

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

**CAMERON STEPHENS MORTGAGE CAPITAL LTD .**

Applicant

- and -

**2011836 ONTARIO CORP ., JEFFERSON PROPERTIES LIMITED PARTNERSHIP,  
1000162801 ONTARIO CORP., AMERICAN CORPORATION  
and 1000199992 ONTARIO CORP.**

Respondents

**IN THE MATTER OF AN APPLICATION PURSUANT TO SUBSECTION 243(1) OF THE  
*BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985 c. B-3, AS AMENDED; AND  
SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED**

**SUPPLEMENTAL REPORT TO THE SECOND REPORT OF THE RECEIVER**

(Dated May 1, 2024)

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## I. INTRODUCTION

1. This supplemental report (the “**Supplemental Report**”) is filed to provide an update to the Receiver’s second report to Court dated February 26, 2024 (the “**Second Report**”). This Supplemental Report is filed by Albert Gelman Inc., in its capacity as receiver and manager (the “**Receiver**”) appointed, without security, of all present and future property assets, undertakings of 2011836 Ontario Corp. (“**201Co.**”) and Jefferson Properties Limited Partnership (“**JPLP**” and, together with 201Co., the “**Debtors**”) including the real properties known municipally as 39, 53 and 67 Jefferson Side Road, Richmond Hill, Ontario (the “**Jefferson Properties**”) (or otherwise referred to as the “**Project**”) by Order of the Ontario Superior Court of Justice, Commercial List (the “**Court**”), dated December 21, 2023 (the “**Appointment Order**”), made pursuant to section 243(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3, as amended (“**BIA**”) and section 101 of the *Courts of Justice Act*, R.S.O 1990, c. 43, as amended.
2. The application which resulted in the Appointment Order being granted was commenced by Cameron Stephen Mortgage Capital Ltd. (“**CSMCL**”) as the mortgage administrator on behalf of a lending group (the “**Lending Group**”).

## II. SCOPE AND TERMS OF REFERENCE

3. In preparing this Supplemental Report, the Receiver has obtained and relied upon certain unaudited financial information and records of the Debtors and held discussions with representatives of the following stakeholder groups:
  - a. Elevate Construction Management (“**ECM**”), the current construction manager;
  - b. Glynn Group Incorporated (“**Glynn**”), the cost consultant;
  - c. Cushman & Wakefield and CBRE Limited;
  - d. CSMCL and other secured creditors;
  - e. Berkley Insurance;
  - f. Tarion Warranty Corporation;
  - g. Trades, suppliers and consultants; and
  - h. Home Buyers (defined below) and their legal representatives.

4. The Receiver also relied upon a draft construction budget prepared by ECM, a project budget prepared by Glynn, dated March 11, 2024 (the “**Second Glynn Report**”), and appraisals from each of Cushman & Wakefield and CBRE Limited.
5. CSMCL has worked with ECM and Glynn to prepare a revised project budget (the “**Revised Project Budget**”) which accounts for additional cost savings and increased revenue forecasts since the Second Glynn Report. The Receiver has not fully reviewed and assessed the assumptions used within the Revised Project Budget as it was received on April 18, 2024. Any comments regarding the Revised Project Budget are of a summary nature only.
6. While the Receiver has reviewed the various documents provided, such review does not constitute an audit or verification of such information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises (“**ASPE**”) or International Financial Reporting Standards (“**IFRS**”). Accordingly, the Receiver expresses no opinion or other form of assurance pursuant to ASPE or IFRS or otherwise with respect to such information except as expressly stated herein.
7. This Supplemental Report has been prepared for the purposes described in this report. Accordingly, the reader is cautioned that this Supplemental Report may not be appropriate for any other purpose.
8. Unless otherwise noted, all monetary amounts referenced herein are expressed in Canadian dollars.
9. Any capitalized terms not defined in this Supplemental Report have the meanings ascribed to them in the Second Report.

### **III. PURPOSE OF REPORT**

10. The purpose of this Supplemental Report is to update the Court on the following:
  - a. the construction progress status and the updated construction budget prepared by ECM;
  - b. the Second Glynn Report and the Revised Project Budget;
  - c. the estimated market value of the Jefferson Properties if sold on an “as-is, where-is” basis;

- d. that the Receiver's ability to secure funding to complete construction of the Project is contingent on the disclaimer of the 28 Freehold APSs (as defined below);
- e. the status of deposits received from the pre-sale of 79 units in the Project to home buyers (the "**Home Buyers**");
- f. the Receiver's request to increase the Receiver's Borrowing Charge in order to complete construction of the Project (conditional on the court's approval of the disclaimer of the 28 Freehold APSs);
- g. the re-financing efforts by Mr. Fansay Wang; and
- h. the alternative courses of action available for completion of the Project.

and to seek an order for the following:

- a. approving the Second Report and this Supplemental Report (including the Receiver's Confidential Appendix "I" to this Supplemental Report which include information regarding projected project revenue and costs) and the Receiver's conduct and activities described therein;
- b. authorizing the Receiver to disclaim the 28 agreements of purchase and sale for Freehold Towns (the "**Freehold APSs**") and the associated realty commissions;
- c. increasing the Receiver's Borrowing Charge by \$20,000,000 to a total of \$31,500,000;
- d. approving the Receiver's fees and the fees of its counsel as set out in the Second Report and as described below; and
- e. sealing Confidential Appendices "F", "G", "H" and "I" to the Supplemental Report.

#### **IV. OVERVIEW OF THE RECEIVER'S DELIBERATION ON NEXT STEPS**

- 11. Since the filing of the Receiver's Second Report dated February 26, 2024, the Receiver's view on the feasibility of the available paths forward for the maximization of stakeholder value has evolved in light of new information provided to the Receiver from its consultants and the Debtors' stakeholders.
- 12. Most significantly, CSMCL and the Lending Group, who is responsible for funding the Receiver's completion of the Project, have advised the Receiver that given the increased budget and risk for completing the Project, the Lending Group is not willing to continue

funding the Project unless the Receiver disclaims the Debtors' obligations under the Freehold APSs. In light of this development, the Receiver has determined that seeking the right to disclaim the Freehold APSs, completing the Project and selling (or renegotiating) all of the Freehold Towns at current market prices will maximize value of the Project.

13. This Supplemental Report outlines the analysis leading to the Receiver's recommendation for this proposed course of action, which includes:
  - a. the substantial recent increases in the Project's projected costs;
  - b. the remaining uncertainty (and, therefore, increased risk) regarding the Project's costs;
  - c. the low, "as-is, where-is", current market value of the Project;
  - d. based upon the CSMCL market analysis to generate additional revenue given that current market prices of the Freehold APSs are in excess of the prices at which the Freehold APS were sold by the Debtors; and
  - e. the lack of communication and co-ordination between the developer and the prior construction managers leading to impractical "extras" contemplated in the current Freehold APSs.
14. Given the foregoing, and in recognition of the Lending Group's decision that it will only fund the completion of the Project if the Receiver disclaims the Freehold APSs, the Receiver is of the view that the disclaimer of the 28 Freehold APSs and build out of the Project is the best course of action to maximize value of the Project (while still preserving the existing APSs for the 51 Stacked Condos).
15. Given the considerable due diligence required to properly consider the consequences of this new direction, and the complicated nature of the Project's budget, the Receiver was not in a position to provide stakeholders and the Court with this Supplemental Report regarding this proposed course of action in time to allow all stakeholders an opportunity to meaningfully review and consider this new information in advance of the scheduled May 3, 2024 hearing.
16. Accordingly, in order to provide stakeholders with sufficient time to consider this Supplemental Report, the Receiver is adjourning the hearing to May 27, 2024 at 10:00 am. At this hearing, the Receiver will seek the relief set out in paragraph 10 of this Report.

17. This new return date will permit the Receiver to provide the Court and stakeholders with the most accurate available information underlying its proposed course of action and will ensure that stakeholders have an adequate opportunity to respond to the same.

## V. UPDATE ON CONSTRUCTION PROGRESS

### Tarion and Bulletin 19 Reporting Requirements

18. Registrar Bulletin 19 sets out the requirements for reports and information that builders of ‘Designated Condominiums’ enrolled under the *Ontario New Home Warranties Plan Act* must provide to Tarion through Field Review Consultants (“FRC”). A Designated Condominium includes projects (such as this Project) that has both Part 9 and Part 3 subject to the Ontario Building Code which is a regulation under the *Building Code Act*.

19. Originally, the Stacked Condos as a Part 3 structure was subject to the Bulletin 19 reporting; however, the Receiver understands that as a result of the Debtors changing to its third Construction Manager (from DC&F Corp. to CCL), Tarion required that the Part 9 structures be added to the Bulletin 19 reporting requirements. On or around May 26, 2023, GM Global Inc. (“GM Global”) was engaged as the FRC for this expanded Bulletin 19 reporting. This created increased costs and reporting requirements for the developer.

20. As discussed further below, the diligence and efforts by ECM resulted in Tarion removing the Bulletin 19 requirements for the Part 9 structures.

### Construction Status

21. Enclosed as **Appendix “A”** is a diagram of the proposed Project, which is comprised of nine blocks.

22. Blocks A to F consist of 36 freehold town homes (the “**Freehold Towns**”). As at the date of the receivership, 28 of the 36 Freehold Towns were pre-sold.

23. Blocks G, H and I consist of 60 stacked condominiums (the “**Stacked Condos**”). As at the date of the receivership, 51 of the 60 Stacked Condos were pre-sold.

## **Construction Status Prior to the Temporary Shut Down**

24. As mentioned in earlier reports, the Debtors engaged CCL as the construction manager on July 18, 2023. It was apparent that CCL had limited communication with the Project's consultants of record, which resulted in a cascading number of issues on site.
25. These key issues, findings and concerns are set out in detail at paragraphs 62 to 73 of the Second Report, together with the Receiver's general assessment of the Project. These key findings include at a high-level:
- a. Compliance and safety standards;
  - b. Inadequate financial governance and controls;
  - c. Lack of coherent documentation and communication; and
  - d. The items noted in the SRN deficiency response. A copy is attached as **Appendix "B"**.
26. Based upon the issues identified above, along with the following factors, the Receiver did not renew the CCL contract which expired in January 2024:
- a. the fees provided by CCL for Construction Management fees and Development Fees to complete the Project were cost prohibitive;
  - b. CCL did not provide the Receiver or its Cost Consultant with reliable information required to maintain an accurate Project budget;
  - c. the Receiver noted a level of disorganization from an operational perspective as well as a lack of timely reporting and governance; and
  - d. the Receiver identified approvals by CCL for invoices for certain trades under fixed price contract work that did not agree with the actual quantum of work completed.

## **Construction Status – Health and Safety Matters**

27. As discussed in the Second Report, a temporary shut down of the site occurred on January 24, 2024 in order to address Occupational Health and Safety concerns as well as assess the status



of the Project. A copy of the health and safety audit is enclosed as **Appendix “C”** to the Supplemental Report. This report advises of health issues and unsafe physical conditions at the site.

28. During this shut down and assessment period, ECM worked to address and remedy all items denoted in the report. A subsequent health and safety audit dated April 12, 2024 is enclosed as **Appendix “D”**. This report confirms the remediation of all issues identified except for temporary stairs to provide roof access to the stacked condominium units for Blocks G, H and I. This sole remaining issue has yet to be resolved due to availability of the carpentry trade and will be addressed in short order.

29. In addition to the above, ECM has addressed the following items that were identified as mandatory requirements by the insurance provider:

- a. coordinate the installation and monitoring of the site by LivePatrol, a company which provides remote live video monitoring with advanced technology and software to identify and prevent crime;
- b. mounted fifty fire extinguishers at key access points throughout the Blocks;
- c. arranged for fencing around the entire site; and
- d. arranged for physical security guard monitoring.

### **Re-engaging with the Consultants of Record to Identify Project Deficiencies**

30. After the temporary site shut down described in the Second Report, ECM re-engaged communication with all consultants of record in order to move forward with the constructions of the Project.

31. Specifically, ECM worked with each individual consultant to complete a deficiency audit to ascertain the current Project status and a plan for addressing the deficiencies. A copy of the current compiled deficiency list is enclosed as **Appendix “E”** to the Supplemental Report.

32. ECM advised the Receiver that after careful review of reports prepared by GM Global Inc. (“**GM Global**”) the field review consultant that reports to Tarion about construction and

warranty matters, there were 124 deficiencies related to the Freehold Towns (blocks A through F) and 61 deficiencies in the Stacked Condos (blocks G, H and I).

33. Overall, GM Global was unable to confirm that the installation of various mandatory items was done correctly.
34. As described in the Second Report, there is considerable rework that now needs to be addressed on site in order to get the Project back up to industry standard. This results in increased costs, delays in the construction schedule, delayed occupancy, and long term Tarion warranty risk.
35. As a result of the diligent effort put forth by ECM to re-engage all of the consultants of record and to diligently document the deficiencies and explain the plan moving forward, Tarion agreed to remove certain requirements (Bulletin 19 requirements) for the Freehold Towns on February 15, 2024. The significance of this result is that the inspection and approval is now completed under the Ontario Building Code performed by the City of Richmond Hill

### **Construction Tendering Process**

36. In order to arrive at the current construction budget, ECM and the Receiver's Director of Construction initiated a tendering process for construction of the Project. The tendering process was broken into 12 stages as set out in the below table that includes the expected timelines for completion. The tendering process remains a work in process and the Receiver has not yet awarded or executed any contracts with trades in respect of the Project, except for the Topworks contract. The Topworks contract was awarded in order to complete necessary work during the current down time on the site. The purpose of awarding the Topworks contract was to avoid trades working on top of each other, and, more importantly, to expedite the registration of the traditional Stacked Condo corporation and the Common Elements Condominium Corporation. The registration of these condominium corporations is required before the closing of the Freehold Towns may be completed. Accordingly, it is important to note the construction costs in the budgets upon which the Receiver relies in this report are estimates only.

<b>Process Task</b>	<b>Description</b>	<b>Expected Completion Date</b>	<b>Status</b>
Site Audit	Conduct a site Audit to determine work in place and remediation requirements to develop budgets and validate scopes of work.	Complete	
Drawing Review	Review provided drawings for any coordination concerns such as shop drawings not reflecting plans and/or specifications. Completed a review against what was constructed on site. Results of investigations to be included in scopes of works.	Ongoing	
APS Review	Review provided Purchaser agreements against previous trades contracts to address any outstanding scope gaps to ensure they are included in tendering. Additionally, to compare the Purchaser selections against the current construction on site ie) optional dens and security packages.	Complete	

Scopes of Work	Develop scopes of work for each tender based on fixed-price contracts.	ongoing	63% complete
Qualification Meetings (existing trades)	Meet with existing trades to evaluate qualifications to continue work on the project.	Complete	N/A
Bidders List	Create a list of qualified contractors who meet the balanced criteria of price, production, quality, and safety for a project of this scale and complexity.	Complete	N/A
Request for Interest	Solicit interest from trades listed on the bidder's list to verify their desire and capacity to submit a bid for work on the project.	ongoing	67% Complete
Request for Proposal (Out to Tender)	Send tender packages to interested trades identified on the bidder's list.	Ongoing	55% Complete
Bid Receipt	Receive pricing/bids	Ongoing	48% Complete
Bid Levelling (Tender Qualification)	Evaluate the bids to ensure compliance with the tender package and scope requirements. Ensure trades are providing	Ongoing	48% Complete

	pricing for like products and services.		
Tender Analysis	Evaluate the trade bids against competitive bids and budget.	Ongoing	24%
Recommendation and Endorsement	Bring forward the recommended trade and price for endorsement by the Receiver.	Ongoing	24%
Final Negotiation	Conduct a final negotiation with the endorsed trade.	Not yet started	
Award and Contract execution	Award and execute the contract	Not yet started	

37. The Receiver advises that the construction budget, which is discussed further below, is likely to change once the final tendering is completed and awarded.

**VI. THE UPDATED CONSTRUCTION BUDGET**

38. In order to gain visibility about the potential costs to complete the Project, CSMCL requested that the Receiver and ECM prepare an “anchor” project budget for consideration. The purpose of this anchor budget was to provide a conservative estimated budget for the Project. This is the Project budget set out in the Second Glynn Report. As mentioned previously, a Revised Project Budget was prepared on April 18, 2024 and is the basis for which the Receiver relies with respect to the projected project revenue and the projected project cost to complete.

39. The construction portion of this budget (reflecting the “hard” costs of construction and not including financing and administration expenses) was prepared based upon preliminary

estimates provided by ECM. The Receiver notes that these are estimates only, as ECM continues to:

- a. review and assess the completeness, quality, and compliance of the current sub-trades and/or suppliers;
- b. detail the scope of work to be completed on a trade-by-trade basis, while also capturing the deficiency items noted above; and
- c. prepare and conduct tendering process to level and analyze bids from known and reputable providers to establish the true costs to complete the Project.

40. For ease of reference, the Receiver summarizes in Confidential Appendix “I” the March 11, 2024 construction budget that is included in the Second Glynn Report as compared to the Revised Project Budget prepared on April 18, 2024.

41. The above budget is in accordance with a standard classification system as published by the Construction Specifications Institute, which is an American based national association of construction industry professionals and experts.<sup>1</sup>

42. Based upon this system of categorizing construction costs, the current overall estimated construction budget to complete the Project is approximately \$23,392,533. The Receiver notes that this construction budget to complete the Project is approximately \$5,633,000 (or approximately 32%) higher than the construction budget to complete the Project presented by CCL as the former construction manager.

43. The Receiver places no reliance on this earlier budget based on the following:

- a. ECH and the Receiver’s Director of Construction observed that many sub-trades/suppliers used by CCL were unknown to them. The Receiver understands that many of the service providers did not typically work on projects of this scope, size and magnitude in the Greater Toronto Area homebuilding market;

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<sup>1</sup> [Construction Specifications Institute - Wikipedia](#)

- b. many contracts within the construction budget presented by CCL had scope gaps inconsistent with typical fixed unit price contracts. The Receiver understands that such deficient scopes of work cause risk to the project with cost overruns resulting from future change orders, addendums to the contract, and time and material work requirements;
  - c. many sub-trades provided services based on time and materials rather than under a defined scope of work with a fixed or unit price contract. Additionally, sub-trades were engaged to remedy “deficiency” work on a time and materials basis without being required to provide statements of work or estimates. There was no visible governance or process to forecast or manage costs effectively. As a result, the construction budget has been materially impacted, and the earlier budget provided by CCL is unreliable; and
44. The Receiver understands that the quality of workmanship is deficient in many cases (as described above and in the Second Report) and requires remediation or complete removal and re-work. As such, the costs-in-place contemplated in the CCL budget must be discounted and cannot be relied upon.

## **VII. THE PROJECT BUDGET AND THE SECOND GLYNN REPORT**

45. Glynn are Chartered Quantity Surveyors who were originally retained by Cameron Stephens and have been involved with the Project since August 2022. Glynn have provided Cameron Stephens with, among other things, project cost monitoring services and budget reports since their involvement with the Project began.
46. The overall Project costs are comprised of the hard construction costs from the construction budget (discussed above), as well as all other project soft costs such as financing costs (loan interest), permits, inspections, property taxes, property/construction insurance and professional/consultant fees (architectural, planning, engineering, legal and Receiver’s cost).
47. The Receiver encloses as **Confidential Appendix “F”** the Second Glynn Report dated March 11, 2024. As described above, the Receiver will not be distributing the Second Glynn Report publicly and will be seeking a sealing order from the Court.

## Second Glynn Report - Estimated Project Revenues

48. The Project's estimated revenues are sensitive in nature and could affect the Receiver's sale and marketing efforts if disclosed to the public. As such this information is set out in **Confidential Appendix "I"**.

## Second Glynn Report - Estimated Project Costs

49. The Project's estimated costs are sensitive in nature and could affect the tendering process if disclosed to the public. As such this information is set out in **Confidential Appendix "I"**.

## Proposed Constructions Schedule

50. In the Second Glynn Report, Glynn references ECM's expected number of days to complete the Project on a block-by-block basis. A summary is provided in the table below.

Plan	% Complete	Days to Complete
Freehold		150
Stacked		174
Project		217
Block	% Complete	Days to Complete
A	45%	129
B	30%	113
C	85%	35
D	80%	35
E	60%	35
F	50%	126
G	45%	161
H	45%	154
I	45%	161

51. In addition to the construction of the Freehold Towns and the Stacked Condos, construction of the Project includes the completion of the underground parking facilities, roadworks, and landscaping. This overall construction is expected to take 217 days to complete. The current status of construction is as follows:



- All blocks are framed;
- Windows are installed on all blocks except Block B;
- The façade has been completed on the majority of the Blocks;
- Interior finishing has commenced on Blocks C, D and E; and
- The remaining Blocks are ready to be completed in sequence.

52. The ECM closing schedule anticipates the Freehold Towns to begin to close from October 2024 to April 2025. By doing so, additional interest cost is avoided as closing funds are utilized to re-pay secured indebtedness.

53. The ECM closing schedule anticipates that the Stacked Condos are expected to close in the first quarter of 2025.

#### **Extra Features Requested by Home Buyers**

54. The APSs contemplate a variety of extra features and upgrades that were selected by Home Buyers on an individual basis. As set out below in greater detail, some of these extra features (in particular the rooftop Jacuzzis) cannot be physically supported by the existing structure of seven freehold units. Significant structural changes would be required to these units to accommodate the fulfillment of these extras, rendering them cost prohibitive.

55. Most of the extra features requested by Home Buyers are related to interiors items and are not dependant on structural build. Items typically include the following:

- Fixtures;
- Faucets;
- Tiles;
- Flooring materials; and
- Cabinetry.

56. Seven of the Home Buyers for the Freehold Towns requested a structural upgrade to the roof to support a roof top Hot Tub / Jacuzzi. Accordingly, accommodating this structural upgrade for certain units would mean significant re-work and reinforcement work on these units' roofs joists to add supporting posts/beams.

57. Additionally, seven Freehold Towns Home Buyers requested the installation of a central vacuum system. These systems have not yet been installed in these seven units. In the case of three of these units, the drywall has already been installed. The installation of central vacuum systems in these drywalled units would require the removal and reinstallation of the drywall and other finished materials.
58. The structural changes described above, which would be required to permit the installation of seven Jacuzzis and three central vacuum systems contemplated in the Freehold APSs for these Freehold Towns, are commercially unreasonable in light of the value of the Freehold APSs.
59. A summary of the amounts charged in the APSs with Home Buyers' for the extra feature requests is included in Confidential Appendix "I".
60. The additional costs for providing these upgrades have not been quantified in the construction budget.

## VIII. APPRAISALS

61. The Receiver has requested an, "as-is, where-is" appraisal for the Jefferson Properties from both Cushman & Wakefield (the "**Cushman Appraisal**") and CBRE Limited (the "**CBRE Appraisal**" and, together with the Cushman Appraisal, the "**Appraisals**"). Both realty firms are considered authorities with the valuation of partially completed projects in this market space.
62. The Appraisals are attached to the Supplemental Report as **Confidential Appendix "G"** and **Confidential Appendix "H"**, respectively.
63. Based on the values set out in the Cushman Appraisal and the CBRE Appraisal, if the Jefferson Properties were sold today on an "as-is, where-is" basis, CSMCL would suffer a material loss, with no recovery for any of the Debtors' other creditors.
64. The Cushman Appraisal also provided a projected revenue analysis in the current market for both the Stacked Condos as well as the Freehold Towns. This analysis is summarized in **Confidential Appendix "I"**. According to the Cushman Appraisal, the market value of the

Freehold Towns is higher than the prices contemplated in the Freehold APSs, as described in **Confidential Appendix “I”**.

#### **IX. POSITION OF CSMCL ON BEHALF OF THE LENDING GROUP AND ALTERNATIVE COURSES OF ACTION**

65. As a result of the increased Project costs as set out in the Second Glynn Report and the Revised Project Budget, CSMCL has held multiple meetings and conversations with the Receiver and the Lending Group in order for the Receiver to evaluate the best path forward for the Project.
66. The Lending Group has expressed significant concerns about the feasibility of the Project based upon the current Project budget and the existing sale agreements. Moreover, the Lending Group has concerns that the significant increased costs and risk of building out the Project are not justified given the inherent uncertainty with this Project which is partially built but where the existing construction team had no involvement with the construction to date.
67. The Lending Group has also advised the Receiver that it has completed due diligence on alternative financing and development plans and has not been able to identify any interested parties. Moreover, as set out in more detail below in Section XII, the Receiver has been approached by parties related to Fansey Wang (“**Mr. Wang**”), the principal of the Debtors, with proposals to re-finance the Project. However, to date, the Receiver has not received any credible alternative financing proposals from parties with the requisite financial wherewithal.
68. In light of the foregoing, the Lending Group advised the Receiver that they are not willing to finance the completion of the Project unless the existing 28 Freehold APSs are disclaimed so that they may be resold (or renegotiated) at current market prices.
69. The Receiver is of the view that completing the sale of the current Freehold APSs would result in increased cost and risk and, ultimately, will impact the gross revenue for the Project.
70. First, according to the Cushman Appraisal and the Second Glynn Report, the sale prices of the Freehold Towns under the Freehold APSs is below their projected current market value (once completed) after considering the discount factors used in the Second Glynn Report. The

Receiver understands that this conclusion is supported by the analysis conducted by CSMCL on behalf of the Lending Group.

71. Second, as a result of the lack of coordination and communication between the Developer, construction manager and the sub-trades prior to the appointment of the Receiver, the Receiver is not in a position to provide several of the ‘extras’ contracted for in the Freehold APSs. In many instances, it would be cost prohibitive to demolish and reconstruct units to accommodate features such as:

- a. seven Freehold Towns Home Buyers have contracted for roof top hot tubs. The Receiver understands from discussion with ECM that the current structures on four of these units will not support this amenity and that rectifying these structures would be costly to the Debtors’ estate, given the amount paid by these Home Buyers for this upgrade;
- b. seven Freehold Towns Home Buyers have contracted for central vacuum systems. For three of these units, the Receiver understands that the existing drywall in the units would need to be removed and replaced to install these systems. This would be costly to the Debtors’ estate, given the amount paid by these Home Buyers for this upgrade;
- c. The Receiver understands that 9 Home Buyers’ are currently under a rental agreement with Reliance Comfort (“**Reliance**”) with the remaining 70 Home Buyers’ expecting the outright ownership of same. ECM has reviewed this matter with Reliance and was advised that the cost to outright purchase the equipment that was already delivered is approximately \$850,000. This amount is not currently reflected in the construction budget. A copy of the Reliance buyout statement is enclosed as **Appendix “J”** to the Supplemental Report;
- d. several other examples are set out in the Second Report at paragraph 73 including saunas, steam showers, wine bars, pre-wired theatres and other items which were excluded from the floorplans and architectural drawings, although included in the selections outlined the homebuyers’ respective APSs.

72. In light of the position by the Lending Group and the realities of the Project, the Receiver’s view is that the best path forward is the completion of the Project with the disclaimer of the 28

Freehold APSs to permit the Receiver to enter into new APSs for the Freehold Towns (either with the existing Home Buyers or new purchasers). Notably, disclaiming the 28 Freehold Towns will also affect the realtors' commissions which will no longer be payable.

73. In arriving at the recommendation that the 28 Freehold APSs should be disclaimed and the Project built out, the Receiver considered several different alternatives, including:

Scenario 1 – Sell the Project on an “As-Is, Where-Is” Basis

74. As set out in the Appraisals, the ‘as-is’ value of the Project is significantly less than the amount owing to CSMCL.

75. If the Project were sold on an ‘as-is’ basis, it is highly likely that any prospective purchaser of the Project would require, as a condition of the sale, that all of the existing APSs be disclaimed (or, at a minimum, all of the Freehold APSs be disclaimed). As such, the 28 Home Buyers of the Freehold Towns would not be in any different position than if the Receiver disclaims these Freehold APSs (and it is likely that the Home Buyers of the Stacked Condos would also be facing the disclaimer of their APSs).

76. Under this scenario, the Receiver anticipates that CSMCL would experience a significant loss and no other creditor would receive any distribution. This alternative would produce substantially less value for the Debtors’ estate as a whole (as set out in the Appraisals). In the Receiver’s view, this alternative would result in the worst case outcome for all of the Debtors’ stakeholders.

Scenario 2 – Disclaim Only the 28 Freehold APSs and Complete Construction

77. As noted in this section, the Lending Group advised the Receiver that they are only prepared to fund completion of the Project if the Receiver disclaims the 28 Freehold APSs and re-sells these units at market rates.

78. When comparing the market values in the Cushman Appraisal with the projected revenue in the Second Glynn Report, disclaiming the 28 Freeholds APSs results in a material increase in overall project revenue.

79. In the Receiver's view, the disclaimer of the 28 Freehold APSs is the most minimally disruptive means of completing the Project. This approach secures the funding of the Lending Group, which is crucial to the completion of the Project, while preserving the existing 51 Stacked Condo APSs.

80. Based upon the current information available, the Receiver is of the view that Scenario 2 represents the best outcome for the Debtors' stakeholders by: (i) maximizing the value of the Debtors' estate; (ii) ensuring that the Project is completed; and (iii) to the extent possible, minimally intruding on the existing APSs between the Debtors' and Home Buyers.

## **X. STATUS OF DEPOSITS**

81. In the Second Report, the Receiver provided details related to the deposits received from the 79 Home Buyers pursuant to agreements for purchase and sale ("APS") between JPLP and the respective Home Buyers.

82. In addition, the Receiver prepared and served Notices to each of the Home Buyers advising of the receivership proceedings and summarizing the statutory deposit insurance provided by Tarion. A copy of this notice is attached as **Appendix "K"**.

### **Freehold Towns Deposits**

83. Loopstra Nixon LLP ("**Loopstra**") was retained by the Debtors as real estate counsel to, among other things, register the condominium parcel of tied land ("**POTL**") and the common elements POTL, as well as to assist with closings with Home Buyers. Loopstra has advised the Receiver that the Debtors were not required to keep any portion of the deposits in trust from the sale of the Freehold Towns. The Receiver understands through discussions with the Debtors' representatives and review of the Debtors' books and records that all Freehold Towns deposits have either been invested into the construction of the Project or otherwise spent. The Receiver has not commenced a tracing exercise to determine how these deposits were utilized by the Debtors.

84. The Receiver has determined that if the 28 Freehold APSs are disclaimed, then the total amount of uninsured deposits received from Freehold Towns Home Buyers is approximately \$1.3

million or an average of \$45,000 per Freehold Towns buyer, as summarized in the table below:

Freehold Towns Deposit Summary				
Total Units Sold	Total deposits received	Tarion Deposit Insurance	Uninsured deposits	
		Coverage	Total	Ave/unit
28	4,050,000	2,780,796	1,269,204	45,329

85. Enclosed as **Appendix “L”** is a summary of the uninsured deposits for each of the 28 Freehold APSs by unit number.

86. The Receiver intends to mitigate the potential losses to the Home Buyers of the Freehold Towns by working with the Lender Group with a view to potentially offering Freehold Towns buyers a right of first refusal on new agreements of purchase and sale in respect of the 28 Freehold Towns. The terms of this proposed right of first refusal have not yet been established, as the Receiver awaits approval from the Court on the relief sought herein before taking steps to initiate this course of action.

87. According to the Debtors’ accounting records, the Debtors provided approximately \$2.965 million in collateral funds to Tarion to secure future warranty obligations. To the extent that the Court approves the Receiver’s ability to disclaim the Freehold APSs (and the Receiver thereafter carries out the disclaimer), the Receiver understands that these collateral funds held by Tarion would be applied to fully cover Tarion’s deposit warranty exposure (which the Receiver has determined to be \$2,780,796). This result would leave a surplus of approximately \$185,000 in the collateral funds held by Tarion.

## **XI. FUNDING OF THE RECEIVERSHIP**

88. If the court approves the disclaimer of the Freehold APSs such that the Lending Group is willing to fund the completion of the Project, then the Receiver will require significant additional funding.

89. The Receiver is currently authorized to borrow up to \$11.5 million (the “**Receiver’s Borrowings**”). All of the Receiver’s Borrowings are secured by way of the Receiver’s

Borrowings Charge as against the Property. The Receiver's Borrowings Charge ranks ahead of all other interests in favour of any other Person (as defined in the Appointment Order) except the Receiver's Charge for the Receiver's fees and its legal counsel's fees.

90. At a motion heard on March 4, 2024 (the "**March 4 Hearing**") the Receiver requested an order to increase the Receiver's Borrowings and the Receiver's then-Borrowings Charge from \$9.5 million to \$20.0 million. Mr. Wang, opposed this relief. Wang filed an affidavit sworn March 3, 2024 in respect of his opposition (the "**Wang Affidavit**"). The Wang Affidavit is attached hereto as **Appendix "M"**. Ultimately, on consent of the parties the Honourable Justice Steele issued the March 4 Order to increase the Receiver's Borrowings and the Receiver's Borrowings Charge from \$9.5 million to \$11.5 million while adjourning the balance of the Receiver's motion.
91. Subsequent to the March 4 Hearing, the Second Glynn Report was finalized on March 11, 2024 and the Revised Project Budget was prepared on April 18, 2024.
92. The Receiver is of the opinion that the Revised Project Budget may be achievable provided that all of the assumption therein are met and is the basis for its request for an increase to the Receiver's Borrowings and the Receiver's Borrowings Charge.
93. In light of the foregoing, if the disclaimer of the Freehold APSs is approved, then the Receiver is requesting an increase to the Receiver's Borrowings and the Receiver's Borrowing Charge in the amount of \$20,000,000, from \$11,500,000 to a total of \$31,500,000, in order to have sufficient funds to complete the Project in accordance with the current budget.
94. As the Project construction continues, the Receiver will assess the ongoing situation and review any subsequent reports prepared and provided by Glynn. If additional funding (beyond what is being requested at this time) is required to complete the Project, the Receiver will request a further increase to the Receiver's Borrowings and the Receiver's Borrowings Charge at a future date.
95. To date, the Receiver has borrowed \$9.5 million from CSMCL under Receiver's Certificates (as defined in the Appointment Order) to fund the continued construction of the Project as well as certain other costs and expenses of the receivership administration.



96. The interest rate for the amounts borrowed by the Receiver for the whole of the Receiver's borrowings, including the requested increase, is 3 per cent above the prime commercial lending rate of the Royal Bank of Canada plus a 2 per cent commitment fee on each funding request, which fee shall not accrue interest.

## **XII. RE-FINANCING EFFORTS BY MR. FANSEAY WANG**

97. Mr. Wang has made numerous requests to attend the site with developers, financiers and construction professionals for the purpose of re-financing efforts.

98. Since January 11, 2024, there were four visits to the JPLP site by parties, or their representatives, who expressed an interest in financing or purchasing the JPLP project, in whole or in part.

99. In addition to the foregoing, the Receiver received a fifth request from Dragon Holding Global Real Estate Funds SPC ("**Dragon**") to attend the site. This entity has registered a security interest and a mortgage against the Debtors. The Receiver has received confirmation from the Executive Director at Dragon that Mr. Wang is a Director and Founding Partner of Dragon. The Receiver further confirms that the indebtedness to Dragon is subordinate to CSMCL. The Receiver indicated that it would consider the site attendance request provided that the person attending the site is a party other than Mr. Wang. The Receiver heard nothing further from Dragon.

100. CSMCL has expressed concern over the utilization of the Receiver's time and resources to attend to these requests. In addition, the related costs of addressing inquiries by Mr. Wang is of concern to CMSCL as the senior secured lender.

101. It is the opinion of the Receiver and CSMCL that the chance of re-financing the Project (in full) is remote. To date, the Receiver has not received any viable term sheets or offers from the above parties (or any other party).

## **XIII. CONSTRUCTION LIENS FILED AGAINST THE LANDS**

102. The following trades and suppliers (the "**Lien Claimants**") have registered liens against title to the Jefferson Properties:

Registration Date	Amount	Parties to
December 21, 2023	\$ 112,303	Eco Barriers Inc.
December 21, 2023	\$ 838,295	Leblon Carpentry Inc.
January 10, 2024	\$ 298,808	Vinyl Window Designs Ltd.
January 18, 2024	\$ 49,654	EDG Core Inc.
January 23, 2024	\$ 75,687	Cooper Equipment Rentals Limited
January 25, 2024	\$ 735,918	Core Constructors Ltd.
January 26, 2024	\$ 52,487	Stephenson's Rental Services Inc.
January 29, 2024	\$ 505,524	Rama Ideal Construction Inc.
January 31, 2024	\$ 714,167	Lumber City Inc.
January 31, 2024	\$ 20,084	JCL Concrete Pumping Limited
February 7, 2024	\$ 203,196	P.C. Caulking & Restorations Inc.
February 15, 2024	\$ 809,755	Mendoza, Santiago Alfredo
February 29, 2024	\$ 128,954	Wyecroft Trim and Doors Group Inc.
March 5, 2024	\$ 41,974	Ontario Trucking and Disposal Ltd.
March 7, 2024	\$ 222,330	Maven Group Inc.
March 7, 2024	\$ 84,459	Lala Glass and Railings Ltd.
March 8, 2024	\$ 38,219	Direct Underground Inc.
March 8, 2024	\$ 755,372	Oakdale Drywall & Acoustics Ltd.
March 11, 2024	\$ 197,139	Don Fry Scaffold Service Inc.
March 25, 2024	\$ 473,936	2035755 Ontario Ltd; Metro Air Ltd.; 1822873 Ontario Inc.; Hera Services Inc.; Matthew Merla
March 28, 2024	\$ 310,620	Leblon Carpentry Inc.
<b>Total</b>	<b>\$ 6,668,881</b>	

103. Copies of land title searches are enclosed as **Appendix “N”** and **Appendix “O”** to the Supplemental Report.
104. The Receiver is working with its legal counsel to determine the validity of each lien filed and the Receiver intends to implement a lien claims process in future to address the liens.
105. The Receiver will update the Court with its findings in a future report as these outstanding claims are not currently reflected in the construction budget.

#### **XIV. RECEIVER’S AND LEGAL COUNSEL’S ACCOUNTS**

106. The Receiver and its counsel, Paliare Roland Rosenberg Rothstein LLP (“**Paliare**”), have maintained detailed records of their professional fees and disbursements prior to and since the Appointment Date.
107. In accordance with paragraph 19 of the Appointment Order, the Receiver has been authorized to periodically pay its fees and disbursements, and that of its counsel, subject to approval by the Court.

108. The Receiver has provided services and incurred disbursements in the amount of \$360,809.00 and \$231.06 (all excluding HST), respectively, during the period from February 1, 2024 to March 31, 2024 (the “**Period**”).

109. In the course of performing its duties, the Receiver’s staff has expended a total of 655.1 hours during the Period. The fees of the Receiver are detailed in the affidavit of Bryan Gelman attached as **Appendix “P”** to the Supplemental Report. These amounts represent the time spent by the Receiver and is fair and reasonable in the circumstances.

110. Attached hereto as **Appendix “Q”** is the Affidavit of Beatrice Loschiavo regarding the fees and disbursements of the Receiver’s counsel, Paliare, accompanied by supporting time dockets. From February 1, 2024 to April 30, 2024, Paliare has incurred total fees of \$67,983.86, inclusive of disbursements and HST.

111. The Receiver has reviewed Paliare’s account and dockets and believes that the services have been duly authorized and rendered and that the charges are reasonable given the circumstances.

#### **XV. INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS**

112. As at the date of this Supplemental Report, the Receiver has borrowed \$9,500,000 from CSMCL by means of Receiver’s Borrowing Certificate’s.

113. Enclosed as **Appendix “R”** is the Receiver’s interim statement of receipts and disbursements for the period from December 21, 2023 to April 21, 2024, reflecting the source and use of funds.

#### **XVI. RECEIVER’S RECOMMENDATION**

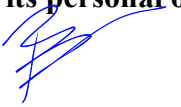
114. Based on the foregoing, the Receiver respectfully requests and recommends that the Court issue an Order granting the relief detailed in paragraph 10 of this Supplementary Report.

All of which is respectfully submitted this 1st day of May 2024

**ALBERT GELMAN INC., solely in its**

**capacity as Court-Appointed Receiver of  
Jefferson Properties Limited Partnership and  
2011836 Ontario Corp., as its general partner  
and not in its personal or corporate capacity**

Per:

  
\_\_\_\_\_  
Bryan Gelman, *CIRP, LIT*  
*Senior Managing Director*

Per:

  
\_\_\_\_\_  
Dan Woo, *CIRP, LIT*  
*Managing Director (Prairies)*