickinsonwright.com; KYason@CommunityTrust.ca; tony@potestiolaw.com; jcarhart@millerthomson.com; yuce@hummingbirdlaw.com; jmaclellan@blg.com; VCalvano@blg.com; gosbee@gosbeelaw.ca; info@sentrifinancial.ca; andrew@ungerlaw.ca; eli@ungerlaw.ca; cxu@moneybroker.ca; pingt.tan@gmail.com; gruggiero@SRlawpractice.com; yizhoulawoffice@yahoo.ca; jmandell@garfinkle.com; dmorrison@morrisonfinancial.com; aemer@morrisonfinancial.com; susan.feldman@mcap.com; tevens@airdberlis.com; scott@rflaw.ca
Subject: Forme - Brief Update From TD

Good morning. Please find below a brief update received yesterday from TD concerning the status of the Forme sale process. The process is in its early stages, with the focus being compiling information for each property.

Good Afternoon Bobby,

A brief update on the FORME process for your reference:

We are well underway in the Underwriting Phase of our process and are on pace to meet our target launch date of February 6, 2019. We've been working with our internal design team to create the structure for the Offering Summary and continue to sift through the various diligence items provided by FORME to build out the content. Our team has been in constant communication with the principal / representatives of FORME regarding any information gaps related to our requested diligence items and continue to work with them to collect the same. We have also met with the FORME team to discuss the various projects so that they may share, in their own words, the status of each project and any nuance with respect to planning approvals. This has provided us with valuable context.

Concurrent with the above, our team is in the process of populating the Online Data Room with the various diligence items received to date and preparing a Confidentiality Agreement to be distributed to interested parties upon process launch. We will share these with your team for sign-off prior to launch.

Overall, the FORME team has been cooperative, and barring any unforeseen delays or material information gaps, we anticipate that all marketing materials will be finalized in advance of our launch date.

We will continue to keep you apprised of our progress over the coming weeks and look forward to circulating our draft materials once complete.

Regards,

L. Thaine Carter | Vice President | TD Securities
T: 416 308 0289 | C: 416 846 0536

Bobby Kofman
President and Managing Director
KSV Advisory Inc.
bkofman@ksvadvisory.com