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**Estate File No.: 31-2879024**

**IN THE MATTER OF THE BANKRUPTCY OF  
SUNRISE ACQUISITIONS (HWY 7) INC.  
OF THE CITY OF RICHMOND HILL, IN THE PROVINCE OF ONTARIO**

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

**November 16, 2022**

## **1. Introduction**

1. On June 9, 2021, KSV Restructuring Inc. ("KSV") was appointed as receiver and manager (the "Receiver") of all the assets, undertakings and properties of Sunrise Acquisitions (Hwy 7) Inc. (the "Company") acquired for, or used in relation to a business carried on by the Company and the proceeds therefrom, including, without limitation, certain real property owned by the Company in Markham, Ontario (collectively, the "Real Property") pursuant to an order (the "Receivership Order") of the Ontario Superior Court of Justice (Commercial List) (the "Court"). As of the date of the Receivership Order, the Real Property consisted of five townhomes (collectively, the "Original Units") developed and built by the Company as part of a 52-townhome development project located in Markham, Ontario (the "Unionvillas Project"). The receivership proceedings (the "Receivership Proceedings") remain ongoing.
2. On June 29, 2022, FAAN Mortgage Administrators Inc. ("FAAN"), in its capacity as the Sorrenti Trustee (as defined below) filed an Application for Bankruptcy Order in respect of the Company. On October 25, 2022, the Ontario Superior Court of Justice (in Bankruptcy and Insolvency) issued an order adjudging the Company bankrupt (the "Bankruptcy Order"). Pursuant to the Bankruptcy Order, KSV was appointed as the Licensed Insolvency Trustee of the Company's estate (the "Trustee"), subject to affirmation at the first meeting of creditors.
3. This report ("Report") is filed by KSV in its capacity as the Trustee.

### **1.1 Restrictions**

1. In preparing this Report, the Trustee has relied upon the Company's unaudited financial statements, its books and records and discussions with representatives of KingSett Mortgage Corporation ("KingSett"), FAAN and the Company (the "Information").

2. The Trustee has not audited, or otherwise attempted to verify, the accuracy or completeness of the financial information relied on to prepare this Report 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 contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.

## 1.2 Currency

1. Unless otherwise noted, all currency references in this Report are to Canadian dollars.

## 2. Background

1. The Company is part of a real property development group known as “Sunrise Homes”, which develops residential and commercial projects in southern Ontario. The Company is a special purpose vehicle created solely for the purpose of developing the Unionvillas Project. The directors and officers of the Company are Sajjad Hussain and Muzammil Kodwavi (jointly, the “Principals”).
2. KingSett, formerly the Company’s first mortgagee, provided secured financing to the Company in connection with the development of the Unionvillas Project since 2015 pursuant to a Commitment Letter dated May 5, 2015 (as amended from time to time, the “KingSett Commitment Letter”). The Company’s other primary source of financing for the Unionvillas Project was a syndicated mortgage financing arranged by Fortress Real Developments Inc. (“Fortress”) and its affiliates, and previously administered by an Ontario lawyer named Derek Sorrenti (“Sorrenti”) through his law firm, Sorrenti Law Professional Corporation (“Sorrenti Law”).
3. On September 30, 2019, FAAN was appointed as trustee (the “Sorrenti Trustee”) over all of the assets, undertaking and properties of Sorrenti and Sorrenti Law relating to their trusteeship and the administration of syndicated mortgage loans in projects affiliated with Fortress, including any real property mortgages registered in the names of Sorrenti and Sorrenti Law.
4. From the commencement of the Receivership Proceedings, the Receiver’s mandate has focused on maximizing value for the Company’s creditors through the sale of the Original Units and the investigation of issues related to the Company, the Original Units and the Unionvillas Project.
5. Further information regarding the Receivership Proceedings, including a copy of the Receivership Order, and the background to these bankruptcy proceedings, is available on KSV’s website (the “Case Website”) at: <https://www.ksvadvisory.com/insolvency-cases/case/sunrise-acquisitions>.

## 2.1 Sale of the Original Units and Distributions Within the Receivership Proceedings

1. As of the date of the Receivership Order, the Real Property was comprised of the Original Units, situated on lots 43, 47, 48, 49 and 50 of the Unionvillas Project. Pursuant to an order issued by the Court on September 13, 2021 (the “September 13 Order”), the pre-filing purchase and sale agreement in respect of lot 43 was terminated, repudiated and/or disclaimed and the Original Unit located on lot 43 was sold. In accordance with the September 13th Order, the Receiver distributed \$1 million to KingSett from the sale proceeds of lot 43.
2. The Real Property owned by the Company subsequent to the granting of the September 13th Order and sale of lot 43 comprised of four townhome units (collectively, the “Townhome Units”). The Townhome Units were all subject to pre-filing purchase and sale agreements (collectively, the “PSAs”) between the Company, on the one hand, and the spouses of the Company’s Principals (together, the “Spouses”), on the other hand. The PSAs raised a number of significant issues and concerns, including with respect to deposits purportedly paid by the Spouses under the PSAs (the “Purported Deposits”).
3. On October 27, 2021, the Court issued an order (the “Second Sale Process and Disclaimer Order”), among other things:
  - a) declaring that the PSAs were deemed to be terminated, repudiated and/or disclaimed effective as of October 27, 2021;
  - b) approving a sale process (the “Second Sale Process”) for the Townhome Units;
  - c) directing the Receiver to create and hold a reserve of \$2,000,000 (the “Deposit Holdback”), representing the aggregate amount of the Purported Deposits under the PSAs to which the Spouses alleged an entitlement; and
  - d) directing distributions to Cityscape Realty Inc., the realtor engaged by the Receiver in the Second Sale Process, KingSett and, once KingSett had been repaid in full, FAAN, in its capacity as the Sorrenti Trustee.
4. Pursuant to an order issued on October 27, 2021, the Court also prospectively approved transactions for the Townhome Units, subject to certain consents being obtained.
5. The Second Sale Process was carried out in accordance with its terms and the Second Sale Process and Disclaimer Order. The transactions in respect of the Townhome Units have closed and the Company’s remaining indebtedness to KingSett has been repaid in full from the distributions authorized by the Second Sale Process and Disclaimer Order.
6. On March 10, 2022, the Court issued an order, among other things, authorizing the Receiver to distribute the Deposit Holdback to the Sorrenti Trustee.

### **3. Assets**

1. The Company's remaining assets consist of:
  - a) cash collateral in the form of letters of credit issued by the City of Markham (the "City") and Region of York (the "Region") in the total amount of approximately \$966,000 (collectively, the "Letters of Credit");
  - b) HST refunds totalling approximately \$100,000; and
  - c) remaining cash in the Receiver's bank account totalling approximately \$855,000.
2. In addition to the assets described above, the Receiver is pursuing claims against several related parties in respect of amounts diverted from, and owing to the Company, as described in section 6 of this Report.

#### **3.1 Property of the Bankrupt Not Divisible Amongst Creditors by Virtue of Subsection 67(1)(b) of the *Bankruptcy and Insolvency Act***

1. There does not appear to be any property exempt from execution or seizure pursuant to subsection 67(1)(b) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA").

### **4. Provable Claims**

#### **4.1 Secured Creditors**

1. As set out above, Sorrenti Law was a lender to the Company in respect of the Unionvillas Project. The total current amount owing by the Company to the Sorrenti Trustee, as the trustee appointed in respect of Sorrenti Law, is approximately \$9.4 million, plus interest and costs.
2. As discussed above, the City and Region hold cash security in respect of the Letters of Credit.
3. The Company is also a defendant in certain construction lien and small claims litigation matters.

#### **4.2 Unsecured Creditors**

1. Pursuant to the Company's creditor listing provided in Appendix "A", the Company's unsecured claims total approximately \$500,000, which are primarily comprised of amounts owing to contractors in connection with the Unionvillas Project. This includes certain claims where the balance owing is listed as \$1, meaning that the amount owing is unknown or has not yet been quantified.

## 5. Books and Records

1. The Trustee is in possession of the Company's books and records provided to the Receiver. As noted in the Receiver's Third Report dated October 20, 2021 (the "Third Report"), the Receiver did not have certain bank information for 2015 and 2016 and, as part of its investigation, was unable to identify certain receipts and disbursements for that time period.

## 6. The Receiver's Investigation<sup>1</sup>

1. A critical aspect of the Receiver's mandate in the Receivership Proceedings has been the investigation of issues related to the Company, the Original Units and the Unionvillas Project. The Receiver's investigation has raised a number of issues of significant concern. These issues are discussed in detail in the Receiver's (i) Third Report, (ii) Supplement to the Third Report dated February 25, 2022, (iii) Second Supplement to the Third Report dated August 5, 2022, and (iv) Third Supplement to the Third Report dated November 4, 2022 (collectively the "Third Reports"). The Third Reports are available on the Case Website.
2. For ease of reference, the Receiver's key findings as set out in the Third Reports are summarized below:
  - a) based on the Bank Information, the Company paid related companies and persons (collectively, the "Related Parties") and the Principals (collectively with the Related Parties, the "Sunrise Parties") a net amount of approximately \$11.4 million (collectively, the "Related Party Transactions"), in contravention of, among other things, the Sorrenti Loan Agreement and the KingSett Commitment Letter;
  - b) the Principals appear to have deliberately attempted to mislead the Receiver's investigation by providing inaccurate and incomplete information, including by: (i) improperly preparing and maintaining the General Ledger to make it appear that the Sunrise Parties received significantly less money from the Company than the Bank Information reveals; (ii) altering email correspondence from Osler, Hoskin & Harcourt LLP, counsel to the Sorrenti Trustee, and providing such correspondence to the Receiver's counsel with a view to frustrating the Receiver's ability to disclaim the PSAs; and (iii) failing to respond to the Receiver's September 8, 2021 request for an explanation (to the extent one existed) for the material discrepancies between the Bank Information and the General Ledger; and
  - c) the Spouses appear to have breached the terms of their PSAs by not paying occupancy fees due to the Company in the amount of approximately \$175,000.

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<sup>1</sup> Capitalized terms used in this section and not otherwise defined have the meanings ascribed to them in the Third Reports.

3. In light of its findings, the Receiver filed a Notice of Motion on July 6, 2022 (the “Motion for Repayment of Amounts Owing”), seeking an order, among other things:
  - a) directing the Principals, the Spouses, the Sunrise Parties, the shareholders of the Dissolved Related Sunrise Parties and such other parties as may be necessary or appropriate to immediately pay to the Receiver all funds improperly diverted from and/or owing to the Company; and
  - b) such further and other relief and orders incidental, ancillary or related to the foregoing.
4. On September 16, 2022, counsel to the Company, the Principals, certain of the Related Sunrise Parties and the Spouses (collectively, the “Responding Parties”) served a responding motion record in respect of the Motion for Repayment of Amounts Owing (the “Responding Record”). The Responding Record comprised of the affidavit of Muzammil Kodwavi sworn September 16, 2022 and its exhibits (the “First Kodwavi Affidavit”). Among other things, the First Kodwavi Affidavit indicated that:
  - a) MNP LLP (“MNP”) had been retained for the purpose of responding to the Receiver’s findings with respect to amounts paid to the Sunrise Parties; and
  - b) MNP had advised that a report detailing its findings would be rendered to the Company by October 18, 2022 (the “MNP Report”).
5. On October 18, 2022, the Responding Parties served a supplementary responding motion record, which included the affidavit of Muzammil Kodwavi sworn October 18, 2022 and its exhibit, being the MNP Report (the “Second Kodwavi Affidavit”). In the Second Kodwavi Affidavit, Mr. Kodwavi, among other things, conceded that the net amount of \$5,549,605 paid to the Sunrise Parties (the “Undisputed Amount”) “ought to be repaid to Sunrise” and swore that he “will make repayment to Sunrise in the amount of \$5,549,605”.
6. In light of Mr. Kodwavi’s concession as to the Undisputed Amount owing to the Company, the Receiver sought and, on November 2, 2022, obtained an order (the “Undisputed Amount Payment Order”) from the Court requiring certain of the Sunrise Parties and other related parties (collectively, the “Additional Related Parties”) to pay the Undisputed Amount to the Receiver forthwith. As of the date of this Report, the Undisputed Amount has not been paid to the Receiver. A copy of the Undisputed Amount Payment Order as well as the accompanying endorsement issued by the Honourable Madam Justice Kimmel on November 3, 2022 are available on the Case Website.
7. The Undisputed Amount Payment Order was made without prejudice to all other issues engaged on the Motion for Repayment of Amounts Owing and not otherwise addressed in the Undisputed Amount Payment Order. This includes issues with respect to, among other things: (i) the joint and several liability of the Acknowledged Debtors to pay the Acknowledged Debt (each as defined in the Undisputed Amount Payment Order); (ii) the balance of the amounts in dispute; and (iii) all related relief sought by the Receiver.

8. In light of the Receiver's findings in the Receivership Proceedings and the nature and timing of the Related Party Transactions, these bankruptcy proceedings have been commenced to enable the Trustee to impugn any preferences and transfers at undervalue preceding the date of bankruptcy and vest the Trustee with the investigatory and other powers required to review and challenge such transactions.
9. A successful challenge of the Related Party Transactions (in whole or in part) undertaken in conjunction with the Receiver's ongoing efforts in the Receivership Proceedings, is expected to facilitate the recovery of amounts diverted from the Company to the Sunrise Parties and the Additional Related Parties.
10. The Company's continued investigation is subject to approval of the inspectors appointed in the bankruptcy or to order of the Court, as permitted by the BIA. The Trustee will discuss its intended next steps in the Company's investigation with the inspectors appointed in the bankruptcy.

## **7. Anticipated Realization and Projected Distribution**

1. Recoveries for unsecured creditors, if any, are likely to be immaterial.

\* \* \*

DATED at Toronto, Ontario, this 16<sup>th</sup> day of November, 2022.

All of which is respectfully submitted,

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.,  
SOLELY IN ITS CAPACITY AS LICENSED INSOLVENCY TRUSTEE OF  
SUNRISE ACQUISITIONS (HWY 7) INC.  
AND NOT IN ITS PERSONAL CAPACITY**

## **Appendix “A”**



**IN THE MATTER OF THE BANKRUPTCY OF  
SUNRISE ACQUISITIONS (HWY 7) INC.  
OF THE CITY OF RICHMOND HILL, IN THE PROVINCE OF ONTARIO**

*Preliminary list of creditors as at October 28, 2022, as per records of Sunrise Acquisitions (Hwy 7) Inc.,  
without admission as to any liability or privilege herein shown.*

<b>CREDITORS</b>	<b>Address</b>					<b>Amount Due (\$)</b>
<b><u>Secured</u></b>						
Sorrenti Law Professional Corporation	100 King St W, Suite 6200, PO Box 50	Toronto	ON	M5X 1B8		9,873,262.00
						<u>9,873,262.00</u>
<b><u>Unsecured</u></b>						
Rehanna Ameerullah and Mansi Kumari	6 Dalewood Dr	Richmond Hill	ON	L5B 3C3		1.00
Canada Revenue Agency (BN 82420 7963)	PO Box 20000, Station A	Sudbury	ON	P3A 5C1		1.00
24/7 Electrical Service Inc.	31 Brightsvie Dr	Richmond Hill	ON	L4E 3Z2		2,587.70
Alectra Utilities Corporation	PO Box 3700	Concord	ON	L4K 5N2		5,481.66
Alexander Budrevics & Associates Limited	895 Don Mills Rd, Second Tower, Suite 212	Toronto	ON	M3C 1W3		11,810.77
Ana Lidia Brand Martinez	1232 Maple Ridge Dr	Pickering	ON	L1X 1A5		900.00
Best Rental Services Inc.	310 Rodina Rd	Maple	ON	L6A 4P5		28,268.08
Century 21 Innovative Realty Inc.	2250 Markham Rd	Toronto	ON	M1B 2W4		5,524.50
Century 21 King's Quay R.R.INC. Brokerage	7300 Warden Avenue, Unit # 401	Markham	ON	L3R 9Z6		13,490.00
CondoVoter	200-225 Richmond St W	Toronto	ON	M5V 1W2		1,017.00
Croma Painting Ltd.	445 Edgeley Blvd, Unit 5	Concord	ON	L4K 4G1		11,300.00
De Luca Plumbing (1995) Inc.	32 Siltion Rd., Unit 1	Woodbridge	ON	L4L 8N3		31,834.59
Enbridge Gas Distribution Inc.	500 Consumers Rd	North York	ON	M2J 1P8		2,597.71
Eye-View Drain Services Ltd	1735 Orangebrook Court	Pickering	ON	L1W 3G8		36,134.58
Golder Associates Ltd.	100 Scotia Court	Whitby	ON	L1N 8Y6		2,450.86
Grand Alarms Ltd	9000 Keele St., Suite 12	Vaughan	ON	L4K 0B3		37,183.54
Griffith Property Services Ltd	1843 Bethesda Sideroad	Richmond Hill	ON	L4E 1A2		232,067.89
Krcmar Surveyors Ltd.	1137 Centre St.	Thornhill	ON	L4J 3M6		9,998.24
Marzz Electric Ltd	391 Edgely Blvd., Unit #4	Concord	ON	L4K 4A7		1,575.22
Metropolitan Home Products Inc.	458 Edgeley Blvd	Concord	ON	L4K 4G4		11,689.70
Moscone Marble	8830 Jane St.	Vaughan	ON	L4K 2M9		7,668.18
OHM'S Mechanical Service	91 Anderson Avenue, Unit 10	Markham	ON	L6E 1A5		575.11
P.Z Contracting Ltd	3411 Tooley Road	Courtice	ON	L1E 2K7		9,982.53
SCS Consulting Group Ltd.	30 Centurian Dr, Suite 100	Markham	ON	L3R 8B8		19,105.76
The Brick	4250 Dufferin St	North York	ON	M3H 5W4		11,512.67
W.J. Miller Ltd	1732 Dundas Highway East	Mississauga	ON	L4X 1L8		1,661.10
York Power & Lighting Inc.	25 Sherwood Forest Dr	Markham	ON	L3P 1P5		106.22
York Region Com Elements Condo.Corp 1420	2645 Skymark Ave., Suite 101	Mississauga	ON	L4W 4H2		3,490.04
						<u>500,015.65</u>
<b><u>Total Secured and Unsecured</u></b>						<u><u>10,373,277.65</u></u>

\* An amount of \$1.00 indicates that the amount due is undetermined or unknown

