

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN BANKRUPTCY AND INSOLVENCY

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

**SUPPLEMENTAL REPORT TO THE
SIXTH REPORT OF THE PROPOSAL TRUSTEE
JUNE 25, 2018**

CROWE SOBERMAN INC.
Licensed Insolvency Trustee
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INTRODUCTION

1. This report (the “**Supplement to the Sixth 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 Supplement to the Sixth Report have the same meaning ascribed to them as in the First Report to Sixth Report and the Supplemental Reports thereto.

PURPOSE

2. The Company’s Proposal was approved pursuant to the Order of the Honourable Justice Hainey dated June 12, 2018 (the “**Proposal Approval Order**”).
3. Pursuant to article 6.5 of the Proposal:
“The Proposal Trustee shall fund the operating expenses of the Debtor from the Sale Proceeds up to an amount of \$200,000 per month pending the Implementation Date.”
4. At the motion to approve the Proposal, certain parties on the Service List voiced their concern with the Company being given \$200,000 per month for operating expenses. In particular, as the Company carried on business as the owner and operator of a commercial building that has been sold through the course of these proceedings, certain parties questioned the nature of the business now being carried

out by the Company, and how such business could incur monthly expenses of \$200,000.

5. In addition, as the date by which creditor claims must be filed has not yet passed, the Proposal Trustee is unable to determine the total amount of creditor claims that will be made in the Proposal. It is therefore unclear whether there will be a surplus available after funding the Proposal from the Sale Proceeds, and if so, what the quantum of any such surplus will be.
6. Having regard for these concerns, at the June 12, 2018 hearing, the Honourable Justice Hainey endorsed the following:

“For greater certainty the Proposal Trustee shall review the debtor’s operating expenses before making any payments pursuant to s. 6.5 of the Proposal.”
7. A copy of the endorsement is attached hereto as **Appendix “A”**.
8. The Proposal Trustee has received and reviewed the Debtor’s requests for operating expenses. For the reasons described below, the Proposal Trustee seeks the Court’s guidance in assessing the Debtor’s operating expenses.

JUNE REQUEST FOR FUNDING

9. On June 13, 2018, the Debtor sent to the Proposal Trustee a statement of cash flow for the months of April to June stating that its total expenses for the period are \$718,564.93. The cash flow was further amended by the Debtor to outline the expenses that had already been paid from earlier advances from the Sale Proceeds that were approved by the Court, and items which remain outstanding and unpaid. A copy of the cash flow is attached hereto as **Appendix “B”**.
10. On June 19, 2018, the Proposal Trustee met with counsel for the Debtor to review its request and supporting documentation, and to get a better understanding of the business operations of the Debtor moving forward. Following the meeting, the

Proposal Trustee determined that approximately \$135,908.23 of expenses were supported, and transferred that amount to the Debtor.

11. The Proposal Trustee advised the Debtor that for certain amounts set out in the cash flow, more information and/or supporting documentation was required. In addition, the cash flow contained certain amounts that would require further discussion. For example, the Debtor requested funds to pay amounts to vendors that may have already been paid directly by the Proposal Trustee.
12. At the June 19 meeting, the Proposal Trustee was advised by counsel for the Debtor that the Debtor now carries on business as a real estate investment company, and is actively looking at completing transactions/opportunities to purchase various pieces of real estate in Canada, Mexico, and the United States. In addition, the Debtor is participating in a joint venture to acquire a foreign debt portfolio in Mexico of roughly 591,000 loans. In each of the proposed investments/ventures disclosed to the Proposal Trustee, the Debtor is working with Caruda Holdings.
13. On June 22, 2018, counsel for the Debtor responded to the Proposal Trustee's request for supporting documentation, provided additional documentation, and requested an immediate payment in the amount of \$294,124.56. The most significant portion of the request for the payment of expenses is approximately \$200,318.50 towards legal and financial services relating to the foreign debt portfolio transaction. A copy of the June 22, 2018 correspondence is attached hereto as **Appendix "C"**.
14. As part of the June 22 correspondence, counsel for the Debtor advised the Proposal Trustee that the Debtor is in the process of finalizing a real estate transaction, and that it requires approximately \$150,000 to meet a deposit obligation. Counsel for the Debtor advised that if the Debtor loses the opportunity to participate in the transaction as a result of the Proposal Trustee failing to advance funds, it would look to hold the Proposal Trustee responsible for such loss. A copy of the draft purchase and sale agreement was provided for review. The Company and Caruda Holdings are together listed as the "Purchaser" in the agreement.

NEXT STEPS

15. The Proposal Trustee is still in the process of reviewing the documents provided by the Debtor with its counsel. The Proposal Trustee anticipates advancing further funds to the Debtor, relating to typical operating expenses such as maintaining an office, and paying office staff.
16. The Proposal Trustee circulated a 30-Day Notice to Prove Claim on June 22, 2018 (i.e. ten days following the issuance of the Proposal Approval Order). Accordingly, the claims bar date has been set at July 23, 2018. As at that date, the Proposal Trustee will have a better understanding of the surplus that may be available, if any, after funding the Proposal from the Sale Proceeds.
17. The Debtor believes that there will be a surplus of proposal proceeds that will ultimately be returned to itself. However, until such time as the quantum of any such surplus is determined, if any, the Proposal Trustee is unsure if it should be approving expenses that consist of significant monetary commitments towards new business ventures. As the Debtor's current business differs substantially from the business carried on prior to the filing of the NOI, the Proposal Trustee has little to no historical documentation that it can rely upon in making this determination.
18. The Proposal Trustee accordingly seeks the Court's guidance as to funding the Company's operating expenses relating to new investments.

All of which is respectfully submitted this 25th day of June, 2018.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal for
1482241 Ontario Limited, and not in its personal capacity

32984033.4



APPENDIX

‘A’

June 12, 2018

Coune Sohrensen's Motion
is passed on the terms
of the attached Order
of Proposal Approval.
For greater certainty,
The Proposal Trustee
shall receive the
debtor's operating expenses
before making any payments
pursuant to § 6.5 of the
proposal.

Ms. Alman's Motion is
adjourned to a date to be set
with the Commercial Trial
Office.

1 day judicial deadline set for
July 30/18 with respect to the Hills'
Motion. 2 hours set aside the day
September 20/18 for Ms. Fair's Motion
Hanesy J

APPENDIX

‘B’

1482241 Ontario Limited

Statement of Projected Cash Flow for the period April 2018 to June 2018

2018-06-15 12:29

Description	April	April Deferred	May	May Deferred	June	June Deferred	Totals
Cash Inflows							
Advances via Sales Proceeds	\$200,000.00						\$200,000.00
* Total funds received is \$200,000, as per endorsement of Justice Hainey, \$100,000 was to be applied to Pre-April expenses							
Received from Caruda Holdings for Operations			50,000.00				\$50,000.00
TOTAL INCOME	\$200,000.00		\$50,000.00		\$0.00		\$250,000.00
Cash Outflows							
<i>240 Duncan Mill Road</i>							
Rent: 240 DMR - Suite 800	10,861.49		10,861.49		5,430.75		\$27,153.73
Storage Room Rental: Generator Area and B104	621.50		621.50		621.50		\$1,864.50
Parking: 240 DMR	452.00		452.00		226.00		\$1,130.00
Insurance: 240DMR	100.00		100.00			100.00	\$300.00
Phone/Fax/Internet: 240DMR	300.00		1,200.00			700.00	\$2,200.00
Cleaners	3,000.00			2,000.00			\$5,000.00
ACRC - Rent for 220 Upper Ramp		9,078.35		9,078.35			\$18,156.70
Bills Paid and Outstanding From 240DMR			4,000.00			120,000.00	\$124,000.00
<i>4789 Yonge Street, Suite 1120</i>							
Deposit: New Office (First & Last & Security Deposit)			44,070.00				\$44,070.00
Refundable Key Deposit: New Office			300.00				\$300.00
Refundable Utility Deposit: New Office			1,000.00				\$1,000.00
Refundable Damage Deposit: New Office			1,000.00				\$1,000.00
Moving Expenses (Labour and Equipment Rental)	4,000.00		5,000.00		15,000.00		\$24,000.00
Furniture and Decorating: New Office					22,000.00		\$22,000.00
Rent: New Office				<i>Deposit Used</i>	14,690.00		\$14,690.00
Parking: New Office					1,400.00	2,800.00	\$4,200.00
Insurance: New Office					50.00	100.00	\$150.00
Phone/Fax/Internet: New Office					150.00	300.00	\$450.00
Phone/Fax/Internet: Installation and Rental Costs					1,700.00	1,700.00	\$3,400.00
IT Support: New Office Contract - Set-up						600.00	\$600.00
Utilities: New Office (Electricity/Gas/Heat & A/C)					500.00	1,000.00	\$1,500.00
Repair AC						24,000.00	\$24,000.00
Office Supplies: Toner, Paper, Stationery	3,500.00		3,500.00			3,500.00	\$10,500.00
Cleaning			200.00			400.00	\$600.00
Salaries: President/Management	20,000.00		20,000.00			20,000.00	\$60,000.00
Salaries: Finance and Accounting Staff (New Hire)	8,000.00		8,000.00			8,000.00	\$24,000.00
Salaries: Office Manager	6,000.00		6,000.00			6,000.00	\$18,000.00
Benefits	2,800.00		2,800.00			2,800.00	\$8,400.00
Travel Expenses: (New Purchases & Business Development)	1,200.00		1,200.00			2,500.00	\$4,900.00
Vehicle: Lease Payments		1,000.00				3,500.00	\$5,500.00
Vehicle: Gas & Maintenance	800.00		800.00			1,800.00	\$3,400.00
Vehicle: Insurance	200.00		200.00			500.00	\$900.00
Hwy 407ETR		400.00			400.00	400.00	\$1,200.00
Consultants: Legal Services (Litigation)	40,000.00		40,000.00			40,000.00	\$120,000.00
Consultants: Financial Planning (Mexico)	15,000.00		15,000.00			15,000.00	\$45,000.00
Consultants: Management and Business Plan (Mexico)	15,000.00		15,000.00			15,000.00	\$45,000.00
Repay Post-Sale Loan from Caruda						50,000.00	\$50,000.00
TOTAL EXPENSES	\$86,334.99		\$63,604.99		\$20,968.25		\$718,564.93
TOTAL Deferred		\$55,978.35		\$133,978.35		\$357,700.00	

Summary:					
Total Expenses	-\$86,334.99		-\$63,604.99		-\$20,968.25
Total - Received from Trustee for Operations	\$100,000.00				
* Total funds received is \$200,000, as per endorsement of Justice Hainey, \$100,000 was to be applied to Pre-April expenses					
Total - Received from Caruda Holdings for Operations		\$50,000.00			
Net Cash:	\$13,665.01		-\$13,604.99		-\$20,968.25
Total Deferred Expenses		-\$55,978.35		-\$133,978.35	
Total Carry-over (sum of Net Cash and Deferred Expenses)		-\$42,313.34		-\$189,896.68	
					-\$568,564.93

APPENDIX

‘C’

Graeme Hamilton

From: David T. Ullmann <DULLMANN@blaney.com>
Sent: June 22, 2018 1:10 PM
To: Graeme Hamilton
Cc: Hans Rizarri; 'Miranda Spence'; Alain Checroune; 'Andy Degan'; Property Management
Subject: Further Payments to 148 in accordance with projections provided
Attachments: TD_Canada_Trust_Cheque.pdf; A Checroune Realty Corporation.pdf; 148 Projected Cash Flow - Supporting Documents (Blaney Response) - 21Jun....pdf; ACRC Realty Transfer to Mexico (Sayco) - 03Apr2018.pdf; Nocha Group 2 - Caruda Holdings - Purchase and Sale Agreement - clean 5 4 18 (1).doc

Importance: High

Follow Up Flag: Follow up
Flag Status: Flagged

Graeme,

Thank you for your email of June 19th.

On behalf of the company we are requesting further amounts in accordance with our comments on the items you added to columns b and c on your list, from the top to the bottom.

- 1) **Lease payments to ACR Realty.** Attached for your reference is the invoice and lease for the 220 Duncan Mills parking premises. It is our understanding that this obligation was not terminated by 148 when the building was sold. As such, the obligation to pay this rent continued to accrue in April and May. In June, the landlord (ACR) was able to mitigate by finding a new tenant and as such the obligation for this rent does not appear in June. Please provide payment for April and May in the aggregate amount of \$18,136. To the extent the trustee can recover these amounts from the purchaser it should do so. We are not aware of what arrangements the trustee did or did not make with respect to this premises as part of its closing of the sale of 240 Duncan Mills.
- 2) **\$124,000 of old expenses:** We understand that the trustee has pledged to pay or has paid all of these amounts. Despite this the company continues to receive daily calls and emails in this regard. We have asked for these funds in order to manage this issue ourselves. You have directed the company to forward these calls to you and that the trustee will attend to it. Please note that the company will object to any fees charged by Crowe Soberman or its counsel with respect to this issue as in 148's view there is no reason the trustee should be involved in providing this service when the company has offered to do it and can do so at no charge. Further 148 expects the trustee to pay all late charges/interest or penalty associated with these expenses (which should have been paid when they were due) out of the trustee's own pocket.
- 3) **\$4000 from the \$124,000.** Below is a chart setting out \$4468 of payments made by 148 in respect of old 240 Duncan Mills debts which were paid by 148 in May. Please add this \$4468 to the amounts payable to the Company. It was previously listed as a May expenses in the amount of \$4000.

1482241 Ontario Limited

Bill Payment List

April 1 - April 30, 2018

Date	#	Supplier	Amount
06.04.2018	4601	HCM Lazerman Inc	-1,563.56
06.04.2018	4602	Staples/Business Depot	-40.67
06.04.2018	4603	WSBI	-96.76
06.04.2018	4604	Receiver General - Payroll	-643.62
06.04.2018	4605	KOC Technologies Inc	-147.63
25.04.2018	4620	407ETR	-21.63
25.04.2018	4625	TD Insurance - Direct Agency Inc	-1,628.00
25.04.2018	4622	Staples/Business Depot	-250.68
25.04.2018	4623	Home Depot Credit Services	.75.31
Total for 1026 TD Bank TR 1043 AC 5208992			-\$ 4,468.36

- 4) **Moving Expenses and Furniture:** Attached are invoices from KNR and Staples with respect to moving services and furniture purchases, which total approximately \$21,000. Further invoices will follow.
- 5) **Air Conditioner Expense:** I am advised that the landlord for the premises has agreed it is responsible for the air conditioning expenses and so this expense is no longer requested by the company and can be deleted from your list.
- 6) **Consultant Expenses:** I attach information related to the SAYCO transaction. As discussed, the SAYCO transaction involves the acquisition of a large mixed loan portfolio by 148. Attached is the SAYCO engagement letter outlining the project. Although the engagement was executed in October, the company was not able to move forward with the project until it completed its due diligence and the building was sold. When that was completed, ACR, on behalf of 148 (since 148 had no funds) advanced \$53,290.30 in early April. Attached is a wire transfer from ACR to SAYCO in that amount dated April 3rd. The amount advanced is owing by 148 to ACR. Attached please find the accounts rendered by SAYCO, which total a further \$113,000 USD owing. Our client converts this obligation to Canadian funds and reaches the amount of \$200,318.50.
- 7) **Caruda Loan:** Attached is a cheque from Caruda deposited into the 148 account in the amount of \$50,000. We note that the cheque is dated June 7th, but it was applied in June to the expenses shown as paid in May.

In light of all of the foregoing, the company is expecting a further cheque or wire from the Trustee in the amount of **\$294,124.56** before COB on Monday.

The funds requested are:

- 1) ACR Lease - **\$18,156.70**
- 2) Moving Expenses: **\$12,208.80**
- 3) Furniture: **\$8,972.20**
- 4) Sayco Invoices and Previous Payments converted to Canadian: **\$200,318.50**
- 5) Caruda Advance: **\$50,000**
- 6) Old Expenses Paid: **\$4,468.36**

The company urgently requires these funds in order to be able to apply them to their obligations in the Rochester transaction which we discussed at the creditors meeting where they have a \$150,000 deposit obligation to meet. A copy of that agreement is also attached (on the understanding it is to be held confidential). In the event the company loses this opportunity as a result of the failure of the trustee to advance these funds, it will look to hold the trustee responsible. The invoices are clear and from third parties and for services rendered to the company. The company has had a reasonable expectation since the proposal was passed to be provided with these funds and has delayed the pending transaction as much as it is able to do while this was resolved. It had a reasonable expectation when it submitted its expenses on June 14th that it would have received

these funds by now and it was within reason for it to make promises in its business in reliance on that expectation.

Regards,

David