

**Court File No. 31-2303814
Estate File No. 31-2303814**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL IN BANKRUPTCY OF
1482241 ONTARIO LIMITED
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO**

SECOND REPORT OF THE PROPOSAL TRUSTEE
December 13, 2017

INTRODUCTION

1. On October 13, 2017, 1482241 Ontario Limited (“**148**”), (the “**Company**” or the “**Debtor**”), filed a Notice of Intention to Make a Proposal (“**NOI**”). Crowe Soberman Inc. consented to act as the Proposal Trustee (the “**Proposal Trustee**”) for the Company.
2. This report (the “**Second Report**”) is filed by Crowe Soberman Inc., in its capacity as the Proposal Trustee for the Company. Unless otherwise noted, the defined terms used in this Second Report have the same meaning provided to them as in the First Report of the Proposal Trustee to Court dated October 27, 2017, and the Supplemental Report to the First Report of the Proposal Trustee dated November 2, 2017.
3. On October 27, 2017 the Proposal Trustee filed its First Report with the Court. The purposes of the First Report were to:
 - a) Summarize and support the Sales Process;
 - b) Report on the Debtor’s cash flow projection for the period commencing October 19, 2017 and ending March 31, 2018 and the Debtor’s need for a DIP Facility up to the principal amount of \$750,000;

- c) Support the request for a charge to secure the fees and disbursements of the Proposal Trustee, counsel for the Proposal Trustee, and the Debtor's counsel; and
- d) Support the Debtor's request for an extension of the time period to file a Proposal with the Official Receiver.

A true copy of the First Report (without appendices) is attached hereto as **Appendix "A"**.

4. On November 2, 2017 the Supplemental Report to the First Report of the Proposal Trustee was filed with the Court. The purposes of the Supplemental Report were to:

- a) Advise on the status of Avison Young being retained as property manager of the Duncan Mill Property;
- b) Report on certain concerns being communicated by tenants of the Duncan Mill Property to the Proposal Trustee;
- c) Provide the Court with a confidential letter of opinion regarding the value of the Duncan Mill Property dated November 1, 2017;
- d) Report on litigation involving the Duncan Mill Property and each of the Hussaini Group and Torgan;
- e) Provide an update on the DIP Term Sheet;
- f) Report on potential interim financing to pay realty tax arrears; and
- g) Recommend an initial extension of time for 148 to file a proposal to December 22, 2017.

A true copy of the Supplemental Report (without appendices) is attached hereto as **Appendix "B"**.

5. By Order of the Honourable Justice Hainey dated November 3, 2017 (the "**November 3rd Order**"), a copy of which is attached hereto as **Appendix "C"**, the Administration Charge, the DIP Term Sheet, the DIP Lender's Charge, the Sales Process, the First Report, the Supplemental Report, and the request for an extension of time to file a Proposal were approved.

PURPOSE

6. The purpose of the Second Report is to advise the Court on the status of the Sales Process as approved in the November 3rd Order, the status of the day-to-day management of the Duncan Mill Property, and the Proposal Trustee's position on the Company's application for an additional 45-day extension of time for filing a Proposal pursuant to Section 50.4(9) of the *Bankruptcy and Insolvency Act* ("BIA"). The Proposal Trustee hereby submits this report to the Court pursuant to Section 50.4(7) (b) (ii) of the BIA.

SALES PROCESS

7. The Sales Process of the Duncan Mill Property is well underway. Pursuant to the November 3rd Order, the Proposal Trustee was required to carry out certain steps of the Sales Process on its own, and additional steps in consultation with the First Mortgagee. The Proposal Trustee has fulfilled the following, partly as outlined and defined in the Sales Process:

- The Proposal Trustee advertised the Duncan Mill Property and Sales Process in the national edition of the *Globe & Mail*. The advertisement ran on November 17, 2017;
- The Proposal Trustee posted the *Invitation for Offers*, the *Non-Disclosure Agreement*, and the *Form of Offer* on the Proposal Trustee's website;
- The Proposal Trustee sent the *Invitation for Offers* and the *Non-Disclosure Agreement* to a list of parties identified by the Proposal Trustee and via the Crowe Horwath professional network;
- The Proposal Trustee entered into a listing agreement with *Cushman & Wakefield Ltd.* ("Cushman") on November 20, 2017, after negotiating various competing proposals, to assist with the marketing and solicitation of offers for the Property;
- Cushman has assisted in compiling a list of interested parties from their own professional network and has advertised the Property and Sales Process in the

national edition of the *Globe & Mail* on a bi-weekly basis since being retained by the Proposal Trustee;

- Cushman has prepared their own Invitation for Offers and has circulated to their own professional network;
- The Proposal Trustee has set up an online data room where parties that executed the Non-Disclosure Agreement are provided online access to view documents regarding the Duncan Mill Property to facilitate their due diligence;
- The Proposal Trustee retained Pinchin Ltd. to prepare a Baseline Property Condition Assessment and a Phase I Environmental Site Assessment. Both reports were completed in early December and are available in the online data room; and
- As of the date of the Second Report, the Proposal Trustee has not been advised by the Company in writing if it intends to make an offer in the Sales Process. Pursuant to the Sales Process, the Company has until December 15, 2017 to so advise the Proposal Trustee.

SALES PROCESS BID DEADLINE

8. The Sales Process currently contemplates a Bid Deadline of January 15, 2018 for parties to submit a binding offer, which are to remain open for acceptance by the Proposal Trustee until January 19, 2018.
9. The Proposal Trustee recognizes that its role is to ensure that the Duncan Mill Property is properly exposed to the marketplace via the Sales Process, to maximize the best return for all stakeholders.
10. The Proposal Trustee suggests an extension of the Bid Deadline to February 15, 2018, and corresponding extension of the milestones that follow the Bid Deadline. There were delays in choosing a Listing Agent to properly assist in exposing the market place, and completing certain critical reports required for the due diligence of interested parties. Combined with the fact that the holiday season is taking place during the marketing period, the Proposal

Trustee is of the view that an extension is required in order to adequately expose the Duncan Mill Property to the marketplace.

PROPERTY MANAGEMENT

11. The Proposal Trustee, in consultation with the First Mortgagee, entered into an agreement with Avison Young on November 8, 2017 to manage the day-to-day operations at the Duncan Mill Property. From the date of the agreement with Avison Young, the Proposal Trustee worked closely with the existing staff of the Company to assist in the transition towards Avison Young taking control of the receipts and disbursements, including reporting and remitting to the Canada Revenue Agency (“CRA”), liaising and communicating with tenants, and planning improvements, repairs, and maintenance to the Duncan Mill Property.
12. In November 2017, Avison Young provided notice to all tenants at the Duncan Mill Property of its appointment as the property manager. Avison Young advised tenants of its contact information and physical location in the building, and provided particulars for making rental payments moving forward. Avison Young has advised the Proposal Trustee that the rental payments for December have been collected and deposited into its own trust account in the name of the Company. The Proposal Trustee has also been advised that payments towards the CRA for payroll remittances have been processed, and the returns and reporting for the HST account for October and November are also being finalized.
13. There have been some challenges in the transition of the day-to-day property management being carried out by the Company to Avison Young. For example, shortly after the agreement with Avison Young was entered into, the owner of the Company unilaterally terminated the employment of the sole building operator. That position has yet to be filled, as the owner of the Company has not approved or accepted the alternatives that have been offered by Avison Young and the Proposal Trustee. In addition, certain repairs and improvements have been paid for and requested by the Company without the knowledge of Avison Young. The Proposal Trustee continues to assist with the transition as these issues arise.

Monitoring of the Company's Financial Affairs

14. As advised earlier in this report, December rental payments, and future rental payments from tenants, are being directed to Avison Young, which has taken control of the Company's receipts and disbursements.
15. The Proposal Trustee has monitored the banking activity of the Company prior to the transition to Avison Young. Based on the Proposal Trustee's review of the bank statements it appears that the majority of the disbursements made were directed towards the ongoing expenses of the Company. The Proposal Trustee noted that a bank transfer was made to the Company on November 2, 2017 in the amount of \$51,776.71 and was later repaid on November 16, 2017 via a cheque payment made to Alain Checroune . The Proposal Trustee also noted a payment made to Caruda Holdings in the amount of \$16,000.80, which it was advised by the Company related to tenant improvements made at the Duncan Mill Property. The Company refers to these payments at paragraphs 8 and 9 of the affidavit of Alain Checroune sworn December 12, 2017.
16. On December 11, 2017 counsel for the Proposal Trustee sent correspondence to the Company advising on its concerns with the allegations of interference being made by Avison Young, and on the payment made to Alain Checroune that was done without the knowledge of the Proposal Trustee. A true copy of the December 11th correspondence is attached hereto as **Appendix "D"**.

Stay Extension Application

17. As the Debtors are applying for an additional extension of the 30 day period within which the Proposal must be filed, in the Proposal Trustee's view, the Company has acted and continues to act in good faith and with due diligence.
18. The Debtors would likely be able make a viable proposal if an extension being applied for were granted.

19. No creditor is likely to be materially prejudiced if an extension of the time within which the proposal could be filed is granted.
20. Based on the foregoing, the Proposal Trustee supports the Company's application for an Order extending the time for the Company to file its Proposal to creditors.

All of which is respectfully submitted this 13th day of December, 2017.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal for
1482241 Ontario Limited



APPENDIX

‘A’

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL IN BANKRUPTCY OF
1482241 ONTARIO LIMITED
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

FIRST REPORT OF THE PROPOSAL TRUSTEE
OCTOBER 27, 2017

INTRODUCTION

1. On October 13, 2017, 1482241 Ontario Limited (“148”), (the “Company” or the “**Debtor**”), filed a Notice of Intention to Make a Proposal (“NOI”). Crowe Soberman Inc. consented to act as the Proposal Trustee (the “**Proposal Trustee**”) for the Companies. A true copy of the Certificate of Filing of a Notice of Intention is attached hereto as **Appendix “A”**.
2. Attached hereto as **Appendix “B”**, is the Notice of Intention and the list of creditors for the Company that was sent to all known creditors.
3. 148 will bring a motion returnable on November 2, 2017 (the “**Motion**”) for order, *inter alia*,
 - a) Approving the interim financing of 148 by Alain Checroune personally or through a company under his control (in such capacity, the “**DIP Lender**”) substantially in accordance with terms of the DIP term sheet (defined below) and granting the DIP Lender’s Charge (as defined below);

- b) Approving the sale solicitation process (the “**Sale Process**”) for the sale of 148’s assets and business;
- c) Granting the Administration Charge (as defined below) in favour of the Proposal Trustee, counsel for the Proposal Trustee, and counsel for 148;
- d) Extending the time within which a Proposal must be filed with the Official Receiver to December 27, 2017.

4. In support of the Motion, 148 filed an Affidavit of Alain Checroune, sworn October 26, 2017 (the “**Checroune Affidavit**”) which describes, *inter alia*, 148’s history and the reasons for the commencement of these proceedings. The Proposal Trustee has not repeated those details in this first report to the Court (the “**First Report**”), except to the extent necessary.

5. 148 is the owner and operator of an eight-storey multi-tenant commercial building located in the City of Toronto. The principal purposes of these proposal proceedings, as explained in the Checroune Affidavit, are to provide 148 with an opportunity to (i) conduct the Sale Process for the sale of the Debtor’s business and assets; and (ii) negotiate and make a viable proposal to their creditors.

PURPOSES OF THE FIRST REPORT

6. The purposes of this First Report are to:

- a) Summarize and support the Sale Process;
- b) Report on the Debtor’s cash flow projection for the period commencing October 19, 2017 and ending March 31, 2018 and the Debtor’s need for a debtor in possession facility between the Debtor and the DIP Lender up to the principal amount of \$750,000 (the “**DIP Facility**”) pursuant to section 50.6 of the BIA, as

well as a charge in favour of the DIP Lender over the Debtor's assets, properties and undertakings to secure repayment of the amounts borrowed by the Debtor under the DIP Facility (the "**DIP Lender's Charge**");

- c) Support the request for a charge to secure the fees and disbursements of the Proposal Trustee, counsel for the Proposal Trustee, and the Debtor's counsel, Blaney McMurtry LLP (the "**Administration Charge**"); and
- d) Support the Debtor's request for an extension of the time period to file a proposal with the Official Receiver to December 27, 2017.

DISCLAIMER

7. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, the Debtor's books and records, discussions with third party consultants to 148, management and employees, and information from other third party sources. The Proposal Trustee assumes no responsibility or liability for loss or damage occasioned by any party as a result of the circulation, publication, re-production or use of this First Report. Any use which any party, other than the Court, makes of this First Report, or any reliance on, or any decisions to be made, based upon it, is the responsibility such party.

BACKGROUND

8. 148 is an Ontario corporation incorporated on June 21, 2001 and appears to be a single purpose corporation holding legal and beneficial title to certain lands and a free standing commercial building located thereon at 240 Duncan Mill road, Toronto, Ontario (the "**Duncan Mill Property**")
9. The Duncan Mill Property is made up of an eight storey multi-tenant commercial building with a single level basement and an underground parking garage. The Property also includes the second level parking area associated with the two-storey parking structure located on the west side of the Property. The building consists of commercial units and was

constructed in approximately 1971. The building is managed by 148. At present, the building has 19 tenants and is at 52% occupancy rate.

10. The Duncan Mill Property was purchased by 148 for \$15,300,000 in 2001.
11. As of October 13, 2017, 148 employed two full time employees who are maintenance personnel and one full time office administrator/property manager.
12. The Proposal Trustee intends to retain a reputable property management firm to oversee and manage the day to day property issues. The property management firm will be retained by the Proposal Trustee and will be reporting directly to the Proposal Trustee.

SECURED CREDITORS

13. Dan Realty Corporation, E.Manson Investments Limited, Copperstone Investments Limited (the “**First Mortgagee**”) is the registered holder of a first mortgage on the Duncan Mill Property, which mortgage was assigned from Computershare Trust Company of Canada on June 2, 2016. As security for its loan 148 granted to the First Mortgagee, among other things, a mortgage in the amount of \$11,250,000 over the Duncan Mill Property and a General Security Agreement providing a first charge over all personal property of 148. A copy of the Charge registered as Instrument Nos. AT935525 and AT4236037 are attached hereto as **Appendix “C”**
14. As at October 11, 2017, 148 was indebted to the First Mortgagee in amounts that total \$7,692,202.45, inclusive of accrued interest and costs.
15. A second mortgage was registered on title to the Duncan Mill Property in favour of Janodee Investments Ltd. and Meadowshire Investments Ltd., dated September 21, 2016 (the “**Second Mortgagee**”) against the Duncan Mill Property. The amount claimed to be outstanding under the Second Mortgage as at October 13, 2017 is approximately \$1,420,000, including accrued interest. A copy of the Charge registered as Instrument No. AT4349221 is attached hereto as **Appendix “D”**.

16. In addition to the first and second mortgages, the Debtor owes \$1,441,179.66 in property tax arrears to the City of Toronto.

17. The Proposal Trustee has reviewed the PPSA search obtained against 148 attached as Exhibit C to the Checroune Affidavit. In addition to the secured creditors described above, the PPSA search result reveals a registration against 148 in favour of Mann Engineering Ltd. The Proposal Trustee has been advised by the Debtor that the Mann Engineering debt has been paid in full and it should be deleted.

SALES PROCESS

18. As described in greater detail in the Checroune Affidavit, the primary purpose of the Debtor's proposal proceedings is to find a purchaser for the business and/or assets of the Debtor.

19. The purpose of the Sale Process is to identify one or more purchasers of the business and/or assets of the Debtor. Subject to the order of the Court, the Sale Process will be run by the Proposal Trustee. The following is a summary of the significant terms of the Sale Process the Proposal Trustee is considering. A copy of the proposed Sale Process is attached hereto as **Appendix "E"**. Terms not otherwise defined in this First Report shall have the meaning ascribed to these terms in the Sale Process.

- a) The Proposal Trustee shall cause notice of the Sale Process to be published in The Globe and Mail (National Edition) within ten (10) days following the date of the Order.
- b) The Proposal Trustee will retain a Listing Agent, who will work with and assist the Proposal Trustee with the marketing and solicitation of offers for the Duncan Mill Property.
- c) As soon as possible after the issuance of the Order approving the Sales Process, the Proposal Trustee, in consultation with the Listing Agent will distribute to Interested Parties an interest solicitation letter which will provide an overview of this opportunity

and 148's business and assets. A form of confidentiality agreement ("CA") will be attached to the interest solicitation letter that Interested Parties will be required to sign in order to gain access to confidential information and to commence performing due diligence (each Interested Party who signs a CA being referred to herein as a "Prospective Offeror").

- d) The Proposal Trustee will provide to each Prospective Offeror (i) a confidential information memorandum, (ii) access to an electronic data room (which will include certain financial and other information with respect to 148, and (iii) a proposed form of agreement of purchase and sale (the "Trustee APS"). The Proposal Trustee or Listing Agent will also facilitate diligence by Prospective Offerors, including arranging site visits, as the Proposal Trustee and Listing Agent determines to be appropriate.
- e) The deadline for submission of offers will be 5:00pm on January 15, 2018. In order to be a "Qualified Offer", the offer must be submitted by 5:00pm January 15, 2018 and comply with the other requirements set out in the Sales Process. Qualified Offers will need to be accompanied by a cash deposit equal to 10% of the consideration in the offer.
- f) If more than one Qualified Offers are received by the deadline, the Proposal Trustee will conduct an auction amongst the Qualified Offerors in order to determine one successful offer.
- g) Any transaction resulting from the Sales Process will be subject to the approval of this Court.
- h) If at any time during the Sales Process it becomes evident to the Proposal Trustee that no Qualified Offers will be received, the Proposal Trustee may terminate the Sale Process.

20. A chart summarizing material deadlines for the Sales Process is set out below:

Sale Solicitation Process	Date
Court Approval of Sale Process	Date of Approval ("Sale Process Approval Date")
Begin Marketing to Interested Parties	Immediately following the Sale Process Approval Date
Complete Delivery of Sale Solicitation Materials and Listings	November 30, 2017
Deadline for Submissions of Offers	January 15, 2018
Auction (if necessary)	January 19, 2018
Selection of Offer	January 19, 2018
Execution of Binding Agreement	January 31, 2018
Court Approval of Binding Agreement and Granting of Vesting Order	February 15, 2018
Closing	As soon as practicable following Court approval of the binding agreement; and in any event no later than February 28, 2018

21. The Proposal Trustee shall apply to the Court for an order approving the Successful Offer and authorizing the Debtor to enter into any and all definitive transaction documentation with respect to the Successful Offer (a) and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Offer.

22. The Proposal Trustee respectfully recommends that the Court approve the Sale Process for the following reasons, among others:

- a) In the view of the Proposal Trustee, the Sale Process provides an appropriate mechanism to expose the Debtor's business and assets to the market for a reasonable period of time;
- b) The Sales Process provides the Proposal Trustee and Listing Agent with an opportunity to solicit offers that meet the Debtor's goals and the Proposal Trustee does not believe that there is a better viable alternative than a sale of the Debtor's business and assets;

- c) The sale of the Debtor's business and assets will benefit all creditors (secured and unsecured);
- d) The Proposal Trustee understands that none of the Debtor's creditors have a *bona fide* reason to object to the marketing of the Debtor's business and assets, in particular given that any sale will be subject to Court approval.

DIP FINANCING

- 23. 148 has been operating at a deficit. As of October 25, 2017 the Debtor has approximately \$19,000 of cash on hand. 148 expenditures result in a cash burn to March 31 2018 of approximately \$500,000, including debt service amounts but not including the costs of these proceedings.
- 24. Attached hereto as Appendix "F" is a copy of the projected cash flow prepared by the Debtor for the time period commencing October 2017 and ending March 31, 2018 (the "Cash Flow").
- 25. To address the short term liquidity crisis facing 148, Mr. Checroune, in his capacity as the DIP Lender, has agreed to provide interim funding for 148 (the "DIP Loan") by way of an Interim Financing Facility Terms and Conditions Term Sheet (the "DIP Term Sheet").
- 26. Certain of the key terms of the DIP Term Sheet are summarized below:
 - a) Commitment Amount: Senior secured priority interim financing facility of up to CDN \$750,000. (subordinate to the existing 1st and 2nd mortgages and subordinate to the Administration charge)
 - b) Interest Rate: All borrowings shall bear interest at a rate no greater 13% (the current rate charged under the 1st mortgage).
 - c) Security and Priority: The obligations of the borrowers under the DIP Term Sheet are to be subject to a court-ordered priority charge on all of the existing and after-acquired

real and personal, tangible and intangible assets of 148 but subordinate to the existing 1st and 2nd mortgages and the Administration Charge.

- d) Conditions to Availability: The obligation of the DIP Lender to make the Interim financing available to 148 is subject to and conditional upon, among other things, the granting of the Order approving the DIP Facility and the DIP Lender's Charge.

27. The Proposal Trustee has considered the factors set out in Section 50.6(5) of the BIA with respect to granting of a Court order for interim financing and a charge related thereto. The Proposal Trustee believes that the terms of the DIP Facility are reasonable for, *inter alia*, the following reasons:

- a) The DIP Facility enhances the prospect of the Debtors successfully completing their restructuring;
- b) The Debtor is facing a liquidity crisis and the proposed DIP Financing will assist the Company with its operating expenses and the costs related to the Duncan Mill Property. It will also ensure that there is sufficient flexibility in 148's cash flow going forward.
- c) The Proposal Trustee is not aware of any creditor who would be materially prejudiced by the approval of the DIP Facility and the DIP Lender's Charge;
- d) The terms of the DIP Facility appear to be reasonable in the circumstances and are more favourable to the Debtors than debtor-in possession financing facilities in other similar proceedings; and
- e) The rate of interest appears to be reasonable in the circumstances given the risk inherent in these proceedings.

ADMINISTRATION CHARGE

28. The Debtors are seeking an Administration Charge over the assets, undertakings and property of 148 which would have priority over all claims against the Debtor including the DIP Charge and only subordinate to the existing 1st and 2nd mortgages. The beneficiaries of the Administration Charge would be the Proposal Trustee, the Proposal Trustee's legal counsel, and the Debtor's legal counsel, Blaney McMurtry LLP.
29. An Administration Charge is common in restructuring proceedings and is, in the Proposal Trustee's view, appropriate in the present case given the Debtor's lack of liquidity. The professionals involved in these proceedings require the benefit of a Court-ordered priority charge on the Debtor's business and assets (subordinate only to the existing 1st and 2nd mortgages) to secure payment of their fees and expenses.
30. The Administration Charge is supported by the DIP Lender. Since the DIP Lender's Charge and the Administration Charge will be subordinate to the security of the existing 1st and 2nd mortgagees and both mortgages will be kept current during the proposal proceeding, there does not appear to be any material prejudice as a result of the requested charges.
31. In addition, as set out in the cash flow, it is intended that the payment of professional fees incurred in the proposal proceeding will be deferred until there are proceeds from the sale of the Duncan Mill Property.

EXTENSION OF THE TIME TO MAKE A PROPOSAL

32. The initial 30-day stay period granted upon the filing of the NOI expires on November 12, 2017.
33. As detailed above, subject to the approval of the Court, the Proposal Trustee will commence a Sale Process for marketing of the Debtor's assets. The proposed offer deadline under the Sale Process will be set for January 15, 2018.

34. The Cash Flow includes monthly cash flow projections of the Debtor for the period of time from October 2017 to March 31, 2018, which includes the initial 30-day stay period and the extension of the stay period requested by the Debtor. The Proposal Trustee notes that in the month of November, the Debtor is projected to be in a cash flow deficit position with the deficit continually increasing without the availability of the DIP Loan. If the DIP Loan is approved, the Debtor is projected to remain cash flow positive until the Sale Process has been completed.
35. The Debtor and the Proposal Trustee will require a further extension to commence and carry out the Sale Process, and the Debtor has therefore asked for the maximum extension to December 27, 2017. If this Court approves the DIP Facility and the DIP Charge, the Cash Flow demonstrates that the Debtor will have sufficient funds to continue to operate and finance the Sale Process during the extension period.
36. In the event an extension is not granted and the Debtor is deemed bankrupt, the Debtor will not be able to complete its restructuring and formulate a proposal to the likely detriment of all of its stakeholders.
37. The Proposal Trustee is satisfied that the Debtor has acted and continues to act in good faith and with due diligence in these proceedings to date and, if the extension sought is granted, this will allow the Debtor to commence and carry out the Sales Process.
38. Until such time as the Sales Process is completed, the Proposal Trustee will be retaining an independent third party property management company to manage the Duncan Mill Property.

RECOMMENDATIONS

39. Based on the foregoing, the Proposal Trustee respectfully recommends that this Court make an order granting the relief detailed at paragraph 3 of this First Report.

All of which is respectfully submitted this 27th day of October, 2017.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal for
1482241 Ontario Limited

A handwritten signature in black ink, appearing to read "CROWE SOBERMAN INC." followed by a date.

APPENDIX

‘B’

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL IN BANKRUPTCY OF
1482241 ONTARIO LIMITED
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

SUPPLEMENTAL REPORT TO THE FIRST REPORT OF THE
PROPOSAL TRUSTEE
NOVEMBER 2, 2017

INTRODUCTION

1. This report (the “**Supplemental Report**”) is filed by Crowe Soberman Inc. in its capacity as the Proposal Trustee for the Company. Unless otherwise noted, the defined terms used in this Supplemental Report have the same meaning provided to them as in the First Report of the Proposal Trustee to Court dated October 27, 2017.

PURPOSE

2. On October 27, 2017 the Proposal Trustee filed its First Report with the Court. The purposes of the First Report were to:
 - a) Summarize and support the Sales Process;
 - b) Report on the Debtor’s cash flow projection for the period commencing October 19, 2017 and ending March 31, 2018 and the Debtor’s need for a debtor in possession facility between the Debtor and DIP Lender up to the principal amount of \$750,000 (the “**DIP Facility**”);
 - c) Support the request for a charge to secure the fees and disbursements of the Proposal Trustee, counsel for the Proposal Trustee, and the Debtor’s counsel, Blaney McMurtry LLP (the “**Administration Charge**”); and

- d) Support the Debtor's request for an extension of the time period to file a Proposal with the Official Receiver.

PROPERTY MANAGER

- 3. As reported in the First Report, the Proposal Trustee has had discussions with other property management firms. The Proposal Trustee has also requested proposals from these property management firms to oversee and manage the day to day property issues including collections of rents from tenants and the accounting and reporting directly to the Proposal Trustee.
- 4. A copy of a draft management agreement provided to the Proposal Trustee by Avison Young Real Estate Management Services Ontario Inc. ("Avison Young") is attached hereto as **Appendix "A"**.
- 5. The Proposal Trustee, in consultation with the First Mortgagees will engage either Avison Young or an alternative firm to manage the Duncan Mill Property shortly.

TENANT CONCERNS WITH EXISTING BUILDING MANAGEMENT

- 6. Following the filing of the First Report with this Court, the Proposal Trustee was contacted by one tenant who expressed a number of concerns with existing building management as it related to management of the building, and safety issues.
- 7. The Proposal Trustee from its discussion with this tenant and the Debtor understands that the dispute regarding the management of the building relates to the last 7-8 years. The Proposal Trustee has been advised by the Debtor that all safety issues have been adequately resolved. The Proposal Trustee is currently reviewing building operations and records to verify that all identified safety issues have been fully resolved and will report further on this matter.

8. The Debtor has advised the Proposal Trustee that the tenant owes significant arrears of rent while the tenant has advised the Proposal Trustee that the Debtor has “overbilled” it for November 2017 rent.
9. The Proposal Trustee intends to meet with the tenant to confirm that its concerns regarding safety have been resolved and to attempt to understand the dispute regarding rent arrears.

VALUATION OF 240 DUNCAN MILL

10. As of the date of this Supplemental Report, an appraisal report has not yet been completed. The Proposal Trustee will engage a qualified appraiser to provide it with a formal appraisal on the Duncan Mill Property.
11. The Proposal Trustee has obtained a letter of opinion from Harvey Kalles Real Estate Ltd. A copy of the letter of opinion dated November 1, 2017 is attached hereto as **Confidential Appendix “A”**. While the letter of opinion provides a suggested listing price for the Duncan Mill Property this gives some guidance as to potential value.
12. The Proposal Trustee also notes that the Duncan Mill Property was purchased by 148 for \$15,300,000 in 2001.

ORDER OF JUSTICE WHITAKER – OCTOBER 24, 2014

13. As indicated in the Checroune Affidavit, 148 has been involved in litigation since June 2014 with Jamshid Hussaini, Neelofar Ahmadi and Homelife Dreams Realty Inc. (“Hussaini Group”).
14. Hussaini Group commenced an action against 148 and its principal, Alain Checroune, seeking a declaration that they own 20% of the shares of 148 Ontario and a 20% interest in the Duncan Mill Property, and an order allowing the plaintiffs to purchase the remaining shares of 148 and the remaining interest in the Duncan Mill Property. 148 and

Alain Checroune counterclaimed for damages, resulting from the breach of a lease at the Duncan Mill Property by the Hussaini Group.

15. The Hussaini Group obtained a certificate of pending litigation (“CPL”) on the Duncan Mill Property in 2014 along with an injunction order of the Order Superior Court. A copy of the Order of Justice Whitaker dated October 24, 2014 (“**Injunction Order**”) is attached hereto as **Appendix “B”**. The Proposal Trustee was not aware of and did not have a copy of the Injunction Order at the time it filed its First Report with this Court but wishes to bring the Injunction Order to the attention of the Court. The Injunction Order restrains the sale of the Duncan Mill Property by 148 without the consent of the Hussaini Group or further Order of this Court.
16. The Proposal Trustee has not at this time had an opportunity to review the full pleadings and all orders from the Hussaini Group litigation.

TORGAN PROPERTIES LTD.

17. Legal counsel for the Proposal Trustee was contacted by counsel for Torgan Properties Ltd. (“**Torgan**”) on October 31, 2017 following the filing of the First Report. Torgan has notified the Proposal Trustee that they are a party to an Agreement of Purchase Sale (“**APS**”) dated August 24, 2017 with 148 for the sale of the Duncan Mill Property.
18. The Proposal Trustee first became aware of the purported APS with Torgan from this October 31, 2017 letter. Counsel for 148 has advised the Proposal Trustee that the APS was not completed and aborted prior to the NOI filing.
19. Torgan further advised that closing of the transaction with 148 was contemplated to occur on March 30, 2018. A copy of the October 31, 2017 letter from Mr. Stuart Brotman to Mr. Steven Graff is attached hereto as **Appendix “C”**.

20. Counsel for the Proposal Trustee has provided Torgan a copy of the Debtor's motion record and the Trustee's First Report.

DIP FINANCING

21. As noted in the First Report, 148 has been operating at a deficit.

22. As noted in the First Report, Alain Checroune personally or through a company under his control, has agreed to provide interim funding (the "DIP Loan") to 148 by way of an Interim Financing Facility Terms and Conditions Term Sheet (the "DIP Term Sheet").

23. The Proposal Trustee has now received an executed copy of the DIP Term Sheet from Caruda Holdings Ltd. ("DIP Lender"). A copy of the DIP Term Sheet is attached hereto as Appendix "D".

24. The terms differ slightly from those initially proposed by the DIP Lender and reported at paragraph 26 of the First Report.

25. Certain of the key terms of the DIP Term Sheet are summarized below:

- a) Commitment Amount: Senior secured priority interim financing facility of up to CDN \$750,000 (subordinate to the property taxes, existing 1st and 2nd mortgages, and subordinate to the Administration charge).
- b) Lender Fee: \$25,000 payable as follows a) \$15,000 on the date of the first amount drawn under the DIP Loan and b) \$10,000 on the date of repayment of the DIP Loan.
- c) Holdback: \$50,000 of the DIP Loan to be held back to establish Interest Reserve.
- d) Interest Rate: 8 % per annum compounded monthly
- e) Security and Priority: The obligation of the borrowers under the DIP Term Sheet are to be subject to a court-ordered priority charge on all of the existing and after-acquired real and personal, tangible and intangible assets of 148 but subordinate to the property taxes, existing 1st and 2nd mortgages, and the Administration Charge.
- f) Conditions to Availability: The obligation of the DIP Lender to make Interim financing available to 148 is subject to and conditional upon, among other things, the

granting of the Order approving the DIP Facility, DIP Lender's Charge, and approval of a sales process.

REALTY TAX ARREARS

26. As reported in the First Report, the Debtor owes \$1,441,179.66 in property tax arrears to the City of Toronto. In addition to penalties, the interest rate on the property tax arrears is 1.25% per month.
27. Legal counsel for the 1st Mortgagee has advised the Debtor and the Proposal Trustee that it would be prepared to pay off the property tax arrears in full in order to stop the accrual of the property tax interest and penalties.
28. The 1st Mortgagee would provide these funds through a separate court-approved Interim Financing and charge. The Debtor and the Proposal Trustee intend to bring a separate motion for court approval once it has negotiated the terms including the interest rate and fee with the 1st Mortgagee.

EXTENSION OF TIME TO MAKE A PROPOSAL

29. The initial 30-day stay period granted upon the filing of the NOI expires on November 12, 2017. The Debtor and the Proposal Trustee in its First Report at paragraph 35 was seeking the maximum extension to December 27, 2017.
30. Following discussions with the First Mortgagee, the Debtor and the Proposal Trustee are now seeking an extension until December 22, 2017. The Debtor and the Proposal Trustee will seek a further extension prior to December 22, 2017.

All of which is respectfully submitted this 2nd day of November, 2017.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal for
1482241 Ontario Limited

APPENDIX

‘C’

Court File No. 31-2303814
Estate File No. 31-2303814

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

THE HONOURABLE)	FRIDAY, THE 3 RD DAY
)	
MR. JUSTICE HAINY)	OF NOVEMBER, 2017

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE PROPOSAL OF 1482241 ONTARIO LIMITED, OF THE
CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

ORDER

THIS MOTION made by 1482241 Ontario Limited (“**Debtor**”) for an Order *inter alia*:
(a) granting a charge in respect of the fees and expenses of counsel to the Debtor, Crowe Soberman Inc. in its capacity as Licensed Insolvency Trustee with respect to the Debtor (in this capacity, “**Proposal Trustee**”), and Proposal Trustee’s counsel; (b) approving a sale solicitation process (“**Sale Process**”) with respect to the assets and business of the Debtor; (c) approving the interim financing of the Debtor and the DIP Term Sheet (defined below) and granting the DIP Lender’s Charge (as defined below); and (d) extending the time within which a Proposal must be filed to and including December 27, 2017, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Alain Checroune, sworn October 26, 2017, the First Report of the Proposal Trustee, dated October 27, 2017 (“**First Report**”), the Supplemental Report of the Proposal Trustee, dated November 2, 2017, and on hearing the submissions of

counsel for the Debtor and counsel for the Proposal Trustee, and those other parties present, no one appearing for any other person on the service list, although duly served as appears of the affidavit of service of Alexandra Teodorescu, filed.

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that counsel to the Debtor, the Proposal Trustee and counsel to the Proposal Trustee (“Administrative Parties”) shall be entitled to the benefit of and are hereby granted a charge (the “Administration Charge”) on all property, assets and undertakings of the Debtor (“Property”), as security for the fees and disbursements of the Administrative Parties, incurred at their standard rates and charges and on the terms set forth in their respective engagement letters, both before and after the making of this Order.

DIP FINANCING

3. **THIS COURT ORDERS** that the Debtor is hereby authorized and empowered to obtain and borrow under a credit facility pursuant to the Debtor-in-Possession Term Sheet (“DIP Term Sheet”) between the Debtor and the lender (“DIP Lender”) in the form attached hereto as Schedule “A”, provided that the borrowings by the Debtor under the DIP Term Sheet shall not exceed \$750,000 unless permitted by further Order of this Court.

4. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (“**DIP Lender’s Charge**”) on the Property as security for any and all obligations, including on account of principal, interest, fees, expenses and other liabilities, under the DIP Term Sheet (“**DIP Obligations**”), which DIP Lender’s Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the DIP Term Sheet.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

5. **THIS COURT ORDERS** that the priorities of the Administration Charge and the DIP Lender’s Charge (collectively, the “**Charges**”), as among them, shall be as follows:

First - the Administration Charge; and

Second - the DIP Lender’s Charge

6. **THIS COURT ORDERS** that the filing, registration or perfection of 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.

7. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise, except will not rank in priority to any lien for unpaid realty taxes in connection with the Property and will also not rank in priority to the following two charges (provided that the charges are otherwise valid and enforceable):

- (a) A first charge granted by the Debtor in favour of Computershare Trust Company of Canada in the amount of \$11,250,000, and registered on title to the Property on September 29, 2005 as Instrument No. AT935525, which was subsequently transferred to Dan Realty Limited, E. Manson Investments Limited and Copperstone Investments Limited (collectively, the "First Mortgagees") on June 2, 2016, and registered as Instrument No. AT4236037; and
- (b) A second in position charge granted by the Debtor in favour of Janodee Investments Ltd. and Meadowshire Investments Ltd. (collectively, the "Second Mortgagees") in the amount of \$1,420,000, registered on September 21, 2016 as Instrument No. AT4349221.

APPROVAL OF SALE PROCESS

GH 8. **THIS COURT ORDERS** that the Sale Process, as described in Appendix "E" to the ~~the 15 Order~~ First Report, be and is hereby approved.

9. **THIS COURT ORDERS** that the Proposal Trustee be and is hereby authorized and directed to perform its obligations under and in accordance with the Sale Process, and to take such further steps as it considers necessary or desirable in carrying out the Sale Process.

10. **THIS COURT ORDERS** that, in accordance with its obligations under the Sale Process, the Proposal Trustee is hereby empowered and authorized, but not obligated, to do any of the following where the Proposal Trustee considers it necessary or desirable:

- (a) to engage, in consultation with the First Mortgagees, consultants, managers, property managers, real estate agents, brokers, listing agents, counsel and such

other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Proposal Trustee's powers and duties conferred by this Order;

- (b) in accordance with the Sale Process, to market any and all of the Property, including advertising and soliciting offers in respect of the Property, and negotiating such terms and conditions of sale as the Proposal Trustee in its discretion may deem appropriate;
- (c) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business with the approval of this Court and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* or section 31 of the Ontario *Mortgages Act*, as the case may be is hereby waived;
- (d) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property and vesting same in the proceeds; and
- (e) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations

and in each case where the Proposal Trustee takes such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of any other individual, firm, corporation, governmental body or agency or any other entity (each being a "Person") including the Debtor,

and without interference from any other Person. For clarity, the Proposal Trustee will have unfettered discretion in connection with the Sale Process, and will not be influenced by or obligated to follow the instructions or directions, if any, of any of the Debtor, Alain Checroun, and/or any related party.

11. **THIS COURT ORDERS** that the Proposal Trustee 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 the Sale Process, except to the extent such losses, claims, damages or liabilities result from gross negligence or willful misconduct on the Proposal Trustee in performing its obligations under the Sale Process.

12. **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 Proposal Trustee is 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 Proposal Trustee, 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 of the 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 Debtor, and shall return all other personal information to the Proposal Trustee, as applicable, or ensure that all other personal information is destroyed.

EXTENSION OF TIME TO FILE PROPOSAL

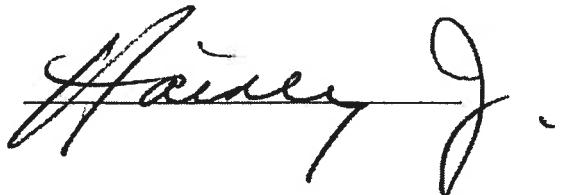
13. **THIS COURT ORDERS** that the time in which the Debtor is required to file a proposal is hereby extended to and including December 22, 2017.

GENERAL

14. **THIS COURT ORDERS** that the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

15. **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 Debtor, the Proposal Trustee 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 Debtor and the Proposal Trustee as may be necessary or desirable to give effect to this Order, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

16. **THIS COURT ORDERS** that Confidential Appendix A to the Supplemental Report of the Proposal Trustee, dated November 2, 2017, be and is hereby sealed until further Order of this Court.

A handwritten signature in black ink, appearing to read "Hainey J.", is positioned at the bottom right of the page. The signature is fluid and cursive, with a horizontal line through the "J" at the end.

APPENDIX "A"

CARUDA
- HOLDINGS -

SINGAPORE
HONG KONG
CANADA

November 1, 2017

To: 1482241 Ontario Limited

240 Duncan Mills Road,
Toronto, Canada M3B-3S6

Attention: Mr. Alain Checroune

Dear Mr. Checroune, Alain:

**Re:Debtor in Possession funding of the Proposal of 1482241 Ontario Limited
["148"] in the amount of up to \$750,000 (the "Loan")**

We are advised that 148 has filed for protection from its creditors by filing a notice of intention to make a proposal in accordance with the Bankruptcy and Insolvency Act (the "NOI Process") Caruda Holdings Ltd. ("Lender") is prepared to advance funds up to the amount of \$750,000 to 148 by way of a court-approved Debtor on Possession loan, provided that the funds advanced are secured by a court-ordered charge as set out in the draft order attached hereto as Appendix "A", which loan shall in any event be in priority to all entities other than the First and Second Mortgagees and amount owing for Property Taxes as set out therein, and subject to the other terms set out herein.

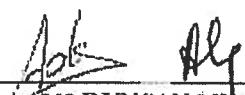
The terms of the loan are as follows:

Amount and Nature

and Purpose

of Loan:

Up to \$750,000 to be advanced to 148 in the increments set out on the Cash Flow attached as Appendix "B" or in such larger or other amounts as 148 requests and Crowe Soberman Inc. in its capacity as proposal trustee of 148 (the "Proposal Trustee") approves, up to the maximum amount of the Loan, provided that in no event will any single advance in any month be greater than \$100,000 without the lenders express consent, which may be withheld. The funds may be used to pay outstanding interest owed to the First and Second Mortgagees.



240 DUNCAN MILL ROAD, SUITE 800, NORTH YORK, ONTARIO, CANADA M3B-3S6

First Right to Further Loans

In the event that during the NOI Process 148 requires further funds in order to operate or should it elect to repay any of its other obligations, the Lender shall be given the first opportunity to provide that loan, on terms substantially similar to the terms set out herein, although the Lender is not obliged to do so. 148 will provide the Lender with written notice of its request for further funding and the purpose for such funds and the Lender shall have 5 business days to agree to make said loan.

Security and Draws:

Funds to be advanced as requested in writing by 148 by way of cheque or wire transfer into 148 accounts. All advances will be made with notice to the Proposal Trustee. The Loan and all other amounts due to the lender hereunder will be secured by a court-ordered charge in the form set out in the Order attached as Appendix A

Holdback:

\$50,000 of the Loan to be held back to establish the interest reserve (the "Interest Reserve") for interest due hereunder and for the costs of the Lender.

Interest and Payment:

8% per annum compounded monthly, not in advance, payable monthly from the interest reserve to the extent that funds are available therefrom. The Loan is repayable on Demand, and 148 hereby consents to the lifting of the stay in its NOI Process, if required, in order to allow the loan and security to be enforced. The loan shall be immediately due and payable upon the bankruptcy of 148. The Loan and all amounts due hereunder shall not be compromised in any proposal of 148 and the Lender shall be treated as an unaffected creditor in these proceedings.

Amortization:

Interest only.



Term: Commencing on the execution of this agreement and expiring on April 30th, 2018

Privileges: Open to early pre-payment in full at any time, provided, however, that if pre-payment occurs before the three month anniversary of the initial advance, the Lender shall still be entitled to interest in respect of that three month period.

Prior Encumbrances: The Administration Charge, and the amounts owing in respect of Property Taxes, and the amounts properly due and owing and validly secured in favour of the First and Second Mortgagees

Lender Fee: \$25,000 payable (a) as to \$15,000 on the date the first amount is drawn under the Loan by 148 and (b) as to the balance of \$10,000, on the date that the Lender is repaid hereunder.

Brokerage Fee: None

Further Condition: It is understood that an Order approving this Loan, approving the Administration Charge, ordering a sale process and extending 148's NOI process is being sought on November 3rd. This Loan and the Lender's obligation hereunder is conditional upon the order being granted authorizing the Loan and granting the charge described hereof so that the Loan is in priority to all interests other than the Prior Encumbrances on November 3rd, 2017 and on a sale process being ordered by the court in respect of which a sale agreement will be entered into no later than January 30, 2017.

Assignment:

The Lender shall be entitled to assign this Agreement and the Loan to any other person.

Legal Fees:

The reasonable and documented legal fees, disbursements and HST incurred by the Lender in connection therewith, including without limitation in respect of any enforcement of its rights hereunder, shall be secured by the Order.

The foregoing constitutes a formal offer to provide financing. Nothing in this loan agreement shall prevent the Lender from bidding on or funding an entity bidding on the assets of 148 in the proposed sale process or otherwise.

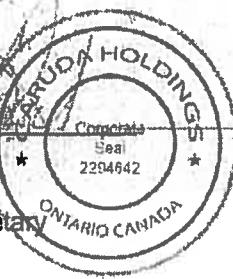
Yours truly,

CARUDA HOLDINGS LTD.

Per: _____

Andy Degan

Chief Financial Officer, Secretary
Member of the Board
Shareholder

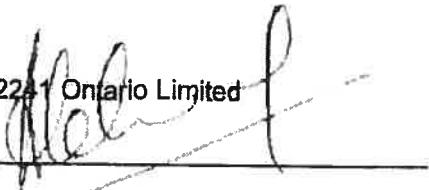


CARUDA
- HOLDINGS -

SINGAPORE
HONG KONG
CANADA

The foregoing is agreed to by the undersigned

1482241 Ontario Limited

Per: 

Name: Alain Checroune

Title: President


240 DUNCAN MILL ROAD, SUITE 800, NORTH YORK, ONTARIO, CANADA M3B-3S6

APPENDIX "A"

Court File No. 31-2303814
Estate File No. 31-2303814

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE) FRIDAY, THE 3RD DAY
)
) OF NOVEMBER, 2017

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE PROPOSAL OF 1482241 ONTARIO LIMITED, OF THE
CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**CROWE SOBERMAN INC., in its capacity as
Licensed Insolvency Trustee of 1482241 Ontario Limited**

ORDER

THIS MOTION made by 1482241 Ontario Limited ("Debtor") for an Order *inter alia*:

(a) granting a charge in respect of the fees and expenses of counsel to the Debtor, Crowe Soberman Inc. in its capacity as Licensed Insolvency Trustee with respect to the Debtor (in this capacity, "Proposal Trustee"), and Proposal Trustee's counsel; (b) approving a sale solicitation process ("Sale Process") with respect to the assets and business of the Debtor; (c) approving the interim financing of the Debtor and the Debtor in Possession Term Sheet (defined below) and granting the DIP Lender's Charge (as defined below); and extending the time within which a Proposal must be filed to and including December 27, 2017, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Alain Checroune, sworn October 26, 2017, the First Report of the Proposal Trustee, dated October 27, 2017 (“First Report”), the Supplemental Report of the Proposal Trustee, dated ●, 2017, and on hearing the submissions of counsel for the Debtor and counsel for the Proposal Trustee, and those other parties present, no one appearing for any other person on the service list, although duly served as appears of the affidavit of service of Alexandra Teodorescu, filed.

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that counsel to the Debtor, the Proposal Trustee and counsel to the Proposal Trustee (“Administrative Parties”) shall be entitled to the benefit of and are hereby granted a charge (the “Administration Charge”) on all property, assets and undertakings of the Debtor (“Property”), as security for the fees and disbursements of the Administrative Parties, incurred at their standard rates and charges and on the terms set forth in their respective engagement letters, both before and after the making of this Order.

DIP FINANCING

3. **THIS COURT ORDERS** that the Debtor is hereby authorized and empowered to obtain and borrow under a credit facility pursuant to the Debtor-in-Possession Term Sheet (“DIP Term Sheet”) between the Debtor and the lender (“DIP Lender”) in the form attached hereto as

Schedule "A", provided that the borrowings by the Debtor under the DIP Term Sheet shall not exceed \$750,000 unless permitted by further Order of this Court.

4. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge ("DIP Lender's Charge") on the Property as security for any and all obligations, including on account of principal, interest, fees, expenses and other liabilities, under the DIP Term Sheet ("DIP Obligations"), which DIP Lender's Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the DIP Term Sheet.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

5. **THIS COURT ORDERS** that the priorities of the Administration Charge and the DIP Lender's Charge (collectively, the "Charges"), as among them, shall be as follows:

First - the Administration Charge; and

Second - the DIP Lender's Charge

6. **THIS COURT ORDERS** that the filing, registration or perfection of 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.

7. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise, except will not

rank in priority to any lien for unpaid realty taxes in connection with the Property and will also not rank in priority to the following two charges (provided that the charges are otherwise valid and enforceable):

- (a) A first charge granted by the Debtor in favour of Computershare Trust Company of Canada in the amount of \$11,250,000, and registered on title to the Property on September 29, 2005 as Instrument No. AT935525, which was subsequently transferred to Dan Realty Limited, E. Manson Investments Limited and Copperstone Investments Limited (collectively, the “**First Mortgagees**”) on June 2, 2016, and registered as Instrument No. AT4236037; and
- (b) A second in position charge granted by the Debtor in favour of Janodee Investments Ltd. and Meadowshire Investments Ltd. in the amount of \$1,420,000, registered on September 21, 2016 as Instrument No. AT4349221.

APPROVAL OF SALE PROCESS

8. **THIS COURT ORDERS** that the Sale Process, as described in Appendix “E” to the First Report, be and is hereby approved.

9. **THIS COURT ORDERS** that the Proposal Trustee be and is hereby authorized and directed to perform its obligations under and in accordance with the Sale Process, and to take such further steps as it considers necessary or desirable in carrying out the Sale Process.

10. **THIS COURT ORDERS** that, in accordance with its obligations under the Sales Process, the Proposal Trustee is hereby empowered and authorized, but not obligated, to do any of the following where the Proposal Trustee considers it necessary or desirable:

- (a) to engage, in consultation with the First Mortgagees, consultants, managers, property managers, real estate agents, brokers, listing agents, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Proposal Trustee's powers and duties conferred by this Order;
- (b) in accordance with the Sale Process, to market any and all of the Property, including advertising and soliciting offers in respect of the Property, and negotiating such terms and conditions of sale as the Proposal Trustee in its discretion may deem appropriate;
- (c) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business with the approval of this Court and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* or section 31 of the Ontario *Mortgages Act*, as the case may be is hereby waived;
- (d) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property and vesting same in the proceeds; and
- (e) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations

and in each case where the Proposal Trustee takes such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of any other individual, firm, corporation, governmental body or agency or any other entity (each being a “Person”) including the Debtor, and without interference from any other Person.

11. **THIS COURT ORDERS** that the Proposal Trustee 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 the Sale Process, except to the extent such losses, claims, damages or liabilities result from gross negligence or willful misconduct on the Proposal Trustee in performing its obligations under the Sale Process.

12. **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 Proposal Trustee is 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 Proposal Trustee, 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 of the 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 Debtor, and shall return all other personal information to the Proposal Trustee, as applicable, or ensure that all other personal information is destroyed.

EXTENSION OF TIME TO FILE PROPOSAL

13. **THIS COURT ORDERS** that the time in which the Debtor is required to file a proposal is hereby extended to and including December 22, 2017.

GENERAL

14. **THIS COURT ORDERS** that the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

15. **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 Debtor, the Proposal Trustee 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 Debtor and the Proposal Trustee as may be necessary or desirable to give effect to this Order, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

APPENDIX "B"

In the matter of the Proposal of 1482241 Ontario Limited ("148")
Statement of Projected Cash Flow for the Period October 2017 to March 2018

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Total
CASH INFLOWS							
Rental Income	\$85,213	\$65,213	\$85,213	\$65,213	\$65,213	\$65,213	\$391,280
Parking	\$20,195	\$20,195	\$20,195	\$20,195	\$20,195	\$20,195	\$121,170
Tenant Recoveries	\$79,703	\$78,703	\$79,703	\$79,703	\$79,703	\$79,703	\$478,221
Sale of Building (NOTE 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Court Approved Interim Financing / DIP Loan	\$0	\$84,000	\$81,000	\$87,000	\$87,000	\$185,000	\$535,000
TOTAL INCOME	\$160,112	\$140,112	\$260,112	\$260,112	\$260,112	\$260,112	\$1,330,337
CASH OUTFLOWS							
Snow Removal	\$0	\$0	\$2,889	\$2,889	\$2,889	\$2,889	\$11,556
Insurance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Utilities (Electricity, Gas, Water)	\$27,891	\$58,891	\$59,891	\$59,891	\$59,891	\$59,891	\$327,345
Cleaning/Janitorial	\$11,061	\$11,061	\$11,061	\$11,061	\$11,061	\$11,061	\$88,386
Repairs & Maintenance	\$34,788	\$34,788	\$34,788	\$34,788	\$34,788	\$34,788	\$208,608
Property Management Fees	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$83,000
Office Administration	\$2,845	\$2,845	\$2,845	\$2,845	\$2,845	\$2,845	\$17,072
HST Remittance	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$90,000
Payroll Expenses	\$21,828	\$21,828	\$21,828	\$21,828	\$21,828	\$21,828	\$129,768
Professional Fees - Legal (NOTE 2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Professional Fees - Proposal/Trustee (NOTE 2)	\$6,000	\$0	\$0	\$0	\$0	\$0	\$6,000
Professional Fees - Accounting/Consulting	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$54,000
Vehicle expenses	\$1,873	\$1,873	\$1,873	\$1,873	\$1,873	\$1,873	\$11,238
TOTAL EXPENSES	\$138,648	\$168,549	\$188,455	\$188,455	\$188,455	\$188,455	\$1,081,287
NET CASH	\$21,464	\$-28,430	\$-20,000	\$-20,000	\$-20,000	\$-20,000	\$444,050
Repayment of 1st Mortgage	\$0	\$88,750	\$88,750	\$88,750	\$88,750	\$88,750	\$88,750
Repayment of 2nd Mortgage	\$0	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$75,830
NET CASH	\$0	\$-73,937	\$-73,863	\$-73,863	\$-73,863	\$-73,863	\$94,900
	\$26,648	\$24,175	\$26,914	\$26,654	\$24,304	\$24,304	

1482241 Ontario Limited - Proposal to Creditors
Statement of Projected Cash Flow

The following ASSUMPTIONS form part of this Statement of Projected Cash flow.

ASSUMPTIONS

Rental Income

Collections of rental income is assumed to be consistent with previous periods based on a 52% occupancy rate / 47% vacancy rate.
 The occupancy rate is unlikely to improve significantly in the short term.

Payroll

Has been reduced for cost savings.

Payables

Listed on a COD basis

Sale of Building (NOTE 1)

148's restructuring and proposal will be based on the sale and marketing of real property located 240 Duncan Mill Road, Toronto, Ontario. It is forecasted that a sales process and marketing will run for approximately 45-60 days with a closing scheduled for January or February 2018.

Professional Fees (NOTE 2)

In order to conserve cash through the restructuring, Professional Fees of the Proposal Trustee and legal counsel for 148 will accrue to be paid upon the sale of the building.

CERTIFICATION

THE PURPOSE of this Statement of Projected Cash flow is to provide creditors with sufficient information to make an informed decision regarding the Proposal, and to fully disclose to the Trustee and the Official Receiver, the state of 1482241 Ontario Limited financial affairs. This Statement of Projected Cash flow is prepared pursuant to the requirements of sections 50.4(2)(a) and 50(1)(a) of the Bankruptcy and Insolvency Act and solely for that purpose.

Dated this 18th day of October 2017
 1482241 Ontario Limited


 Par Alain Gauthier
 Dated this 18th day of October 2017.
 CROWE SOBERMAN INC.
 Licensed Insolvency Trustee Acting in re: Proposal of 1482241 Ontario Limited


 Per Hans Rehm, CPA, CA, CIRP, LIT



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of Canada

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du Canada

Update filing - update is confirmed

Welcome **Hans Rizarri** | [Preferences](#) | [E-Filing helpdesk](#) | [Instructions](#) | [Logout](#)

Estate Information

Please Note: The following estate(s) were updated:

- **Estate Number:** 31-2303814
- **Estate Name:** 1482241 ONTARIO LIMITED

Document(s) submitted

The following document(s) have been successfully submitted

- Form 30: Report on Cash-flow Statement by the Person Making the Proposal
- Form 29: Trustee's Report on Cash-flow Statement

Reference

- The Reference Number for this transaction is: **13744748**.
- Submitted by **Hans Rizarri**.
- 2017-10-23 13:53 EDT

[Submit another document for this estate.](#)

If you would like to submit a document against a different estate, please click on the Update link in the left hand side menu.

Date modified: 2017-07-28



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Update filing - update is confirmed

Welcome **Hans Rizarri** | [Preferences](#) | [E-Filing helpdesk](#) | [Instructions](#) | [Logout](#)

Estate Information

Please Note: The following estate(s) were updated:

- **Estate Number:** 31-2303814
- **Estate Name:** 1482241 ONTARIO LIMITED

Document(s) submitted

The following document(s) have been successfully submitted

- Cash Flow Statement

Reference

- The Reference Number for this transaction is: **13744756**.
- Submitted by **Hans Rizarri**.
- **2017-10-23 13:53 EDT**

Submit another document for this estate.

If you would like to submit a document against a different estate, please click on the Update link in the left hand side menu.

Date modified: 2017-07-28

Appendix "C"

APPENDIX A
1482241 ONTARIO LIMITED
SALES PROCESS – OCTOBER 26, 2017

	Event	Timing
1.	The Proposal Trustee will select and retain a Listing Agent to assist the Proposal Trustee with the marketing and solicitation of offers for the Property.	On or before November * 2018
2.	Compile a list of interested parties through consultation with the Debtor, the Listing Agent, and the Crowe Network of advisors and investors in real estate. <u>The list of interested parties shall be kept confidential from the Debtor, Alain Checroune, and/or any related party (collectively the "Debtor Parties"), unless and until the Debtor Parties declare their intention not to submit an Offer, as described in section 6 below.</u>	On or before November * 2018
3.	Send a teaser (the "Teaser") and confidentiality agreement ("CA") to all parties identified by Crowe as potentially having an interest in the business and assets (the "Property").	Immediately following the Sale Process Approval Date
4.	Information pertaining to this opportunity will be posted on the Proposal Trustee's website: www.crowesoberman.com/insolvency/engagements which will include: <ul style="list-style-type: none"> • An Invitation for Offers to purchase the Debtor's Property; • The Proposed Terms and Conditions of Sale, which is on an "as is, where is" basis with no representations or warranties; and • A CA from the Proposal Trustee. 	Within 10 business days of issuance of the Sale Process Approval Date
5.	The Proposal Trustee shall advertise the Property and Sales Process in <i>The Globe and Mail</i> (National Edition).	Within 10 business days of the Sale Process Approval Date but by no later than Nov 20, 2017
6.	<u>The Debtor Parties shall declare to the Proposal Trustee, in writing, whether they intend to make an Offer in the Sale Process. If the Debtor Parties advise the Proposal Trustee that they intend to make an Offer, then no further information regarding the Sale Process shall be provided to them, and they will be treated in the same manner as any other interested Party. If the Debtor Parties advise the Proposal Trustee that they do not intend to make an Offer, they shall thereafter be prohibited from doing so.</u>	<u>On or before December 15, 2017</u>
6.1	Interested Parties expressing an interest in participating in the Sale Process will be required to execute the CA, upon which Interested Parties will receive available information in respect of the Property and Sale Process, including access to an electronic data room, once established, which will also include a Confidential Information	Through to no later than January 15, 2018

	Memorandum ("CIM") setting out the investment and/or purchase opportunity. In addition parties wishing to undertake further due diligence will be provided with an opportunity to conduct site visits and review further additional information not available from the electronic data room.	
7.8.	Interested Parties will have until 5:00 pm Eastern Standard Time on Monday, January 15, 2018 (the "Bid Deadline") to submit a (binding) offer (hereinafter called "Offer"), which must include a cash deposit equal to 10% of the total purchase price for the Property subject to the Offer (the "Deposit"). The Deposit will be refunded in the event an Offer, as submitted, is not accepted by the Proposal Trustee.	On or before 5:00 PM (EST), January 15, 2018
8.9.	Offers are to be made using the Agreement of Purchase and Sale ("APS") template and are to be made without conditions, other than a condition for Court Approval. Offers shall remain open for acceptance by the Proposal Trustee until at least 5:00 pm Eastern Standard Time, Friday January 19, 2018.	On or prior to 5:00pm (EST) January 19, 2018
9.10.	<p>Following the Bid Deadline, the Proposal Trustee will review and assess all Offers received, if any. In order to be a "Qualified Offer", the offer must:</p> <ul style="list-style-type: none"> a) Be received by the Proposal Trustee no later than the Bid Deadline; b) Be accompanied with a cash deposit equal to 10% of the consideration in the APS; c) Contain no conditions other than the requirement that the Proposal Trustee obtain an Approval Order; d) Contains evidence of the anticipated sources of capital and/or evidence of availability of such capital, or such other form of financial disclosure and credit support or enhancement that will allow the Proposal Trustee and its legal and financial advisors, to make, in their reasonable business or professional judgement, a reasonable determination as to the potential bidder's financial and other capabilities to complete the sale transaction; and e) <u>Provide for consideration that the Proposal Trustee considers commercially reasonable.</u> 	January 16, 2018
10.11.	<p>If more than one Qualified Offer, as determined pursuant to #9.10 above are received by the Bid Deadline, the Proposal Trustee will conduct an auction involving each of the Qualified Offerors, the procedures for which will be announced no less than 3 days before the date of the auction in order to determine one successful offer (the "Successful Offer").</p> <p>All Qualified Offerors shall be responsible for their own fees and costs relating to any transaction.</p>	January 16, 2018
11.12.	Auction (if necessary) and selection of Successful Offer, <u>which shall be conducted in a manner to be further particularized by the Proposal Trustee in advance of the auction.</u>	January 18, 2018

<u>12-13.</u>	Execution of Binding Agreement with Successful Offer	January 31, 2018
<u>13-14.</u>	Seek Court approval of agreement of purchase and sale and obtain a vesting order ("Approval Order") for sale of the Property on or prior to February 15, 2018	On or prior to February 15, 2018
<u>14-15.</u>	Close sale to successful purchaser on or prior to February 28, 2018	On or prior to February 28, 2018

Note: All capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them in the motion material dated October 26, 2017.

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IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE PROPOSAL OF 1482241 ONTARIO LIMITED, OF THE CITY OF TORONTO, IN THE PROVINCE OF
ONTARIO

CROWE SOBERMAN INC., in its capacity as Licensed Insolvency Trustee of 1482241 Ontario Limited

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at TORONTO

ORDER

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Lawyers for 1482241 Ontario Limited

APPENDIX

‘D’

AIRD BERLIS

Steven L. Graff
Direct: 416.865.7726
Email: sgraff@airdberlis.com

December 11, 2017

VIA EMAIL (dullmann@blaney.com / agrossman@blaney.com / ateodorescu@blaney.com)

Blaney McMurtry LLP
2 Queen Street East, Suite 1500
Toronto, ON M5C 3G5

Attention: David T.Ullmann, Aaron Grossman and Alexandra Teodorescu

Dear Sirs and Madame:

RE: 1482241 Ontario Limited (the “Debtor”)

AND RE: Court File No. 31-2303814 (the “Proposal Proceedings”)

**AND RE: The Real Property Municipally Described as 240 Duncan Mill Road,
Toronto, ON (the “Duncan Mill Property”)**

As you know, we are the lawyers for Crowe Soberman Inc. in its capacity as the proposal trustee of the Debtor in the Proposal Proceedings (in such capacity, the “**Proposal Trustee**”), which Proposal Proceedings were commenced on October 13, 2017 by the Debtor filing a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada).

Unless otherwise stated herein, all capitalized terms are defined in the Order of the Honourable Justice Hainey of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made November 3, 2017 (the “**November 3 Order**”).

Pursuant to the November 3 Order, the Proposal Trustee was exclusively empowered and authorized to, amongst other things – and to the exclusion of any other Person, including the Debtor, and without interference from any other Person – market any and all of the Property in accordance with the Sale Process, and engage, in consultation with the First Mortgagees, consultants, managers, property managers, real estate agents, brokers, listing agents, counsel and such other persons from time to time and on whatever basis to assist with the exercise of the Proposal Trustee’s duties conferred by the November 3 Order.

Notwithstanding the above, we understand from the Proposal Trustee that the Debtor’s principal, Alain Checroune, has interfered on several occasions in certain day-to-day activities being carried-out by the Proposal Trustee’s property manager. With a view of ensuring that the integrity of the Proposal Proceedings and the underlying Sale Process is maintained for the benefit of all stakeholders, the Proposal Trustee: (i) intends to address this matter in its next report to the Court; and (ii) requests that you please stress upon Mr. Checroune the importance that he cease such interference immediately so that the Debtor’s good faith is not called into question.

We also understand from the Proposal Trustee that Mr. Checroune paid himself approximately \$50,000 in pre-filing debt after the commencement of the Proposal Proceedings and without the authorization of the Proposal Trustee. The Proposal Trustee recommends that this amount be returned forthwith, as the Proposal Trustee also intends to address this matter in its next report to the Court.

Yours very truly,

AIRD & BERLIS LLP



PLM Steven L. Graff
SLG/jn

cc: Client

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