

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

THE MANUFACTURERS LIFE INSURANCE COMPANY

Applicant

- and -

2723 LANCASTER ROAD INC.

Respondent

FIRST REPORT OF THE RECEIVER ON 2723 LANCASTER ROAD INC.

May 27, 2016

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I. INTRODUCTION

1. By Order of the Ontario Superior Court of Justice (Commercial List) (“**Court**”) dated January 5, 2016 (the “**Appointment Order**”), Collins Barrow Toronto Limited (“**CBTL**”) was appointed receiver (the “**Receiver**”), without security, of all of the assets, undertakings and properties of 2723 Lancaster Road Inc. (“**2723**” or the “**Debtor**”) acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the “**Property**”). A copy of the Appointment Order is attached as Appendix “**A**”.
2. The Appointment Order authorizes the Receiver to, among other things:
 - (a) take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
 - (b) manage, operate, and carry on the business of the Debtor, 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 Debtor; and
 - (c) market the Property for sale.
3. In addition, the Appointment Order empowers the Receiver to borrow monies to fund the receivership. Paragraph 21 of the Appointment Order authorizes the Receiver to borrow monies to fund the receivership, from time to time provided that the outstanding principal amount does not exceed \$250,000 (or such greater amount as this Court may by further Order authorize), which advance(s) are secured by way of a fixed and specific charge over the Property (the “**Receiver’s Borrowings Charge**”) as security for the payment of the monies

borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

4. The Court Order referred to in this report together with related Court documents have been posted on the Receiver's website, which can be found at <http://www.collinsbarrow.com/en/toronto-ontario/restructuring-and-recovery-engagements/2723-lancaster-road>.

Purpose of First Report

5. The purpose of this first report of the Receiver (the "**First Report**") is to:
- (a) report to the Court on the activities of the Receiver since the date of the Appointment Order to May 27, 2016;
 - (b) seek the Court's approval of the First Report and the Receiver's conduct and activities described therein;
 - (c) provide the Court with a summary of the Receiver's cash receipts and disbursements for the period January 5, 2016 to April 30, 2016;
 - (d) provide the Court with the Receiver's projected cash flow to August 31, 2016 which demonstrates the Receiver's need for funding to cover the ongoing carrying costs of the Property and costs pertaining to the administration of the receivership; and
 - (e) seek an order increasing the amount that may be borrowed pursuant to Paragraph 21 of the Appointment Order from \$250,000 to \$750,000 effective as of January 5, 2016.

Terms of Reference

6. In preparing this First 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 this First 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 Generally Accepted Assurance Standards pursuant to the CPA Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information.
7. Unless otherwise stated, all dollar amounts contained in the First Report are expressed in Canadian dollars.

II. BACKGROUND

8. 2723 is an Ontario corporation which was incorporated on October 23, 2002 and is a single purpose corporation holding legal title to 2723's sole asset being a two-storied commercial office building located on approximately 1.7 acres located at 2723 Lancaster Road in the City of Ottawa, Ontario.
9. The office building encompasses approximately 37,000 square feet, and has been unoccupied since November, 2014, when the sole tenant moved out.

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10. The Applicant, The Manufacturers Life Insurance Company ("**Manulife**"), is a commercial mortgage lender which advanced \$2,900,000 to 2723 under a mortgage agreement dated November 27, 2002 (which was subsequently renewed in 2010), with the loan secured by a mortgage on the Property amongst other security granted.
 11. When the Debtor was unable to repay the loan when the mortgage matured in August 2015, Manulife issued a notice of intention to enforce security and subsequently took possession and control of the Property with the intention of selling the Property.
 12. As there appeared to be widely divergent opinions of the value of the Property, and possible remedial work required to the Property prior to it being marketed for sale, Manulife sought the appointment of a receiver to realize on the Property in an efficient, open and transparent manner whereby the receiver would be required to seek court approval for the sale of the Property on notice to all interested parties.
 13. On January 5, 2016, pursuant to the Appointment Order, CBTL was appointed as Receiver of 2723.

III. RECEIVER'S ACTIVITIES TO DATE

Possession and Control

14. The Receiver contacted the Debtor's bank, Bank of Montreal ("**BMO**"), on January 6, 2016 to instruct BMO to freeze the Debtor's account and transfer the funds to a trust account that had been set up by the Receiver. BMO advised the Receiver that the Debtor's account was set up in the name of The Regional

Group of Companies ("**Regional**"), the former Property Manager retained by the Debtor, and therefore BMO could not comply with the Receiver's request.

15. The Receiver contacted Regional to request transfer of the funds in the BMO account to the Receiver, which the Receiver understood was approximately \$14,000 and was advised by Regional that the BMO account was held in trust for the beneficial owners of the Property and that 2723 held legal, but not beneficial, ownership of the Property. The Receiver obtained from Regional a copy of the agreement that set out 2723's legal status as bare trustee for the beneficial owners of the Property.
16. The agreement confirmed the Regional's position that the Receiver was not entitled to claim the funds in the Regional bank account. As a result, no funds of 2723 have been transferred to the Receiver and consequently, as is set out later herein, the Receiver has borrowed monies from Manulife in order to administer the receivership.

Property Manager

17. Prior to the appointment of the Receiver, Manulife entered into an agreement with Bridgeport (Comot) Inc. c.o.b. as Bridgeport Realty Management ("**Bridgeport**") whereby Bridgeport agreed to act as Property Manager for the Property (the "**Agreement**"). Subsequent to the Receiver's appointment, the Receiver, Manulife and Bridgeport executed an amendment to the Agreement such that the Receiver became the instructing principal in respect of Bridgeport's responsibilities under the Agreement.

Insurance

18. Prior to the appointment of the Receiver, Manulife had arranged for property and liability insurance for the Property under Bridgeport's umbrella policy. This policy remains in force until December 31, 2016. The Receiver has arranged to be added as an additional insured party and loss payee in respect of the Property under the Bridgeport policy.

Books and Records

19. The books and records for 2723 are in the possession of Regional. The Receiver has obtained from Regional copies of all financial and other information in Regional's possession that the Receiver requires to administer the receivership and market the Property. In the event that the Receiver requires possession of additional records, it will request that Regional provide those records to the Receiver.

Property Taxes

20. On February 4, 2016, the Receiver issued payment of \$92,144.80 to the City of Ottawa in respect of the 2015 property tax arrears.
21. The 2016 Interim Tax bill for \$70,197.16 which was due for payment on March 17, 2016 has not been paid. (NTD – do you need to say why)
22. A property tax vacancy rebate application was filed on the Debtor's behalf for the period November 1, 2014 to December 31, 2015. It is expected that the City of Ottawa will commence its review of property tax vacancy rebate applications in June 2016. It is estimated that the rebate would be 30% of taxes paid on the Property for this period, or approximately \$42,000 to \$49,000. Any rebate would be applied by the City of Ottawa to reduce outstanding property tax arrears.

Appraisal

23. In order to assist it in assessing offers received, the Receiver retained Altus Group to prepare an appraisal to provide an estimate of the current market value of the Property. The Receiver will provide information on the appraisal when the Receiver reports to the Court at a later date on offers that the Receiver receives for the sale of the Property.

Statutory Notices

24. Attached as Appendix "B" hereto is the Notice and Statement of Receiver prepared pursuant to Sections 245(1) and 246(1) of the Bankruptcy and Insolvency Act.

IV. MARKETING AND SALES ACTIVITIES

25. On February 3, 2016, the Receiver retained CBRE Limited ("CBRE") as listing agent to market the Property for sale. Prior to the receivership, CBRE had been approached by Manulife and had entered into a listing agreement with Manulife to sell the Property. As CBRE was familiar with the Property and had already prepared draft marketing materials, the Receiver determined that signing a listing agreement with CBRE was practical and would allow for the marketing campaign to be launched almost immediately.
26. CBRE launched its marketing campaign on February 8, 2016 and that campaign is currently ongoing. Information on the marketing campaign will be provided to the Court when the Receiver reports to the Court at a later date on offers that the Receiver receives for the sale of the Property.

V. RECEIVER'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

27. Attached as Appendix "C" is the Receiver's Interim Statement of Receipts and Disbursements for the period January 5, 2016 to April 30, 2016 (the "R&D"). During this period, receipts were \$13 while disbursements were \$217,879, resulting in a net cash deficit of \$217,866, prior to consideration of advances made to the Receiver by Manulife. As the building is vacant, there is no operating income to cover the Property's current carrying costs.
28. The Receiver's disbursements for the period ending April 30, 2016 include property tax arrears for 2015 of \$92,145, property and liability insurance of \$21,120 and utilities of \$41,287. In addition, the Receiver has incurred carrying costs and professional fees of approximately \$25,270 for which invoices have not yet been presented for payment.
29. In order to pay current and anticipated carrying costs, the Receiver borrowed \$250,000 from Manulife, as follows:
- (a) \$185,000 on February 4, 2016; and
 - (b) \$65,000 on March 17, 2016.
30. The Receiver has issued to Manulife Receiver's Certificates No.1 and No. 2 in respect of the funds advanced.

VI. SECURED OR PRIORITY CLAIMS

31. As of the date of First Report, the Receiver is not aware of any liens or charges registered against the Property other than the Applicant's first mortgage.

VII. RECEIVER'S PROJECTED CASH FLOW

32. Attached hereto as Appendix "D" is the Receiver's Estimated Carrying Costs for the period January 5, 2016 to August 31, 2016 which indicates that total cash requirements will be approximately \$408,000.
33. The Receiver's projected disbursements for the next four months include operating/carrying costs of approximately \$77,000 before HST, and professional fees of \$90,000 before HST, which includes the Receiver's fees associated with the marketing and sale of the Property.
34. Given that the Property has no source of operating income, the Receiver is required to borrow monies from Manulife in order to fund carrying costs for the Property. Based on the anticipated cash shortfall for the next four months, the Receiver needs to borrow at least another \$160,000 to meet estimated cash requirements to August 31, 2016.
35. The Receiver considers it fair and reasonable that the Applicant be fully protected for monies that it advances to the Receiver to fund the administration of the receivership. Accordingly, as the Receiver has reached the limit of \$250,000 that it is empowered to borrow pursuant to paragraph 21 of the Appointment Order, the Receiver is requesting an increase to the borrowing limit set out in the Appointment Order. The Receiver is requesting that the borrowing limit set out in the Appointment Order be increased to \$750,000, out of an abundance of caution, in order to avoid the cost of having to make a second application to Court to increase the borrowing limit in the event a sale transaction

for the Property is not completed by August 31, 2016 and additional funding is required by the Receiver.

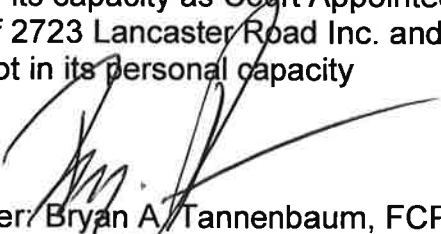
VIII. CONCLUSION

36. The Receiver respectfully requests that the Court grant an Order which provides for the following:

- (a) approving the First Report and the conduct and activities of the Receiver as set out therein;
- (b) approving the R&D; and
- (c) increasing the borrowing limit under Paragraph 21 of the Appointment Order to \$750,000 effective as of January 5, 2016.

All of which is respectfully submitted to this Court as of this 27th day of May, 2016.

COLLINS BARROW TORONTO LIMITED
In its capacity as Court Appointed Receiver
of 2723 Lancaster Road Inc. and
not in its personal capacity



Per: Bryan A. Tannenbaum, FCPA, FCA, FCIRP, LIT
President

APPENDIX A

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE

JUSTICE *C.T. Hackland*

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TUESDAY, THE 5TH

DAY OF JANUARY, 2016

THE MANUFACTURERS LIFE INSURANCE COMPANY

Applicant

- and -

2723 LANCASTER ROAD INC.

Respondent

APPLICATION UNDER Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43

**ORDER
(appointing Receiver)**

THIS APPLICATION made by The Manufacturers Life Insurance Company (the "Applicant") for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing Collins Barrow Toronto Limited as receiver (the "Receiver") without security, of all of the assets, undertakings and properties of 2723 Lancaster Road Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 161 Elgin Street, Ottawa, Ontario.

ON READING the affidavit of Robert Amos sworn December 17, 2015 and the exhibits thereto and the consent of Collins Barrow Toronto Limited to act as the Receiver,

AND UPON HEARING from counsel for the respondent, and upon being advised of the consent of the parties,

SERVICE

1. THIS COURT ORDERS that the time for service of the notice of application and the application record is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, Collins Barrow Toronto Limited is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of 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) to manage, operate, and carry on the business of the Debtor, 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 Debtor;

- (d) to 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 this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and

negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$50,000.00, provided that the aggregate consideration for all such transactions does not exceed \$250,000.00; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause 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, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply;
- (l) 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;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;

- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) 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 Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that

nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including

without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any 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 Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

21. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a 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 \$250,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

22. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

25. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further

orders that a Case Website shall be established in accordance with the Protocol with the following URL <http://www.collinsbarrow.com/en/toronto-ontario/2723-Lancaster-Road>.

26. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

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

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

29. 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 Receiver and its 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 Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

30. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within

proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

32. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of January, 2016.

Collins Barrow Toronto Limited, solely in its
capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name:

Title:

THE MANUFACTURERS LIFE INSURANCE COMPANY

and

2723 LANCASTER ROAD INC.

Applicant

Respondent

Court File No. 15-66931

**ONTARIO
SUPERIOR COURT OF JUSTICE**

PROCEEDING COMMENCED AT
OTTAWA

ORDER

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Lawyers for the Applicant

APPENDIX B

**NOTICE AND STATEMENT OF RECEIVER
(SECTION 245(1) AND 246(1) OF THE ACT)**

In the matter of the receivership of the property of 2723 Lancaster Road Inc. (the "Company")

The receiver gives notice and declares that:

1. On the 5th day of January, 2016, the undersigned Collins Barrow Toronto Limited was appointed as receiver (the "Receiver") in respect of all of the assets, undertakings and properties of the Company, an insolvent person that is described below:

Cash	\$13,963*
Land and building	\$3,804,937*

**These balances represent the book values as at December 31st, 2015, as reported on the company's unaudited internal financial statements.*

2. The undersigned became a receiver in respect of the property described above by virtue of being appointed by the Ontario Superior Court of Justice - Commercial List.
3. The undersigned commenced the exercise of its powers in respect of that appointment on the 5th day of January, 2016.
4. The following information relates to the receivership:

- a) Address of insolvent company: 2723 Lancaster Road, Ottawa, Ontario
- b) Principal line of business: owner of a two-storey office building located at 2723 Lancaster Road, Ottawa, Ontario.
- c) According to the Company's records, the amounts owed by the Company to the creditors who appear to hold a security interest on the property described above include:

The Manufacturers Life Insurance Company	\$2,014,525	Mortgage
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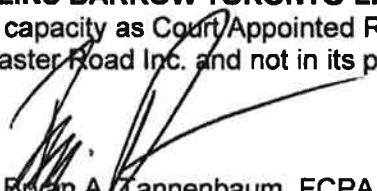
- d) The list of other creditors of the Company and the amount owed to each creditor by the insolvent company is attached. This list has been compiled from information provided by the former property manager retained by the Company and has not been audited or verified.

- e) The Receiver is reviewing the current status of the Company in order to determine the optimal course of action for realizing on the assets.
- f) Contact person for the Receiver:
- Jeffrey Berger
Collins Barrow Toronto Limited
11 King Street West
Suite 700, PO Box 27
Toronto, Ontario M5H 4C7
Telephone: (647) 726-0496
Facsimile: (416) 480-2646
E-mail: jkberger@collinsbarrow.com
- g) Additional information: A copy of the receivership order is posted on the Receiver's website at <http://www.collinsbarrow.com/en/toronto-ontario/2723-Lancaster-Road>. Other pertinent public information will be posted to this website as that information becomes available.

Dated at Toronto this 12th day of January, 2016.

COLLINS BARROW TORONTO LIMITED

In its capacity as Court/Appointed Receiver of 2723
Lancaster Road Inc. and not in its personal capacity


Per: Bryan A. Tannenbaum, FCPA, FCA, FCIRP
President

COLLINS BARROW TORONTO LIMITED
In the Matter of the Receivership of the Property of
2723 LANCASTER ROAD INC.

LIST OF OTHER CREDITORS

Unsecured

City of Ottawa - Property tax	\$ 91,184.43
City of Ottawa - Utilities	1,175.07
ADT Security Services Canada Inc.	353.92
Comsatec Inc.	312.90
Ilott Mechanical Contracting Ltd.	271.20
Security Technical Team Inc.	54.24
Thyssenkrupp Elevator	452.02
Douglas Fire Safety Systems Ltd.	271.20
Bell Canada	94.67
Hydro Ottawa	6,832.66
Stratos Tax Solutions	8,059.54
Total	<u>\$ 109,061.85</u>

Supplementary Mailing List

Merovitz Potechin LLP
Canada Revenue Agency
Ministry of Finance (Ontario)
Office of the Superintendent of Bankruptcy

APPENDIX C

Collins Barrow Toronto Limited
 Court Appointed Receiver of 2723 Lancaster Road Inc.
 Interim Statement of Receipts and Disbursements
 For the period January 5 to April 30, 2016

Receipts	
Interest on bank deposit	\$ 13
Total receipts	\$ <u>13</u>
Disbursements	
Appraisal	\$ 6,350
Insurance	21,120
Operating costs	5,802
Other	370
Property maintenance and repairs	3,388
Property Manager	10,000
Property taxes	92,145
HST/PST paid	13,012
Receiver's fees	23,457
Security	948
Utilities	41,287
Total disbursements	\$ <u>217,879</u>
Excess of Disbursements over Receipts	\$ (217,866)
Advances from secured lender under Receiver's Certificates	\$ <u>250,000</u>
Net cash on hand	\$ <u><u>32,134</u></u>

*This Appendix forms part of the Receiver's Report to the Court dated
 May 27, 2016 and should only be read in conjunction therewith.*

APPENDIX D

This Appendix forms part of the Receiver's Report to the Court dated May 27, 2016 and should only be read in conjunction therewith.

**Collins Barrow Toronto Limited, Court-appointed Receiver of 2723 Lancaster Road Inc.
Estimated Carrying Costs for the Period January 1, 2016 to August 31, 2016
For 2723 Lancaster Road, Ottawa**

Notes	Projected Monthly Cost	Actual		Actual Apr-16	Actual Mar-16	Actual Apr-16	Accrued to Apr-16	Projected May-16	Projected Jun-16	Projected Jul-16	Projected Aug-16	Total
		Pre-Receivership Jan-16	Receivership Feb-16									
Operating costs												
1	\$ 1,083	\$ -	\$ 1,083	\$ 2,167	\$ -	\$ 2,167	\$ -	\$ 529	\$ -	\$ -	\$ -	\$ 5,417
1	529	-	-	-	-	-	-	529	-	529	529	2,117
1	43	-	-	-	948	-	-	43	-	43	43	1,077
1	200	-	-	-	-	-	600	200	200	200	200	1,400
1	240	-	240	240	-	240	480	240	240	240	240	1,920
1	1,152	-	-	-	-	-	1,152	-	-	-	-	1,152
1	690	-	-	-	-	-	690	-	-	-	-	690
2	115	-	104	104	114	104	115	115	115	115	115	897
3	1,500	-	2,551	-	-	-	1,365	1,500	1,500	1,500	1,500	9,916
	-	-	195	225	-	-	-	250	250	-	250	920
Administrative												
4	n/a	-	21,120	-	-	-	-	-	-	-	-	21,120
5	2,000	-	2,000	6,000	-	6,000	2,000	2,000	2,000	2,000	2,000	18,000
	-	-	345	25	25	-	-	100	-	100	-	570
Utilities												
6	8,300	-	14,292	15,105	-	15,105	12,500	12,500	9,200	9,200	9,200	92,690
7	-	-	1,196	-	-	-	-	-	-	-	-	1,196
Total operating costs	\$ 15,852	\$ 21,318	\$ 36,669	\$ 23,841	\$ 1,087	\$ 23,841	\$ 15,750	\$ 18,336	\$ 14,077	\$ 13,927	\$ 14,077	\$ 159,083
Property taxes												
8	-	-	92,145	-	-	-	-	-	-	-	-	92,145
9	-	-	-	-	-	-	-	-	-	-	-	-
Total property taxes	\$ -	\$ 92,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,145
Professional fees												
10	-	-	-	-	-	-	1,000	-	-	-	-	1,000
11	-	-	6,350	-	-	-	-	-	-	-	-	6,350
12	-	-	-	4,057	19,401	4,057	5,200	10,000	10,000	15,000	10,000	73,657
12	-	-	-	-	-	-	-	10,000	10,000	15,000	15,000	40,000
Total professional fees	\$ -	\$ 6,350	\$ 6,350	\$ 4,057	\$ 19,401	\$ 4,057	\$ 6,200	\$ 10,000	\$ 20,000	\$ 30,000	\$ 25,000	\$ 121,007
Subtotal	-	113,463	43,019	27,897	20,488	27,897	21,950	28,336	34,077	43,927	39,077	372,235
PST Payable	-	-	1,690	-	-	-	-	-	-	-	-	1,690
HST payable	-	2,652	2,366	3,656	2,649	3,656	3,320	3,684	4,430	5,711	5,080	33,546
Total estimated cash requirements	\$ -	\$ 116,114	\$ 47,075	\$ 23,137	\$ 23,137	\$ 31,553	\$ 25,270	\$ 32,020	\$ 38,507	\$ 49,638	\$ 44,157	\$ 407,471
Advances from mortgagee	\$ -	\$ 185,000	\$ -	\$ 65,000	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 80,000	\$ -	\$ 430,000
Interest earned on bank balance	-	-	-	13	-	-	-	-	-	-	-	13
Net cash position after funding	\$ -	\$ 68,886	\$ (47,075)	\$ 41,877	\$ (31,553)	\$ (31,553)	\$ (25,270)	\$ 67,980	\$ (38,507)	\$ 30,362	\$ (44,157)	\$ 22,542
Cumulative cash position	\$ -	\$ 68,886	\$ 21,811	\$ 63,687	\$ 32,134	\$ 6,864	\$ 74,844	\$ 36,337	\$ 66,699	\$ 22,542	\$ 22,542	

**Collins Barrow Toronto Limited, Court-appointed Receiver of 2723 Lancaster Road Inc.
Estimated Carrying Costs for the Period January 1, 2016 to August 31, 2016
For 2723 Lancaster Road, Ottawa**

Notes

The projections assume that the Receiver will enter into an agreement of purchase of sale for 2723 Lancaster Road in June, apply for Court approval of the sale in July, and the sale will close in August. However, the projections do not include the receipt of proceeds related to the sale of the property, as that amount is unknown.

- 1 Monthly projected cost based on service contracts signed to date.
Alarm monitoring costs paid in March include installation costs for \$690 and \$258 for monitoring for the period Dec. 22/15 to June 21/16.
Generator semi-annual maintenance is scheduled for March and September. HVAC semi-annual maintenance is scheduled for April and October.
- 2 Monthly projected cost based on invoices received to date.
- 3 Extraordinary items including air dryer replacement (\$2,551) and addressing fire deficiencies identified during the annual fire inspection (\$1,365). Includes a provision of \$1,500 per month for contingencies.
- 4 Annual premium for Insurance coverage for the period December 31, 2015 to December 31, 2016.
- 5 Monthly fee per property management agreement with Bridgeport Realty Management.
- 6 Monthly projected cost based on hydro bill for March 2016 of \$9,158 for charges incurred plus a \$3,250 deposit. Additional deposit instalments of \$3,250 will be required in April and May 2016 as well. The March 3 to April 5 invoice was only \$2,697 as it included a \$6,832.66 credit transferred from the pre-receivership account.
- 7 The December 2015 water bill was \$1,196. The City of Ottawa advised there is a credit balance of approximately \$1,100 as at April 27, 2016 due to a credit given to correct overbilling in prior months. The City of Ottawa has estimated that the monthly water bill should be approximately \$10/month unless there is actual water usage.
- 8 Balance outstanding at December 15, 2015 of \$90,058.70 plus estimated accrued interest.
- 9 Funding for the 2016 interim property tax bill of \$70,197.16 is not included above.
- 10 Fees paid to Altus Group Limited for the cost of preparing the application for the 2015 Property Tax Vacancy Rebate.
- 11 Fees paid to Altus Group for the cost of preparing an appraisal for 2723 Lancaster Road.
- 12 The projected fees for May 2016 include the cost of an application to Court to increase the limit on funds that may be advanced under Receiver Certificates.
The above schedule assumes the property will be sold in the forecast period and includes professional fees associated with an application to the Court for approval of a sale agreement in July and closing of the sale in August.
- 13 Funds advanced by Manulife under Receiver Certificate No. 1 and 2.
- 14 The column titled "Accrued to Apr-16" represents expenses incurred to date for which invoices have not yet been received.

The projected costs are based on assumptions regarding future events and actual results will vary from the information presented, and the variations may be material. Consequently, readers are cautioned that it may not be appropriate for other purposes.