



**Estate File No.: 31-2989954**

**IN THE MATTER OF THE BANKRUPTCY OF  
STATEVIEW HOMES (ON THE MARK) INC.  
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT TO CREDITORS ON  
PRELIMINARY ADMINISTRATION**

## **1.0 Introduction**

1. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on May 2, 2023 (the "Receivership Order"), KSV Restructuring Inc. ("KSV") was appointed receiver and manager (in such capacity, the "Receiver") of the property, assets and undertaking owned by Stateview Homes (Nao Towns) Inc., Stateview Homes (Minu Towns) Inc., Stateview Homes (High Crown Estates) Inc., Stateview Homes (On the Mark) Inc. ("On the Mark") and TLSFD Taurasi Holdings Corp., including their real property (the "Real Property").
2. Pursuant to an order of the Court made on July 19, 2023 (the "OTM Sale Process Order"), the Court approved:
  - a) a sale process for the property and assets of On the Mark (the "OTM Sale Process"); and
  - b) an Asset Purchase Agreement dated June 30, 2023 (as amended, the "APA") between the Receiver and 2077060 Ontario Inc. (the "Purchaser"), to be used as a "stalking horse bid" in the OTM Sale Process.
3. In accordance with the OTM Sale Process Order, the Receiver conducted the OTM Sale Process from July 20, 2023 to August 9, 2023, pursuant to which the transaction set out in the APA (the "OTM Transaction") was identified to be the value maximizing transaction for the creditors of On the Mark.<sup>1</sup> On September 14, 2023, the Court issued:
  - a) an Approval and Vesting Order (the "AVO"), among other things: (i) approving the OTM Transaction; (ii) following the Receiver's delivery of the Receiver's certificate in a form approved by the Court, transferring and vesting all of On the Mark's right, title and interest in and to the Purchased Assets (as defined and

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<sup>1</sup> Further details on the OTM Sale Process can be found in the Third Report of the Receiver dated September 7, 2023, accessible on the case website maintained by KSV at: <https://www.ksvadvisory.com/experience/case/stateview-homes>.

set out in the APA) in the Purchaser, free and clear of all liens, charges, security interests and encumbrances, other than certain permitted encumbrances; and (iii) authorizing the Receiver to take certain additional steps and actions as required to complete the OTM Transaction;

- b) a Distribution Order (the “Distribution Order”), among other things, authorizing and directing the Receiver to make certain payments and distributions and maintain certain reserves from the proceeds of the OTM Transaction (the “OTM Purchase Proceeds”); and
  - c) a Bankruptcy Order (the “Bankruptcy Order”), pursuant to a motion brought by KingSett Mortgage Corporation (“KingSett”), the principal secured creditor of On the Mark, among other things: (i) authorizing and directing the Receiver to file an assignment in bankruptcy in respect of On the Mark pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (“BIA”); (ii) naming KSV as trustee in bankruptcy (in such capacity, the “Trustee”) and authorizing and empowering KSV to act in such capacity; and (iii) providing that all proceeds from the property of On the Mark realized by the Receiver prior to, on or after the bankruptcy of On the Mark, including the OTM Purchase Proceeds, will be maintained by the Receiver in a segregated account of the Receiver and will not form part of the bankruptcy estate of On the Mark.
4. The OTM Transaction closed on September 22, 2023 (the “Closing”).
  5. On September 25, 2023, the Receiver assigned On the Mark into bankruptcy pursuant to the BIA. KSV was appointed the Trustee of On the Mark, subject to affirmation at the First Meeting of Creditors to be held on October 16, 2023.

## 1.1 Restrictions

1. In preparing this Report, the Trustee has relied upon: (i) discussions with the management (the “Management”) of the Stateview Group of Companies (the “Stateview Group”); (ii) On the Mark’s unaudited financial information; (iii) information provided by KingSett; (iv) discussions with various stakeholders in these proceedings (including their legal representatives); and (v) the receivership application materials (collectively, the “Information”).
2. The Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Trustee expresses no opinion or other form of assurance as contemplated under the CAS in respect of the Information. Any party wishing to place reliance on the Information should perform its own diligence and the Trustee accepts no responsibility for any reliance placed on the Information in this Report by any party.
3. Additional background information regarding On the Mark and the reasons for the appointment of the Trustee are provided in the motion materials of KingSett. Copies of the Court materials filed to-date in this proceeding and the receivership proceeding in respect of On the Mark (the “Receivership Proceeding”) are available on the [Receiver’s website](#) (the “Website”).

4. All references to dollar amounts in this report are to Canadian dollars, unless otherwise stated.

## **2.0 Background**

1. The Stateview Group is a real estate developer with its head office in Vaughan, Ontario. The Stateview Group has been in business since 2010 and primarily develops low-rise residential projects in Southern Ontario.
2. Several Stateview Group companies are not subject to receivership proceedings (the “Non-Receivership Companies”), including Stateview Construction Ltd. which provided administrative and management services to companies in the Stateview Group.
3. The Trustee understands that On the Mark does not have any employees and that all employees involved with On the Mark are currently employed by one or more of the Non-Receivership Companies.

### **2.1 On the Mark Project**

1. On the Mark is a single-purpose real estate development company that, prior to the Closing, owned a freehold townhouse project located at 16th Avenue and Woodbine Avenue, Markham (the “On the Mark Project”). As at the date of the Receivership Order, construction of the On the Mark Project was estimated to be approximately 90% complete.
2. 38 of the 70 home sales for the On the Mark Project were completed prior to the date of the Receivership Order. The remaining 32 homes were scheduled to close by the end of June 2023.
3. Construction at the On the Mark Project was halted due to the commencement of the Receivership Proceeding, which resulted in the remaining closings not occurring as scheduled. Based on information provided to KingSett by Management prior to the receivership, and provided to the Receiver by KingSett during the Receivership Proceeding, the Receiver, in consultation with KingSett, concluded that it would not be economically viable to complete the On the Mark Project.
4. The Trustee understands that, in accordance with the OTM Transaction, the Purchaser intends to complete the On the Mark Project and provide the holders of the agreements of purchase and sale (the “Pre-Sale Purchase Agreements”) in respect of the unclosed homes in the On the Mark Project (the “Homebuyers”) the option to execute an amended purchase agreement (the “Optional Purchase Agreements”) to continue with the purchase of their home, subject to limited exceptions.

### **2.2 On the Mark II Project**

1. The Trustee understands that the Stateview Group intended to develop another residential project (the “On the Mark II Project”). The Stateview Group had not yet purchased land for the construction of the On the Mark II Project at the time of the commencement of the Receivership Proceeding.

2. The Trustee understands that, notwithstanding the preliminary stages of the On the Mark II Project, On the Mark had entered into agreements of purchase and sale for units in this project (the “OTM II Purchase Agreements”), pursuant to which it collected deposits from the purchasers (the “OTM II Pre-Sale Purchasers”). The Trustee understands that any such amounts paid as deposits by the OTM II Pre-Sale Purchasers were not held in trust by On the Mark and were spent prior to the commencement of the Receivership Proceeding.
3. Given that the deposit money appears to have been used by or transferred out of On the Mark prior to the Receivership Proceedings and there will be no funds available in the On the Mark estate to reimburse deposits paid, the Trustee recommends that the OTM II Pre-Sale Purchasers submit a claim to Tarion Warranty Corporation (“Tarion”) in respect of such deposits. Information on how to make a deposit claim to Tarion may be found here: <https://www.tarion.com/media/important-information-purchasers-and-owners-stateview-homes>.

### **3.0 Assets**

1. As a result of the OTM Transaction, substantially all of On the Mark’s assets were vested in the Purchaser and On the Mark neither carries on any ongoing business nor holds any remaining assets of any significant value.
2. Additionally, as set out above, pursuant to the Bankruptcy Order, the proceeds from any property of On the Mark that are realized by the Receiver prior to, on or after the commencement of this bankruptcy proceeding, including the OTM Purchase Proceeds, continue to be maintained by the Receiver in a segregated account, separate and apart from the bankrupt estate and will be distributed in the On the Mark Receivership Proceeding.

### **4.0 Creditors**

#### **4.1 Secured Creditors**

1. KingSett is the principal secured creditor of On the Mark. As at August 31, 2023, KingSett was owed approximately \$19.6 million, plus accruing interest and costs (the “KingSett Indebtedness”). KingSett’s security consists of, among other things: (i) general security agreements delivered by On the Mark to KingSett (granting a security interest and lien against On the Mark’s personal property associated with the business and assets on On the Mark’s real property) and (ii) mortgages/charges and a general assignment of rents and leases (collectively, the “KingSett Mortgage Loan Security Documents”).
2. During the Receivership Proceedings, the Receiver’s counsel issued an opinion, subject to the standard qualifications and assumptions, confirming the validity and enforceability of the KingSett Mortgage Loan Security Documents.
3. In accordance with the Distribution Order dated September 14, 2023, the Receiver distributed to KingSett the amount of approximately \$12.75 million from the OTM Purchase Proceeds on September 25, 2023.

## **4.2 Unsecured Creditors**

1. Based on the Stateview Group's books and records, and based on work performed by the Receiver to reconcile certain amounts owing to trade vendors, as at the date of the Receivership Order, On the Mark's other pre-filing obligations total approximately \$9.2 million. These amounts include: (i) approximately \$8.25 million owing to construction trade vendors; and (ii) approximately \$0.815 million owing to other unsecured creditors including the CRA in respect of corporate taxes and realty brokerages.
2. While the Trustee has not yet conducted a claims process in respect of On the Mark in order to identify any unsecured creditors, it is likely that On the Mark has additional unsecured creditors that the Trustee is not currently aware of.

## **4.3 Other Creditors**

1. In addition to the above, the Labourers International Union of North America, Local 183 ("LIUNA") asserted a priority claim and registered a lien against the On the Mark Real Property for unpaid wages and pension contributions totalling approximately \$39,139.50 owing to individuals that worked on the On the Mark Project.
2. The Trustee further understands that On the Mark collected approximately \$4 million of HST on the sales of the first 38 homes in the On the Mark Project, which amounts were not remitted to the Canada Revenue Agency (the "CRA").

## **4.4 Pre-Sale Purchaser Claims**

1. In addition to the above, the Trustee understands that any of the Homebuyers that either choose to not execute the Optional Purchase Agreement or fail to do so by October 13, 2023, will hold unsecured claims against On the Mark for any amounts provided to On the Mark in connection with their Pre-Sale Purchase Agreements which are not recoverable under the Tarion deposit protection program.
2. Similarly, OTM II Pre-Sale Purchasers will hold unsecured claims against On the Mark for any amounts provided to On the Mark in connection with their OTM II Purchase Agreements which are not recoverable under the Tarion deposit protection program. Based on the Information, the Trustee understands that the deposits paid by OTM II Pre-Sale Purchasers total approximately \$11.2 million.
3. The Trustee further understands that Tarion would assert a subrogated claim against On the Mark for any amounts paid to Homebuyers and OTM Pre-Sale Purchasers by Tarion under its deposit protection program.

## **4.5 Property of the Bankrupt Not Divisible Amongst Creditors**

1. The Trustee is not aware of any property that would not be divisible among On the Mark's creditors by virtue of subsection 67(1) of the BIA or otherwise.

**5.0 Books and Records**

- 1. The Trustee has taken possession of the books and records required to complete its duties and obligations under the BIA. The Trustee has requested the On the Mark’s minute books from Management.

**6.0 Preferences and Transfers at Undervalue**

- 1. As part of its statutory duties, the Trustee is required to conduct a preliminary review for potential preferences and transfers at undervalue by examining On the Mark’s bank statements and accounting records for the year preceding the date of bankruptcy.
- 2. The Trustee has requested and received relevant bank statements and accounting records of On the Mark from the banking institutions where On the Mark conducted business, but has not yet reviewed such records at this time. The Trustee intends to provide a further update to the inspectors (once appointed) on this matter.

**7.0 Payment of KSV’s Bankruptcy Proceeding Fees**

- 1. Pursuant to the Bankruptcy Order, the Receiver is authorized and empowered to fund the costs of administering the bankruptcy estate of On the Mark from the property of On the Mark. In that regard, the Distribution Order authorized and directed the Receiver to maintain a reserve of \$75,000 from the OTM Purchase Proceeds to funds the costs to administer the bankruptcy in accordance with the Bankruptcy Order.

**8.0 Anticipated Realization and Projected Distribution**

- 1. Substantially all of On the Mark’s right, title and interest in and to the assets of On the Mark were sold through the OTM Transaction and subject to the KingSett Indebtedness. Additionally, pursuant to the Bankruptcy Order, any proceeds realized by the Receiver on the property of On the Mark remain within the Receivership Proceedings and do not form part of the bankruptcy estate of On the Mark. As a result, the Trustee does not expect there will be funds available for distribution to On the Mark’s creditors in the bankruptcy.

**9.0 Other Matters**

- 1. There are no other matters to discuss at this time.

\* \* \*

DATED at Toronto, Ontario, this 15th day of October, 2023.

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS LICENSED INSOLVENCY TRUSTEE OF  
STATEVIEW HOMES (ON THE MARK) INC.  
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITIES**