

District of Ontario
Division No.: 09 - Toronto
Estate No. 31-457618
Court No. 31-457618

IN THE MATTER OF THE BANKRUPTCY OF
CARRINGTON HOMES LTD.
OF THE TOWN OF RICHMOND HILL,
IN THE MUNICIPALITY OF YORK
IN THE PROVINCE OF ONTARIO

Trustee's Preliminary Report to the Creditors

BACKGROUND

On December 10, 2013, a Bankruptcy Order was made against Carrington Homes Ltd. ("**Carrington**" or the "**Company**") naming Collins Barrow Toronto Limited as Trustee of the Estate (the "**Trustee**"). The Bankruptcy Order was made pursuant to an Application for Bankruptcy Order issued on the 17th day of May, 2013 by Firm Capital Mortgage Fund Inc. ("**Firm Capital**").

Carrington was a home builder that built homes in Alberta and Ontario. The Company was incorporated in 1982 in Alberta and registered in Ontario in 1986. Mr. George Fernicola is the president of the Company and its sole officer and director. Diane Fernicola, Mr. Fernicola's spouse is the sole shareholder.

Mr. Fernicola stated that the Company has not been operating for the past few years and has no employees. Information on the Company's 2010 corporate tax return indicates that the fiscal year ended August 31, 2009 was the last year of operations in which the Company reported sales of homes.

While Carrington has not been building homes since fiscal 2009, the corporate entity has been maintained to allow the Company to deal with warranty issues / obligations arising from past home developments. Its current mailing address is a post office box in Richmond Hill, while the 2012 corporate tax return shows Mr. Fernicola's home address as the Company's head office and the location of the Company's books and records.

The Company's recent financial results for the year ended August 31, 2013 are set out below:

	2013	2012
REVENUES		
Other income	\$ 11,965	\$ 1,423
Management and administration fees	0	54,000
Share of partnership loss (1)	<u>(111,513)</u>	<u>(52,745)</u>
	<u>(99,548)</u>	<u>2,678</u>
EXPENSES		
Amortization	1,614	2,245
Interest and bank charges	227	342
Office	2,772	906
Automotive	824	0
Miscellaneous	12,684	8,278
Professional fees	<u>53,452</u>	<u>106,138</u>
	<u>71,573</u>	<u>117,909</u>
NET LOSS	<u>\$(171,121)</u>	<u>\$(115,231)</u>

Source: Unaudited financial statements for the year ended August 31, 2013.

(1) According to Note 2 of the 2012 financial statements, the Company is the general partner in a limited partnership known as McLaughlin Road Limited Partnership.

Causes of Insolvency

Mr. Fericola advised the Trustee that the causes of the Company's insolvency are primarily attributable to two factors:

- Negative impact of the 2008 recession resulting in losses of more than \$4 million on two projects; and
- Outstanding judgment in favour of Firm Capital against the Company for an amount in excess of \$3 million which the Company was unable to pay.

As of February 11, 2013, the Company and Mr. Fericola were indebted to Firm Capital in the sum of \$3,175,088.16 with respect to a Judgment of the Queen's Bench of Alberta dated June 4, 2010 in favour of Firm Capital, registered in Ontario by Order dated June 13, 2012. As this amount remained unpaid, an Application for Bankruptcy Orders was brought by Firm Capital against both Carrington and Mr. Fericola.

A Bankruptcy Order was also made against Mr. Fericola on December 10, 2013.

SECTION A: PRELIMINARY EVALUATION OF ASSETS

According to the Statement of Affairs ("**SOA**") sworn by Mr. Fericola, in his capacity as an officer of the bankrupt, the assets of Carrington as at the date of bankruptcy consist of the following:

Cash on hand	\$ 267.62
Accounts receivable	1,963,908.00
Construction trailers	<u>1.00</u>
	<u>\$1,964,176.62</u>

Class II: Fixed Assets, Office Equipment, etc.

Recorded on the Company's balance sheet as at August 31, 2013 are capital assets with a net book value of \$4,353. Mr. Fericola stated that the Company owns three construction trailers, described as follows:

- One trailer that been located for three to four years in Courtice on a construction site. According to Mr. Fericola, the trailer's tires are flat; and
- Two trailers located in Woodbridge for approximately one year. According to Mr. Fericola, the trailers' undercarriage is damaged and the trailers may not be moveable.

Mr. Fericola estimates that the cost of realizing on these assets would exceed the potential sales proceeds.

The Trustee has requested that Mr. Fericola provide details of the make, model and VIN numbers of the trailers, and the addresses where they are located, in order that the Trustee may investigate further the net realizable value of the trailers in order to determine if the Trustee will proceed to realize on the trailers.

Class IV: Books and Records

Mr. Fernicola has advised the Trustee that the books and records of the Company are stored in the garage of his personal residence. The Trustee has requested Mr. Fernicola to deliver to the Trustee the financial records for the past three years. To date, Mr. Fernicola has provided the Trustee with the following:

1. Unaudited August 31, 2012 and 2013 yearend financial statements;
2. 2010, 2011, and 2012 corporate tax returns;
3. Bank statements for the period December 1, 2012 to December 18, 2013 for the Company's account at HSBC Bank Canada; and
4. Bank statement for the month ended January 31, 2013 for the Company's account at CIBC and correspondence from CIBC dated November 27, 2013 indicating that the balance of \$3.67 had been remitted to Canada Revenue Agency in response to a Third Party Demand.

Class V: Other Assets

1) Cash

As of December 18, 2013, the Company had a cash balance of \$267.62 in its bank account at HSBC Bank Canada. Subsequent to the Bankruptcy Order, Mr. Fernicola closed the Company's account on December 18, 2013 and delivered the cash balance to the Trustee.

The Trustee has written to HSBC Bank Canada and CIBC to notify of the bankruptcy and to confirm that no other assets of the Company were held at those institutions.

2) Accounts Receivable

The Company's balance sheet as at August 31, 2013 reflected the following two accounts receivable:

13321707 Alberta Ltd. (<i>affiliated company</i>)	\$ 429,582
Carrington Homes (Courtice) (<i>company under common control</i>)	<u>1,534,326</u>
	<u>\$1,963,908</u>

Mr. Fernicola stated that Carrington made loans to both these entities and that (i) 13321707 Alberta Ltd. is now defunct and has no assets and (ii) Carrington Homes (Courtice) has no assets and is unable to repay the loan.

The Trustee will seek the instructions of the inspector(s) elected at the First Meeting of Creditors with respect to action to be taken concerning the Bankrupt's assets.

SECTION B: CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has taken the steps set out earlier in this report in respect of the assets of the Bankrupt referred to on the SOA.

SECTION C: LEGAL PROCEEDINGS

The Trustee is not involved in any legal proceedings at this time.

Mr. Fernicola stated that several creditors have taken legal action against Carrington and himself with respect to disputed debts. Upon the issuing of the Bankruptcy Order, there is a stay of proceedings and no creditor with a claim provable in bankruptcy has any remedy against the Bankrupt or its property or

may commence or continue any action, execution or other proceedings for the recovery of a claim provable in bankruptcy without leave of the Court, until the Trustee has been discharged.

SECTION D: PROVABLE CLAIMS

The Trustee is not aware of any material changes in the nature of liabilities from that shown on the creditors' list circulated with the notice of the First Meeting of Creditors.

The Claims Register showing proofs of claim filed in this Estate up to the close of business on January 8, 2014 is attached hereto.

SECTION E: SECURED CREDITORS

The Trustee is not aware of any secured claims against the Company. A search under the Ontario Personal Property Security Act registration system did not reveal liens or charges registered against any assets of the Bankrupt.

SECTION F: ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

Based on the information set out in this report, it does not appear that a dividend will be available for distribution to the creditors in this Estate.

SECTION G: TRANSFERS AT UNDERVALUE AND PREFERENCE PAYMENTS

The Trustee has requested from Mr. Fernicola copies of the Company's accounting records for the last three years. To date, the Bankrupt has provided only the information noted in Section A above. The Trustee will conduct a review of the Company's books and records as directed by the inspector(s) elected at the First Meeting of Creditors and will report its findings to the Inspectors.

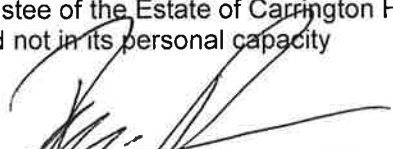
SECTION H: OTHER MATTERS

In addition to the foregoing, the Trustee has the following to report:

1. Firm Capital has agreed to pay for the reasonable professional fees and disbursements of the Trustee for the administration of the bankruptcy estate in the event that there are no realizations in the estate.

Dated at Toronto, Ontario, this 9th day of January, 2014.

COLLINS BARROW TORONTO LIMITED in its capacity as
Trustee of the Estate of Carrington Homes Ltd., a bankrupt
and not in its personal capacity


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

Collins Barrow Toronto Limited**Claims Register**

In the matter of the bankruptcy of
Carrington Homes Ltd.
of the Town of Richmond Hill, in the Municipality of York
in the Province of Ontario

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
Unsecured creditors						
1. Ali/Harris grading deposits	No			2,000.00		
2. Banait grading deposits	No			2,000.00		
3. Belkhair grading deposits	No			2,000.00		
4. Bloom grading deposits	Yes	Admitted		2,000.00	3,480.00	
5. Borea grading deposits	No			2,000.00		
6. Bouwhuis grading deposits	No			2,000.00		
7. Canada Revenue Agency 10082 7203 RC0002	No			1.00		
8. Celenza grading deposits	No			2,000.00		
9. Chau/Kuo grading deposits	No			2,000.00		
10. Chundydyal grading deposits	No			2,000.00		
11. Conte/Cabral grading deposits	No			2,000.00		
12. Craig grading deposits	No			2,000.00		
13. Creview Attn: M. Drudi	No			380,000.00		
14. Darosa grading deposits	No			2,000.00		
15. Demelo grading deposits	No			2,000.00		
16. Dhillion grading deposits	Yes	Not proved		2,000.00	3,480.00	
17. Doick grading deposits	No			2,000.00		
18. Duncan grading deposits	No			2,000.00		
19. Estrela grading deposits	No			2,000.00		
20. Firm Capital Mortgage Fund Inc. Attn: S. Sosnovich	Yes	Admitted		4,000,000.00	3,210,776.88	
21. Gharibyar grading deposits	No			2,000.00		
22. Gill grading deposits	No			2,000.00		
23. Goodmans LLP Attn: K. Crofoot	No			89,000.00		

Claims Register for Carrington Homes Ltd. - Continued

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
24. Gordon grading deposits	No			2,000.00		
25. Gouveia grading deposits	No			2,000.00		
26. Gupta grading deposits	No			2,000.00		
27. Hamil Goldhart Edm Attn: P. Griffin	No			5,000,000.00		
28. Hamil, Toronto Attn: S. Schwartz	No			1,200,000.00		
29. Hariprasaud grading deposits	No			2,000.00		
30. Herrera/Torres grading deposits	No			2,000.00		
31. Ishaq grading deposits	No			2,000.00		
32. Jamil grading deposits	No			2,000.00		
33. Kaczala grading deposits	No			2,000.00		
34. Kaur grading deposits	No			2,000.00		
35. Kumar/Rampal grading deposits	No			2,000.00		
36. Kurdziel/Nippard grading deposits	No			2,000.00		
37. Kurera grading deposits	No			2,000.00		
38. Lakeram grading deposits	No			2,000.00		
39. lawson grading deposits	No			2,000.00		
40. Lekhram grading deposits	No			2,000.00		
41. Lekhram, V grading deposits	No			2,000.00		
42. Letourneau grading deposits	No			2,000.00		
43. Lightbody/Dillon grading deposits	No			2,000.00		
44. Luong grading deposits	No			2,000.00		
45. Ma/Chung grading deposits	No			2,000.00		
46. Marczewski grading deposits	No			2,000.00		
47. Marson grading deposits	Yes	Admitted		2,000.00	3,480.00	
48. McLaughlin Ptrn	No			1,548,000.00		
49. Moira Stephenson Attn: A. Archer	No			350,000.00		
50. Monichan grading deposits	No			2,000.00		
51. Montenegro grading deposits	No			2,000.00		

Claims Register for Carrington Homes Ltd. - Continued

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
52. Muhammad grading deposits	No				2,000.00	
53. Muhammad/Hanif grading deposits	No				2,000.00	
54. Murphy/Mrozek grading deposits	No				2,000.00	
55. Nadarajah grading deposits	No				2,000.00	
56. Nguyen grading deposits	No				2,000.00	
57. Nijher grading deposits	No				2,000.00	
58. Ontario Ministry of Finance	No				1.00	
59. Parkitny grading deposits	No				2,000.00	
60. Perera grading deposits	No				2,000.00	
61. Phillips grading deposits	No				2,000.00	
62. Piccione/Mahadaye grading deposits	No				2,000.00	
63. Plaza grading deposits	No				2,000.00	
64. Rathaur grading deposits	No				2,000.00	
65. Rescigno grading deposits	No				2,000.00	
66. Ritchie grading deposits	No				2,000.00	
67. Sahota grading deposits	No				2,000.00	
68. Sandhu grading deposits	No				2,000.00	
69. Santosuosso grading deposits	No				2,000.00	
70. Saunders grading deposits	No				2,000.00	
71. Sibia grading deposits	No				2,000.00	
72. Singh grading deposits	No				2,000.00	
73. Singh grading deposits	No				2,000.00	
74. Singh, R&K grading deposits	No				2,000.00	
75. Sitnik grading deposits	No				2,000.00	
76. Sturino grading deposits	No				2,000.00	
77. Szymandera grading deposits	No				2,000.00	
78. Tan/Yin grading deposits	No				2,000.00	
79. Thind grading deposits	No				2,000.00	

Claims Register for Carrington Homes Ltd. - Concluded

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
80. Uduehi grading deposits	No			2,000.00		
81. Villa grading deposits	No			2,000.00		
82. Vipulanathan grading deposits	No			2,000.00		
83. Vomero Attn: M. Drudi	No			200,000.00		
84. Westlake Developments Inc.	No			75,000.00		
85. Wiggles grading deposits	No			2,000.00		
86. Williams grading deposits	No			2,000.00		
87. Williams grading deposits	No			2,000.00		
88. Workplace Safety and Insurance Board	No			5,000.00		
Total : Unsecured creditors				12,999,002.00	3,221,216.88	
				Grand Total:	12,999,002.00	3,221,216.88