

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

‘A’

MANAGEMENT AGREEMENT

CROWE SOBERMAN acting as the RECEIVER FOR 240 DUNCAN MILL ROAD

(Owner)

- and -

AVISON YOUNG REAL ESTATE MANAGEMENT SERVICES ONTARIO INC.

(Manager)

Dated as of

OCTOBER 30, 2017

MANAGEMENT AGREEMENT

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SCHEDULE "A"

SCHEDULE "B"

RECITALS

- A. The Owner is the owner of that certain real property known as _____ located in the City of _____, in the Province of Ontario, which is more particularly described in 1.01 F (the "Land") and related improvements situated thereon.
- B. The Owner has the full right, power and authority to collect rents in respect of and to operate the Property.
- C. The Manager is inter alia, engaged in the business of managing, operating and maintaining real estate.
- D. The parties desire that the Manager undertake and perform the supervision of the management and maintenance operations of the Property provided for herein, including all appropriate maintenance and servicing duties, and that the Manager act as an independent contractor in the performance of such duties.

NOW, THEREFORE, in consideration of the premises and of the mutual dependent covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I - DEFINITIONS, APPOINTMENT & ACCEPTANCE

1.01 DEFINITIONS

As used herein, the following terms shall have the following meanings:

- A. **Agreement** shall mean this Management Agreement and all attached schedules.
- B. **Annual Plan** shall mean the plan for the operation, management and maintenance of the Property prepared by the Manager for approval by the Owner all as more particularly set forth in Section 3.07 hereof.
- C. **Building** shall mean 240 Duncan Mill Road, containing approximately 200,000 square feet of gross rentable area, located on the Land and all other fixtures, amenities and improvements constructed on the Land in connection therewith.
- D. **Commencement Date** shall mean November 1, 2017, or such earlier date as the parties shall mutually agree.
- E. **Gross Income** shall mean the total of all income, including without limiting the generality of the foregoing, all realty tax, operating cost, utility and other recoverables, received or receivable, with no deductions for any rent free periods for any tenants, from the Property for any specified period.
- F. **Land** shall mean that certain real property in the City of North York, Province of Ontario, more particularly described in Schedule "A" attached hereto.

- G. **Leasing Guidelines** shall mean those guidelines and limitations for tenant leases in the Building approved by the Owner from time to time as set forth in Section 3.12 hereof.
- H. **Line Item** shall mean each cost or expense set forth as a separate type or category of expense in the Annual Plan, as set forth in Section 3.07 hereof.
- I. **Manager** shall mean Avison Young Property Management (Ontario) Inc., acting in its capacity as property manager.
- J. **Owner** shall mean _____,
- K. **Property** shall mean the Land and Building.
- L. **Property Operating Account** shall mean the bank account(s) established for the Property by the Manager, as set forth in Section 4.03 hereof.
- M. **Property Expenses** shall mean all costs and expense relating to the management, maintenance and operation of the Property, as set forth in an Annual Plan pursuant to Section 3.07 hereof.
- N. **Reporting Period** shall mean the period commencing on the first day of each calendar month during the term and ending on the last day of each such calendar month.

1.02 APPOINTMENT AND ACCEPTANCE

Upon and subject to the terms hereof, for the term provided for in Section 2.01 hereof, the Owner hereby appoints the Manager as property manager of the Property, with the sole and exclusive right and obligation to undertake and perform all maintenance, servicing duties and operations of the Property, as an independent contractor and the Manager hereby accepts such appointment.

ARTICLE II - TERM

2.01 TERM

The term of this Agreement shall be for a period of six (6) months beginning on the Commencement Date and continuing until terminated in accordance with the provisions of Article VI hereof.

ARTICLE III - DUTIES AND RESPONSIBILITIES OF MANAGER

3.01 GENERAL

The Manager shall have responsibility for the supervision of management, operation and maintenance as provided for herein of the Property during the term of this Agreement, and the Manager shall perform its duties and exercise the powers and authorities herein granted in an efficient and economical manner, for the account and at the expense of the Owner (except where expressly provided to the contrary) subject to the Owner's direction and the terms and provisions of this Agreement. In all events, the Manager shall perform its duties and responsibilities hereunder in the same manner as would a prudent office/retail manager of a comparable class of office/retail development in the Greater Toronto Area.

3.02 COLLECTIONS FROM TENANTS

The Manager shall collect all rents, deposits and other charges, including recoveries and/or escalations which may during the term of the Agreement become due from any tenant occupying space in the Property or from any other person in connection with the use of the Property or any portion thereof. All such collections shall be promptly deposited in the appropriate bank account as set forth in Section 4.03 hereof. The Manager shall set out in its plan for the routine operation of the Property, as provided for in Section 3.06, its policies with regard to any collection deficiencies and shall report monthly on deficiencies in such detail as the Owner may request.

3.03 MAINTENANCE AND REPAIR

The Manager shall, subject to the provisions of Section 3.07 hereof, make periodic inspections of the Property, and arrange for and supervise the making or installation of such maintenance, repairs, improvements (including tenant improvements) and alterations as may be required.

3.04 TENANT COMPLAINTS

The Manager shall receive complaints of tenants and occupants of the Property and shall attend to such complaints subject to the limitations imposed by or pursuant to this Agreement.

3.05 LICENSES AND PERMITS

The Manager shall apply for, and renew as necessary, all licenses, permits and approvals which may be required in connection with the operation and maintenance of the Property and in compliance with all deed and/or property restrictions of which it is made aware and all material laws and regulations of applicable governmental authorities in the course of said operation and maintenance.

3.06 PLAN FOR ROUTINE OPERATION

The Manager shall prepare and submit to the Owner within 30 days of the Commencement Date, a plan for the routine operation of the Property. The plan shall include, at a minimum, the following information:

- A. Procedures for collection of rent and other charges due from tenants of the Property;
- B. Procedures for periodic inspection and maintenance of the Property;
- C. Recommendations concerning on site personnel;
- D. Procedures for property tax reviews; and
- E. Procedures to review existing leases with respect to expiry, renewal, etc.

3.07 PREPARATION OF ANNUAL PLANS

- A. The Manager shall prepare and submit to the Owner for approval an annual plan for the operation and maintenance of the Property (the "Annual Plan");
- B. Each Annual Plan shall include, at a minimum, the following information:
 - 1) A schedule of projected cash flow for the year on a month by month basis;
 - 2) A description of proposed construction, repair, alteration, marketing, and/or leasing programs;
 - 3) A schedule setting forth the total rentable square footage in the Building, the amount of such rentable square footage then under lease, and the amount of such rentable square footage then vacant;
 - 4) An income statement on an accrual basis for the Property for the period covered by the Annual Plan. Property expenses shall include, but not be limited to the following:
 - (i) All expenses relating to the providing of services for tenants of the Property;
 - (ii) Any amounts payable by the Owner;
 - (iii) Fees for contract and professional services to be performed on behalf of the Property, the costs of which are to be borne by the Owner;
 - (iv) Leasing commissions;
 - (v) All taxes and insurance required in connection with the Property;
 - (vi) All expenses relating to the construction of tenant improvements and a specified maximum expense per rentable square foot for tenant improvements to be constructed;

- C. Upon approval of such proposed Annual Plan by the Owner, with such changes therein as the Owner may indicate, the Manager shall not during the period covered by such Annual Plan incur or pay any expense in the operating and maintenance of the Property which is not specifically or by category covered in the Annual Plan, or which would result in either:
- i) The amount of authorized expenditures in any individual Line Item of projected expenses set forth in the Annual Plan being exceeded by more than five percent (5%), or
 - ii) The amount of the total Property Expenses set forth in the Annual Plan being exceeded by more than five percent (5%), without in each case obtaining the prior written approval of the Owner, provided that the Manager may make expenditures required in situations or circumstances deemed in the good faith judgement of the Manager to be an emergency, up to a maximum of \$15,000.00 per emergency situation. The Manager agrees in all such emergency situations to use its best efforts to contact the Owner to obtain approval prior to such expenditure, or if not possible before such expenditure, then as soon thereafter as reasonably possible.

3.08 SUPPLIES AND EQUIPMENT

The Manager shall, for the account and at the expense of the Owner, purchase, provide and pay for all janitorial and maintenance supplies, tools and equipment, restroom and toilet supplies necessary to the efficient and economical operation and maintenance of the Property. All such supplies, tools and equipment shall be delivered to and stored on the Property and shall be used only in connection with the management, operation, and maintenance of the Property. The Manager shall purchase all goods, supplies and services at the lowest cost available from reputable sources.

3.09 RIGHT TO CONTRACT ON BEHALF OF OWNERS

The Manager shall have the right, subject to the provisions of Section 3.07 and 8.02 hereof, to contract on behalf of the Owner for cleaning, maintenance, repair, security or any other service for the Property or any part or tenant thereof. The Manager shall receive three (3) bids for all contracts entered into on behalf of the Owner for a value in excess of Five Thousand (\$5,000.00) Dollars, and the Manager shall engage the contractor with the lowest bid provided that where, in the opinion of the Manager, the lowest bid should not be acted upon, the Manager shall request the approval of the Owner to proceed with another bid.

3.10 TENANT IMPROVEMENTS AND ALTERATIONS

With respect to any proposed tenant improvements and/or capital improvements to the Property in excess of \$10,000, the Manager will, as and when so directed by the Owner and at the Owner's expense, cause to be prepared all necessary plans, specifications, elevations, renderings, engineering and as-built drawings and plans, together with a cost breakdown supplied by the contractor or contractors proposing to perform such tenant improvements and/or other alterations and shall oversee such work as part of the service herein provided and for a fee as outlined in Section 5.02 hereof.

3.11 PAYMENT OF CONTRACTORS AND SUPPLIES

The Manager shall, for the account and at the expense of the Owner and subject to the provisions of Section 3.07 and 8.02 hereof promptly and provided the Owner furnishes sufficient funds therefor, pay for all Property Expenses, and the Manager will not suffer or permit any mechanics' liens or other liens to be filed against the Property by reason of any work or material claimed to have been furnished, without the prior written consent of the Owner and excepting those liens over which the Manager has no control.

3.12 APPROVAL AND EXECUTION OF LEASES

All advertising, promotion and negotiations of leases and lease renewals shall be the direct responsibility of the Owner at the expense of the Owner. The Manager shall use its best efforts to perform all of the Landlord's covenants and obligations contained in leases or tenancy agreements with tenants of the Property. The Manager shall direct all renewals, leases and offers to lease to the Owner for negotiation and execution.

3.13 INDEMNIFICATION OF MANAGER

The Owner shall indemnify, defend and hold harmless the Manager and each officer, director, employee and agent thereof, against any loss, expense, damage, claim liability, obligation, judgement or injury suffered or sustained by reason of any act, omission or alleged act or omission by him, it, them or any of them rising out of his, its or their activities on behalf of the Owner or in furtherance of the interests of the Owner, including but not limited to any judgement, award, settlement, reasonable attorney's fees or other costs or expenses incurred in connection with the defense of any actual or threatened actions, proceedings or claims, all costs of which shall be charged to and paid by the Owner as incurred; provided, however, that the acts, omissions or alleged acts or omissions upon which such actual or threatened actions, proceedings or claims are based were not fraudulent as to the Owner, in bad faith as to the Owner, or as a result of wilful misconduct of the party to be indemnified, defended and held harmless under this Section. Without limitation, should the Manager have to attend at the office of the Owner's attorney, other meetings or in court, then the Manager shall be compensated for its time at the rate of One Hundred Dollars (\$100.00), G.S.T., per hour and all out-of-pocket expenses. The provisions of this Section 3.13 shall survive termination of this Agreement.

3.14 NOTICE TO OWNER

The Manager shall notify the Owner immediately of any lawsuits, expropriation proceeding, rezoning or other governmental order or action or any threat thereof that becomes known to the Manager that might adversely affect the Property or any interest of the Owner therein, provided that in the case of a threat thereof, actual steps to enforce such threat must become known to the Manager or in the Manager's reasonable judgement appear imminent.

3.15 TAXES AND ASSESSMENTS

The Manager shall, at the Owner's expense, pay all taxes, assessments, rents and other impositions applicable to the Property. The Manager shall verify all taxes and assessments and will make recommendations to the Owner in trying to reduce same.

ARTICLE IV - ACCOUNTING & REPORTS

4.01 ACCOUNTING

The Manager, at its own expense, shall maintain or cause to be maintained at the Manager's accounting office, adequate books and records in connection with the management of the Property. The Owner shall have the right upon not less than two (2) business days' prior written notice at its own expense and at all reasonable times to audit, examine and during normal business hours make copies of or extracts from the books of accounts maintained by the Manager pursuant to this Agreement. Such right may be exercised through any agent or employee designated by the Owner, and the Owner shall bear all expenses in connection with such examination.

4.02 RECEIPTS AND RECORDS

The Manager shall at all times during the term of this Agreement maintain all applicable invoices and/or bills for all Property Expenses paid by the Manager for the benefit of the Owner. The Manager shall maintain, at its accounting office, all such invoices and/or bills, copies of all leases and other occupancy documents (the originals of which shall be sent to the Owner promptly after execution), correspondence, contracts, inventories, records of rental income, deposits and charges and warranties with respect to the Property and its operation. The Manager shall at all times keep and maintain in accordance with generally accepted accounting principles consistently applied, full, true and accurate books of accounts fully reflecting all matters relating to the Property, including all income expenditures, assets and liabilities thereof. The books of account shall be kept in such a manner as to clearly separate all income and expenses and to which sources they are attributable, with any distributions to the Owner to be accompanied by a statement identifying the source of such funds.

4.03 PROPERTY OPERATING ACCOUNT

- A. The Manager shall forthwith and in any event within thirty (30) days after the Commencement Date, open an interest bearing account or current account (the "Property Operating Account") for the Property at such bank as the Owner may direct.
- B. The Property Operating Account shall be in the name of the Manager in trust, with the Manager's employees having signatory authority as hereinafter set forth, and shall be used only for the funds of the Owner. The Manager shall designate the employees of the Manager who shall be authorized to sign cheques on each such account and shall advise the Owner as to the names of said employees. Two signatures shall be required on each cheque drawn on the Property Operating Account.

- C. All rents and other revenues from the Property shall be deposited to the Property Operating Account. All costs and expenses of operating the Property authorized to be paid pursuant to Section 3.07 hereof shall be paid by cheque drawn on the Property Operating Account directly. If at any time funds available in the Property Operating Account are not sufficient to pay the operating expenses for the Property authorized to be paid pursuant to Section 3.07 hereof, or otherwise authorized in writing by the Owner, the Manager shall give written or telegraphic notice to the Owner of the additional sum required and the purpose thereof and the Owner will promptly advance or otherwise make the said sum available to the Manager. The Manager shall have no obligation to advance any funds on behalf of the Owner; provided, however, that in the event the Manager does so, the Manager shall be reimbursed as hereinabove set forth.
- D. The Manager shall on or before the fifteenth (15th) day of each month (the close of a Reporting Period), or otherwise as directed by the Owner from time to time hereafter, remit to the Owner all unexpended funds (except for any reserved for the Property which the Owner may direct the Manager to maintain) remaining in the Property Operating Account as of such date.

4.04 MONTHLY REPORTS.

The Manager shall render to the Owner within twenty-five (25) days after the close of each calendar month an unaudited balance sheet and income statement, cash flow statement, a tenant rent roll, a leasing activity report, monthly bank statements and reconciliations thereof, a tenant arrears report and in addition the following:

- A. A statement of income for the Property which shall be a restatement of the actual income for the year to date and the budgeted income for the remainder of the year adjusted to account for extraordinary items of income and expense and any appropriate vacancy or structural allowance.
- B. A statement of management fees and leasing fees paid in the period together with the supporting calculation.

4.05 ANNUAL REPORTS

Within one hundred and twenty (120) days after the close of each fiscal year, the Manager shall cause to be prepared a financial report which shall include a balance sheet as of the end of the prior fiscal year, a statement of income or loss, and a statement of changes in financial position for the prior fiscal year. The Owner reserves the right to cause such financial report to be examined by such firms of independent chartered accountants acceptable to and retained by the Owner, at the expense of the Owner, which report will include the opinion of such firms as to whether such financial statements fairly present the financial position of the Property. The statement of income or loss shall disclose the amount and changes of income or loss and cash, if any, available for distribution to the Owner, and shall show, among other things, the amounts of depreciation, depletion, amortization, interest, extraordinary interest and extraordinary charges.

4.06 PROPERTY OF OWNER

The records, reports, books or accounts and other documents and materials relating to the management, operation, leasing and maintenance of the Property shall be the property of the Owner.

4.07 SETTLEMENTS

Within sixty (60) days after the effective date of termination of the Agreement by expiration or otherwise, the Manager shall provide a complete accounting to the Owner as provided for Section 6.04.

4.08 CONFIDENTIALITY

All information received by the Manager pursuant to this Agreement shall be used only in the course of performing its duties hereunder and may not be disclosed by the Manager to any other person except with the consent of the Owner, unless disclosed in legal proceedings among the parties hereto or as required by law or unless such information has been obtained by the Manager from a third party or is generally available to the public.

ARTICLE V - COMPENSATION OF MANAGER

5.01 MANAGEMENT COMPENSATION

- A. For each month during the term hereof, the Manager shall receive as compensation for its services under this Agreement, a management fee equal to Ten Thousand Dollars (\$10,000) per month, plus H.S.T. The cost of the on-site management office and the on-site management and building staff including salaries and all associated employment expenses will be charged to the Building and is not a cost of the Manager.
- B. A set-up fee in the amount of Ten Thousand (\$10,000) in order to enable the Manager to set up the necessary books, records and information required to effectively manage the Property.
- C. Reimbursement of out-of-pocket costs and expenses incurred in the management of the Property.
- D. Such monthly compensation amounts shall be withdrawn by the Manager by cheque from the Property Operating Account on the first (1st) day of each Reporting Period for which said compensation will be earned.

5.02 SUPERVISION OF IMPROVEMENTS

Where the Manager is requested by the Owner, pursuant to Section 3.10 herein or as otherwise agreed, to construct capital or tenant improvements or to renovate same, the Manager shall receive as compensation for its services with respect thereto, a fee equal to Seven Percent (7%) of the cost of the work. For work that requires third party technical supervision, the fee shall be Four Percent (4%) of the cost of the work.

ARTICLE VI - TERMINATION OF AGREEMENT

6.01 TERMINATION OF AGREEMENT

This Agreement may be terminated by the Owner or the Manager at any time without cause by giving the other party hereto ninety (90) days prior written notice of such termination.

6.02 GROUNDS

This Agreement may be terminated, effective upon the date of the giving of notice, at the Owner's or Manager's sole option and without any future liability on the part of the Owner to Manager or Manager to Owner:

- A. In the event that the Owner or Manager breaches any of the terms and provisions of this Agreement and such breach continues for a period of ten (10) days after written notice thereof from the non-breaching party, or in the case of a breach reasonably requiring longer to cure than ten (10) days, the Owner or the Manager fails to proceed with all due diligence within such period of ten (10) days to commence to cure the same and thereafter to prosecute the curing of such breach with all due diligence and continuity within forty-five (45) days after receipt by the Owner or the Manager of such notice of breach.
- B. Upon the occurrence of any of the following events with respect to the Owner or Manager:
 - 1) If the Owner or Manager shall file a voluntary petition in bankruptcy or shall be adjudicated as bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment liquidation, dissolution or similar relief for itself under the present or any future bankruptcy code or any present or future applicable federal, provincial or other relief for debtors, or shall seek or consent to or acquiesce in the appointment of any debtors, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver, conservator, or liquidator of the Owner or the Manager or of all or any substantial part of its properties or its interest in the Agreement (the term "acquiesce" includes, but is not limited to, the failure to file a petition or motion to vacate or discharge any order, judgement or decree providing for such appointment within thirty (30) days after the appointment).
 - 2) If a court of competent jurisdiction shall enter an order, judgement or decree approving a petition filed against the Owner or Manager seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or future applicable federal, or other statute or law relating to bankruptcy, insolvency or other relief for debtors, and Owner or Manager shall acquiesce in the entry of such order, judgement or decree (the term "acquiesce" includes, but is not limited to, the failure to file a petition or motion to vacate or discharge such order, judgement or decree within thirty (30) days after the entry of the order,

judgement or decree), or such other judgement or decree shall remain unvacated and unstayed for an aggregate of ninety (90) days (whether or not consecutive) from the date of entry thereof, or any trustee, receiver, conservator or liquidator of Owner or Manager or of all or any substantial part of its property or its interest in the Property shall be appointed without the consent or acquiescence of Owner or Manager and such appointment shall remain unvacated and unstayed for an aggregate of ninety (90) days (whether or not consecutive).

- 3) The Owner or the Manager shall admit in writing its inability to pay its debts as they mature.
- 4) The Owner or the Manager gives notice to any governmental body of insolvency or pending insolvency or suspension or pending suspension of operations.
- 5) The Owner or the Manager shall make an assignment for the benefit of creditors or take any other similar action for the protection or benefit of creditors.

6.03 EFFECT OF TERMINATION ON ACCRUED RIGHTS

Termination of this Agreement, shall in no way affect or impair any right which has accrued to any party hereto prior to the date when such termination shall become effective.

6.04 REPORTING AT TERMINATION

Upon termination of this Agreement for any reason, the Manager shall promptly deliver to the Owner or the Owner's appointed agent:

- A. A final accounting reflecting the balance of income and expense for the Property and the Owner as of the date of termination;
- B. Any balance of monies of the Owner or tenant security deposits, or both, held by the Manager with respect to the Property;
- C. All written data and all materials belonging to the Owner, without limiting the generality of the foregoing, as described in Section 3.08 and 4.07 hereof, including all records, contracts, leases, receipts, deposits, unpaid bills, summary of all leases in existence at time of termination and other papers or documents which pertain to the Property. The Manager will be permitted to retain copies of any documents or records of the Property reasonably required for future reference; and
- D. Should the Owner provide its own accounting, the Manager shall not be required to provide financial information at termination.

ARTICLE VII - INSURANCE

7.01 MANAGER'S INSURANCE

The Manager shall, at the Manager's expense, maintain fidelity insurance on all of the Manager's employees who from time to time will handle the funds of the Owner.

7.02 EVIDENCE OF INSURANCE

The Manager shall provide a certificate or other evidence of the insurance required under Section 7.01 to the Owner and unless the Owner objects in writing the Owner shall be deemed to have accepted such insurance.

7.03 NOTICE OF CLAIM

The Manager shall notify the Owner in writing with as much specificity as the Owner shall require and is available, as soon as possible after receipt of notice of an injury occurring in, on or about the Property, or any claim against the Owner and/or Manager or which involves the Property. The Manager shall take no steps (such as the admission of liability) which will operate to bar the Owner from protecting itself against any such claim, demand or legal proceeding. The Manager shall fully cooperate with the Owner in the defense of any claim, demand or legal proceeding.

7.04 OWNER'S INSURANCE

The Owner shall take out and maintain, throughout the term of this Agreement, comprehensive/commercial general liability insurance in the amount of not less than Five Million Dollars (\$5,000,000.00) per occurrence, with both the Owner and Manager as named insureds.

ARTICLE VIII - AUTHORITY OF MANAGER

8.01 AUTHORITY AS AGENT

The Manager is hereby authorized to act as agent for the Owner for the purpose of carrying out the authority and responsibilities set forth in this Agreement, and, as necessary or desirable to carry out such authority and responsibility but subject to any limitations set forth in this Agreement, to undertake on behalf of the Owner any obligation. The Owner shall execute and provide the Manager any document or other evidence which may be reasonably required by the Manager to demonstrate to third parties the authority of the Manager described herein.

It is agreed and understood that the Manager at all times shall be entitled to rely on and to act upon the instructions or directions received from the Owner or by an employee or duly appointed agent or attorney of the Owner.

8.02 LIMITATION OF AUTHORITY

Unless specifically authorized in this Agreement, or by prior written approval of the Owner, the Manager shall not have the authority to do any of the following:

- A. Obtain loans for the Owner, whether secured or unsecured, or give or grant options, rights of first refusal, deeds of trust, mortgages, pledges, security interests, or otherwise encumber the Property or any portion thereof or any interest of the Owner therein; obtain replacements of any mortgage or mortgages; prepay in whole or in part, refinance, increase, modify, consolidate or extend any obligation affecting the Property or any portion thereof; or rent, lease, license, sell, exchange or convey the Property or any portion thereof.
- B. Cause the Owner to extend credit or to make any loans or become a surety, guarantor, endorser or accommodation endorser for any person, firm or corporation or to enter into any contracts which are significant with respect to the operation or management of the Property, including but not limited to, supervisory management agreements, real estate and insurance brokerage agreements or loan brokerage agreements.
- C. Release, comprise, assign or transfer any claim, right or benefit of the Owner, except in the ordinary course of managing and operating the Property provided herein.
- D. Confess a judgement against the Owner. No authority to carry out any legal proceedings or litigation without the Owner's express written instruction.
- E. Modify, change or amend, in any material way, any drawing, maps, plans or specifications prepared for or in connection with the Property.
- F. Grant easements or other property rights in the Property.
- G. Purchase, sell or lease, except in accordance with the Leasing Guidelines as set out in the Annual Plan, any real property, the Land, the Buildings or any part thereof on behalf of the Owner.
- H. Do any act which would be materially inconsistent with or which would constitute a material change or modification of the Annual Plan then in effect.
- I. Enter into any contract on behalf of the Owner with an affiliate of the Manager or a person as to which the Manager would have a conflict of interest, and, with respect to any such contract, make any amendment, modification or rescission thereof, declare a default thereunder, institute, settle for compromise a claim with respect thereto, waive any rights of the Owner against the other party thereto, or consent to the assignment of any rights or the delegation of any duties by the other party thereto.
- J. Assume or enter into any contract, agreement or obligation in connection with the management, maintenance or operation of the Property for a term greater than one (1) year and the Manager shall use its best efforts to ensure that all contracts, agreements and obligations may be terminated upon thirty (30) days written notice by the Manager, or the Owner, in the event this Agreement has terminated.

ARTICLE IX - GENERAL PROVISIONS

9.01 NOTICES

All notices, demands, requests, approvals or other communications of any kind which any party hereto may be required or may desire to serve on any other party in connection with this Agreement may be served by personal service or registered or certified mail. Any such notice or demand so served by registered or certified mail, shall be deposited in the United States or Canadian mail, as applicable, with postage thereon fully prepaid, registered or certified, and addressed to the party so to be served as follows:

If the Party to be served is the Manager:

AVISON YOUNG REAL ESTATE MANAGEMENT SERVICES ONTARIO INC.
401 Bay Street, Suite 1100
Toronto, Ontario M5H 2Y4

ATTENTION: Peter Leroux

If the Party to be served is the Owner:

CROWE SOBERMAN INC.
2 St. Clair Avenue East, Suite 1100
Toronto, Ontario, M4T 2T5

Except in the event of a postal service "strike or lockout", in which event the parties hereto agree to temporarily utilize other reasonable methods of communicating any notices, service or any notice or demand so made by mail shall be deemed complete on the date of actual delivery as shown by the addressee's registry or certification receipt. Any party hereto may from time to time, by notice in writing served upon any other party as aforesaid, designate different mailing address or different or additional persons to which all such notices or demands are thereafter to be addressed.

9.02 VALIDITY OF PROVISIONS

In the event of any one or more of the provisions contained in this Agreement shall for any reason by held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of the Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein and the same shall be enforceable to the fullest extent permitted by law.

9.03 WAIVER AND MODIFICATION

No consent or waiver, expressed or implied by any party to or of any breach or default by any other party in the performance by such other party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default hereunder. Failure on the part of any party to complain of any act, or failure to act of any other party or to declare another party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder. Neither this Agreement nor any provision hereof may be amended, waived, modified or discharged except by an instrument in writing executed by the party against whom enforcement of such amendment, waiver, modification or discharge is sought.

9.04 SUCCESSORS

The provisions of this Agreement shall, subject to the terms and conditions hereof, be binding upon and enure to the benefit of the successors and assigns of each of the parties hereto, provided, however, this Agreement shall at all times remain personal to the Manager and may not be assigned by the Manager without the prior consent of the Owner, such consent not to be unreasonably withheld.

9.05 REMEDIES

All parties shall, in addition to all rights provided herein or as may be provided by law, be entitled to the remedies of specific performance and injunction to enforce their rights hereunder.

9.06 HEADINGS

The headings of the articles, sections and paragraphs of this Agreement are inserted solely for convenience of reference and are not a part of and are not intended to govern, limit or aid in the construction of any term or provision hereof.

9.07 GENDER AND NUMBER

Where the context so requires, the use of the neuter gender shall include the masculine and feminine genders, and masculine gender shall include the feminine and neuter genders and the singular shall include the plural and vice versa.

9.08 ASSISTANCE

Each party hereby expressly agrees that if any controversy, litigation or court proceedings is prosecuted or defended by any other party in connection with this Agreement or the operation of the Property, it will render all reasonable assistance to the other party, at the expense of the Owner.

9.09 CONSTRUCTION

In all cases, the language in all parts of this Agreement shall be construed simply, according to its fair meaning and not strictly for or against any party.

9.10 ENTIRE AGREEMENT

This Agreement, together with any written amendments executed in connection herewith or modifications or amendments to any of the same hereafter entered into by the parties hereto shall constitute the entire agreement between the parties hereto relative to the subject matter hereof and shall supersede any prior agreement or understanding, if any, whether written or oral, which any party may have had relating to the subject matter hereof.

9.11 COUNTERPARTS

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

9.12 GOVERNING LAW

This Agreement shall be governed and construed in accordance with the laws of the Province of Ontario.

9.13 STATUS REPORTS

Recognizing that each party hereto may find it necessary from time to time to establish to third parties such as accountants, banks, mortgagees or the like, the then current status of performance hereunder, each party agrees, upon the written request of any other, made from time to time, to furnish promptly a written statement (in recordable form, if requested) on the status of any matter pertaining to this Agreement or the Property to the best of the knowledge and belief of the party making such statement.

9.14 TIME OF ESSENCE

Time is of the essence in the performance of this Agreement and of each provision hereof.

9.15 AMENDMENTS

This Agreement shall be subject to amendment only in writing signed by the parties.

9.16 LANGUAGE

The Owner and the Manager hereby agree that this Agreement shall be drawn in English.

9.17 GENERAL LIMITATION

Notwithstanding any other provision of this Agreement, the Manager shall not be required to perform any act or obligation hereunder which requires the expenditure of money unless the Owner has provided the Manager with sufficient funds to perform any such act or obligation.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto, as of the day and year first above written.

CROWE SOBERMAN acting as the RECEIVER FOR 240 DUNCAN MILL ROAD (Owner)

Per: _____
Authorized Signatory
(I have the authority to bind the corporation)

Per: _____
Authorized Signatory
(I have the authority to bind the corporation)

AVISON YOUNG REAL ESTATE MANAGEMENT SERVICES ONTARIO INC. (Manager)

Per: _____
Authorized Signatory
(I have the authority to bind the corporation)

Per: _____
Authorized Signatory
(I have the authority to bind the corporation)

SCHEDULE "A"
DESCRIPTION OF PROPERTY

APPENDIX

‘B’

**ONTARIO
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE
JUSTICE WHITAKER

) MONDAY, THE 27TH
)
) DAY OF OCTOBER, 2014

BETWEEN:



**JAMSHID HUSSAINI, NEELOFAR AHMADI
and HOMELIFE DREAMS REALTY INC.**

Plaintiffs

- and -

ALAIN CHECROUNE and 1482241 ONTARIO LIMITED

Defendants

ORDER

THIS MOTION, made by the Plaintiffs for, *inter alia*, an injunction and relief from forfeiture, was heard this day at 393 University Avenue, Toronto, Ontario

ON READING the Motion Record of the Plaintiffs, including the Notice of Motion and Affidavit of Neelofar Ahmadi, sworn October 24, 2014, and the exhibits thereto, and on hearing the submissions of the lawyer for the Plaintiffs and the lawyer for the Defendants, and for oral reasons given.

1. THIS COURT ORDERS an interlocutory injunction restraining the Defendants from denying the Plaintiffs, their clients, employees and subtenants, access to the property located at 240 Duncan Mill Road, in the City of Toronto, in the Municipality of Metropolitan Toronto more particularly described as (the "Subject Property"):

Lot 82-83 PL 7607 North York; Pt Lot 84 PL 7607 North York, Part 2 RS1284
Toronto (N York); City of Toronto
240 Duncan Mills Road
North York
PIN 10088-0069 LT

2. THIS COURT ORDERS an interlocutory injunction restraining the Defendants from interfering with the quiet enjoyment of the Subject Property by the Plaintiffs, their employees, clients and subtenants, including, without limiting the generality of the foregoing, restraining the Defendants from:

- (a) turning off the lights in the Subject Property during business hours (Monday to Sunday, 7am to 9pm);
 - (b) denying access to the elevator(s) during business hours (Monday to Sunday, 7am to 9pm);
 - (c) cancelling access cards and parking passes of the Plaintiffs, their employees, clients and subtenants;
 - (d) towing the cars of the Plaintiffs, their employees, clients and subtenants;
 - (e) posting notices that the building is closed;
 - (f) physically or verbally harassing, threatening or intimidating, the Plaintiffs, their employees, clients and subtenants; and
 - (g) in any way disrupting the business of the Plaintiffs and their subtenants;
3. THIS COURT ORDERS relief from forfeiture in respect of the Purported Lease (as defined in the Notice of Motion);
4. THIS COURT ORDERS an interlocutory injunction restraining the Defendants from selling, mortgaging, encumbering or otherwise dealing with the Subject Property without the consent of the Plaintiffs Ms. Ahmadi and Mr. Hussaini or Court Order;
5. THIS COURT ORDERS an interlocutory injunction restraining the Defendants from selling, mortgaging, encumbering or otherwise dealing with the shares in the capital of the Defendant 148224 Ontario Limited;
6. THIS COURT ORDERS that this motion return for hearing on November 3, 2014 for one (1) hour;
7. THIS COURT ORDERS that the Defendants may bring a cross motion regarding conflict of interest, if any, on November 3, 2014;

8. THIS COURT ORDERS that costs of today's attendance in the amount of \$1,500 shall be paid by the Defendants to the Plaintiffs forthwith.



BOSCO MASCARENHAS

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

OCT 28 2016

PER / PAR:



**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

ORDER

MILLER THOMSON LLP
600, 60 Columbia Way
Markham, ON, Canada L3R 0C9

Enzo Di Iorio LSUC#: 36681V
Tel: 905.415.6711
Fax: 905.415.6777
Nahla Khouri LSUC#: 55861Q
Tel: 905.415.6744

Lawyers for the Plaintiffs

APPENDIX

‘C’

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
Patent and Trade-mark Agents

+ 1 416 366 8381 General
+ 1 416 364 7813 Fax
1 800 268 8424 Toll-free

Bay Adelaide Centre
333 Bay Street, Suite 2400
P.O. Box 20
Toronto, Ontario M5H 2T6
Canada

fasken.com



Stuart Brotman
Direct +1 416 865 5419
sbrotman@fasken.com

October 31, 2017
File No.: 267971.00003/16472

Via Email - sgraff@airdberlis.com

Steven L. Graff
Aird & Berlis LLP
181 Bay Street, Suite 1800
Brookfield Place
Toronto, ON M5J 2T9

Dear Mr. Graff:

Re: 1482241 Ontario Limited

We are the solicitors for Torgan Properties Ltd. (the "Buyer"). We understand that 1482241 Ontario Limited (the "Seller") has filed a Notice of Intention to Make a Proposal ("NOI") under the *Bankruptcy and Insolvency Act*, and that you are legal counsel for the proposal trustee appointed in those proceedings.

The Buyer and the Seller are parties to an Agreement of Purchase and Sale dated August 24, 2017 (the "APS") pursuant to which the Seller has agreed to sell to the Buyer the property municipally known as 240 Duncan Mill Road, Toronto, ON (the "Property").

Closing of the transaction contemplated in the APS is scheduled to occur on March 30, 2018. The Seller is obligated to provide due diligence materials to the Buyer under the APS. The Buyer is awaiting delivery of those materials.

The Buyer was not notified by the Seller or the proposal trustee of the NOI proceedings, or of the motion that we understand is pending for approval of a sale process in respect of the Property.

Our client has an interest in the Property that must be respected.

On behalf of the Buyer we request that you promptly provide us with a copy of all materials, including trustee's reports, served or filed in the NOI proceedings so that our

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client may assess the situation and what position, if any, it may wish to take on the present motion (and in the NOI proceedings generally).

In light of our client's interests, we expect that you will keep us informed of all matters that might affect the Property and the Buyer's interests.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP



Stuart Brotman

*Practising through a professional corporation

SB/ima

APPENDIX

‘D’



APPENDIX "B"

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.

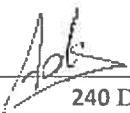
First Right to Further Loans In the event that during the NOI Process 148 requires further funds in order to operate or should it elect to repay any of its other obligations, the Lender shall be given the first opportunity to provide that loan, on terms substantially similar to the terms set out herein, 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

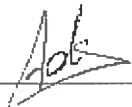
Privileges: Open to early pre-payment in full at any time, provided, however, that if pre-payment occurs before the three month anniversary of the initial advance, the Lender shall still be entitled to interest in respect of that three month period.

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.





APPENDIX "B"

SINGAPORE
HONG KONG
CANADA

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





APPENDIX "B"

SINGAPORE
HONG KONG
CANADA

The foregoing is agreed to by the undersigned

1482241 Ontario Limited

Per: 

Name: Alain Checroune

Title: President

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	Totals
CASH INFLOWS							
Rental Income	\$65,213	\$65,213	\$65,213	\$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	\$79,703	\$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	\$91,000	\$87,000	\$87,000	\$186,000	\$535,000
TOTAL INCOME	\$165,112	\$249,112	\$256,112	\$232,112	\$262,112	\$351,112	\$1,625,871
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	\$59,891	\$59,891	\$59,891	\$59,891	\$59,891	\$327,345
Cleaning/Janitorial	\$11,081	\$11,061	\$11,061	\$11,061	\$11,061	\$11,061	\$68,386
Repairs & Maintenance	\$34,788	\$34,788	\$34,788	\$34,788	\$34,788	\$34,788	\$208,808
Property Management Fees	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500	\$63,000
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	\$129,788
Professional Fees - Legal (NOTE 2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Professional Fees - Proposal Trustee (NOTE 2)	\$5,000	\$0	\$0	\$0	\$0	\$0	\$5,000
Professional Fees - Accounting/Consulting	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$54,000
Vehicle expense	\$1,873	\$1,873	\$1,873	\$1,873	\$1,873	\$1,873	\$11,238
TOTAL EXPENSES	\$139,868	\$166,660	\$169,455	\$169,455	\$169,455	\$266,789	\$1,081,287
Net Cash	\$25,244	\$82,452	\$86,657	\$62,657	\$92,657	\$84,323	\$444,584
Repayment of 1st Mortgage	\$0	\$88,750	\$88,750	\$88,750	\$88,750	\$88,750	\$343,750
Repayment of 2nd Mortgage	\$0	\$15,167	\$15,167	\$15,167	\$15,167	\$15,167	\$75,833
Net Cash Available	\$25,244	\$24,175	\$28,914	\$25,864	\$24,384	\$24,800	\$1,000

**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 Durcan 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(8)(a) of the Bankruptcy and Insolvency Act and solely for that purpose

Dated this 19th day of October 2017
1482241 Ontario Limited

Per Alain Ouellet

Dated this 19th day of October 2017.

CROWE SOBERMAN INC.

Licensed Insolvency Trustee Acting in re: Proposal of 1482241 Ontario Limited

Per Hans Rehm CMA, CA, CIRP, LIT

APPENDIX "B"

Update filing - update is confirmed - E-Filing - Office of the Superintendent of Bankruptc... Page 1 of 1



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Update filing - update is confirmed

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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

APPENDIX "B"

Update filing - update is confirmed - E-Filing - Office of the Superintendent of Bankruptc... Page 1 of 1



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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

CONFIDENTIAL

APPENDIX

‘A’