



RSM Canada Limited
Licensed Insolvency Trustee

Court File No. CV-22-00688248-00CL

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

BETWEEN:

CITY OF TORONTO

Applicant

-and-

HARRY SHERMAN CROWE HOUSING CO-OPERATIVE INC.

Respondent

SECOND QUARTERLY REPORT OF THE RECEIVER

SEPTEMBER 18, 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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INTRODUCTION

1. By Order of the Ontario Superior Court of Justice (the “**Court**”) dated March 14, 2023 (the “**Appointment Order**”), RSM Canada Limited (“**RSM**”) was appointed receiver and manager (the “**Receiver**”), without security, of all of the assets, undertakings and properties of Harry Sherman Housing Co-operative Inc. (“**HSC**” or the “**Co-op**”) acquired for, or used in relation to a business carried on by HSC, including all proceeds thereof (the “**Property**”). A copy of the Appointment Order can be found on the Receiver’s website located at <http://www.rsmcanada.com/harry-sherman-crowe-housing-co-op>.
2. The Appointment Order authorizes the Receiver to, among other things:
 - (a) take possession and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of, or from, the Property;
 - (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
 - (c) manage, operate, and carry on the business of the Co-op, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Co-op;

- (d) engage consultants, appraisers, agents, experts, auditors, accountants, managers, 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 Receiver's powers and duties, including without limitation those conferred by the Appointment Order; and
 - (e) receive and collect all monies and accounts now owed or hereafter owing to HSC and to exercise all remedies of HSC in collecting such monies, including, without limitation, to enforce any security held by the HSC.
- 3. The Appointment Order empowers the Receiver to borrow by way of revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$500,000 (or such greater amount as the Court may order), for the purpose of funding the administration of the receivership and the exercise of the Receiver's powers and duties.
- 4. Paragraphs 12 and 13 of Appointment Order require the Receiver to:
 - (a) provide quarterly updates to the Applicant Service Manager, which reports shall be shared with the Respondent and its members, to update the Service Manager and, through it, the Housing Provider and its membership, of the actions taken and decisions made by the Receiver in respect of the Property, provided that the information included in such reports shall be in the sole discretion of the Receiver; and

- (b) provide an annual report to the Court, the purpose of which is to advise the Court of the actions taken and decisions made by the Receiver under its appointment.
5. The Appointment Order, together with Court documents related to the receivership proceeding, has been posted on the Receiver's website, which can be found at <http://www.rsmcanada.com/harry-sherman-crowe-housing-co-op>.
6. In accordance with paragraph 2 (d) of the Appointment Order, the Receiver has retained Blaney McMurtry LLP ("**Blaneys**") as its independent legal counsel for this receivership proceeding.

PURPOSE OF THE SECOND REPORT

7. The purpose of this first quarterly report of the Receiver (the "**Second Quarterly Report**") is to update the Service Manager and, through it, the Housing Provider and its membership, of the actions taken and decisions made by the Receiver in respect of the Property.

TERMS OF REFERENCE

8. In preparing this Second Quarterly Report and making the comments herein, the Receiver has relied upon information from third-party sources (collectively, the "**Information**"). Certain of the information contained in the Second Quarterly Report may refer to, or is based on, the Information. As the Information has been provided by other parties or obtained from documents filed with the Court in this matter, the Receiver has relied on the Information and, to the extent possible,

reviewed the Information for reasonableness. However, the Receiver has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information.

9. Unless otherwise stated, all dollar amounts contained in the Second Quarterly Report are expressed in Canadian dollars.

BACKGROUND

10. The background leading up to the appointment of the Receiver can be found in the City of Toronto's application record dated November 10, 2022, which is posted on the Receiver's website at <http://www.rsmcanada.com/harry-sherman-crowe-housing-co-op>.

RECEIVER'S ACTIVITIES TO DATE

11. Please refer to our First Quarterly Report dated June 13, 2023 (posted on the Receiver's website) that sets out the Receiver's Activities from the date of its appointment to June 13, 2023. These activities are not repeated herein and we set out below a summary of the Receiver's activities since June 13, 2023, as follows:
 - (a) Continued working with Community First Developments Inc. ("**CFDI**"), to act as the new independent property and maintenance manager and to provide accounting services for the Co-op. This included, among other things,

continued discussions on the set up of accounting services, preparation of monthly financial statements, rent geared to income calculations and file documentation, urgent repair requests, maintaining essential services (e. g. fire alarm and sprinkler systems, elevator service, garage doors, Bell Canada, HVAC, roof repairs), reinstatement and set up of essential supplier accounts (including CRA HST accounts and filing of requisite returns and review of contracts, etc.), capital expenditure budget, review and revision to the monthly property management reports, review of rental arrears reports, tenant issues, severe rain issue on August 24, 2023 and issues and liabilities arising from the pre-receivership period;

- (b) Corresponded with the former Board of Directors regarding various pre-receivership issues, including access to community room, and attending to correspondence from Betty's Law (counsel to the Board of Directors);
- (c) Attended to correspondence regarding a Small Claims matter against the Co-op and discussion of same with the Receiver's counsel;
- (d) Monitored the Co-op's operating bank account (the "**Operating Account**") to which residents make payments for monthly housing and parking charges by debit machine or electronic funds transfers; follow up of tenants returned items from the bank reports, periodically sweep the Operating account and transfer funds to the Receiver's trust account;
- (e) Attended to revisions of the cash flow projections for the City of Toronto (the "**City**") to obtain additional operating funds on the basis that the projected

cash inflow exceeded the projected cash outflow of the Co-op, including various discussions/ meetings and written correspondence with City representatives regarding the subsidies:

- (f) Continued to review and approve accounts payable and attended to making payments to, among others, various trades, professionals and suppliers, including York University, for provision of goods and services and monthly mortgage payments to MCAP;
- (g) Reviewed and revised the capital repairs and maintenance budget to the City for the subsidies and grants for significant capital repairs required for the Co-op, including ongoing discussions with City representatives;
- (h) Corresponded with CFDI and the auditor on numerous occasions regarding missing accounting information and documentation, going concern issues, and legal matters, to provide additional information to work towards finalizing and releasing the audited financial statements and annual information return for the year-ended June 30, 2022;
- (i) Attended to telephone discussions and written correspondence with the Cooperator's Insurance Company regarding various insurance matters (recovery of deductible paid and unit flood insurance claim) and completion of 2024 insurance renewal questionnaire and scheduling of risk assessment;

- (j) Corresponded with York University regarding review and payment of property taxes, waiving of vacant home tax, utilities, etc.;
- (k) Attended to telephone inquiries from CRA regarding unfiled HST and income tax returns, rebate claims and refunds;
- (l) Attended several virtual Notice to Appear meetings with CFDI and residents with respect to unpaid housing charges;
- (m) Attended to all other administrative matters with respect to the receivership administration, including supervision, all meetings, telephone and virtual attendances and written and verbal correspondence to facilitate the forgoing.

12. All of which is respectfully submitted this 18th day of September, 2023.

RSM CANADA LIMITED

solely in its capacity as Receiver of Harry
Sherman Crowe Housing Cooperative Inc.
and not in its personal or corporate capacity

Per:



Arif Dhanani, CPA, CA, CIRP, LIT
Vice-President