

**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL
DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-039401-100
ESTATE NO.: 41-**

**SUPERIOR COURT
(Commercial Division)**

IN THE MATTER OF THE RECEIVERSHIP OF:

4425529 CANADA INC., a body politic and corporate,
duly incorporated according to law and having its head
office and its principal place of business at:
5300 Côte Saint-Luc Blvd.
Montreal, Québec H3X 0A3

Debtor/Bankrupt

-and-

RSM RICHTER INC.

Receiver

**RECEIVER'S SECOND REPORT ON THE AFFAIRS OF THE DEBTOR/BANKRUPT
(S.246(1))**

RSM Richter Inc., in its capacity as Receiver to the assets of 4425529 Canada Inc. ("Company" or "Debtor" or "Bankrupt"), an insolvent person, hereby submits its second report concerning the affairs of the Debtor.

As previously reported, the significant facts are summarized as follows:

A) Overview

1. The Company, incorporated in May 2007, is owned 80% by 6743307 Canada Inc., a bankrupt company which was part of the Groupe Melior Inc. corporate structure ("Groupe Melior"), and 20% by 9102-6484 Québec Inc.
2. The Company's principal assets comprise of a residential building for seniors, referred to as Residence Vista, located at 5300 Côte Saint-Luc Blvd. Montreal, Quebec (the "Property").
3. The Property's construction was completed in June 2009.
4. The Property is marketed as a residence for seniors, which offers varying levels of services, depending on the mobility and health of the tenants. The Property offers housing to independent/autonomous residents, semi-independent/semi-autonomous residents, as well as long-term care dependent tenants. The Property consists of 226 units, of which 219 are currently leasable.

5. As at September 30, 2012, the Property is still in the lease-up phase and is currently operating at an occupancy rate of 79.4%, including 2 signed leases with future occupancy.
6. In light of the Property's current occupancy rates, the rental revenues have been insufficient to sustain the operating costs and financing charges.
7. The Property was initially managed by Groupe Melior, under the direction of Mr. Jean Maynard, until March 31, 2010, when Cogir Management Corporation/Société de Gestion Cogir, s.e.n.c. ("Cogir" or "Property Manager") was retained to manage the Property.
8. The Company is financed by 1397225 Ontario Limited, the mortgage creditor, represented by Trez Capital.

B) Receivership

9. On August 3, 2010, 1397225 Ontario Limited filed a Motion for the Appointment of a Receiver to the assets of the Debtor and, on August 4, 2010, the Court granted an Order appointing RSM Richter Inc. as Receiver to the assets of the Debtor (the "Receiver Order"), with the powers provided therein.
10. On August 13, 2010, RSM Richter Inc., as Receiver, mailed its Notice and Statement of the Receiver, to all known creditors.
11. Pursuant to the appointment of RSM Richter Inc. as Receiver, Cogir's mandate to manage the Property was confirmed. Cogir's responsibilities include overseeing the Property's "in-house" management team and personnel, providing strategic assistance and guidance in the marketing of the residence as well as for maintaining its books and records.
12. The Receiver, as provided in the Receiver Order, has been monitoring the affairs of the Property, its operations and financial results, based on the information submitted by Cogir. All invoices for current purchases and services provided since the Receiver's appointment have been paid as they come due, as further discussed in Section E of this Report.

C) Bankruptcy

13. On September 20, 2010, as provided for in the Receiver Order, RSM Richter Inc., as Receiver, caused to have 4425537 Canada Inc. file an assignment in bankruptcy in accordance with Article 49 of the *Bankruptcy and Insolvency Act* and RSM Richter Inc. was appointed Trustee to the Bankruptcy ("Trustee").
14. On September 23, 2010, RSM Richter Inc., as Trustee, mailed its Notice and Bankruptcy and First meeting of Creditors, to all known creditors.
15. On September 30, 2010, RSM Richter Inc., as Trustee, issued its Trustee's Report to the First Meeting of Creditors, which was posted on its website and made available to creditors at the First Meeting of Creditors.
16. On October 5, 2010, the First Meeting of Creditors was held and RSM Richter Inc. was confirmed as Trustee.

D) Sale Process

17. In May 2011, the Receiver conducted a sale process. None of the conditional offers received were retained.

E) Statement of Receipts and Disbursements

18. Over the course of the Receivership mandate, the Receiver has been monitoring the operations of the Property, including the review and approval of all invoices and disbursements.
19. The Receiver continues to insure that the outstanding obligations for goods or services received at the Property are paid as they come due.
20. All professional fees incurred for services rendered by Richter relating to the administration of the Receivership and Bankruptcy matters are paid for directly by the mortgage creditor.
21. We refer you to **Exhibit "1"** for the Receiver's Statement of Receipts and Disbursements for the period from August 4, 2010 to August 31, 2012.

DATED AT MONTRÉAL, this 3rd day of October 2012.

RSM Richter Inc.
Receiver



Yves Vincent, FCPA, FCA, CIRP
Administrator

In the Matter of the Receivership of 4425529 Canada Inc. (Residence Vista)
a body politic and corporate, duly incorporated according to law and having its principal place of business at
5300 Côte St-Luc Blvd, Montréal, Québec

| Statement of Receipts and Disbursements | | | |
|--|-------------------------------------|------------------------------------|-------------------|
| | Aug. 4, 2010 to Apr. 30, 2011 | May 1, 2011 to Aug. 31, 2012 | Total |
| Cash Receipts | | | |
| Cash in bank | \$ 229,226 | \$ 56,411 | \$ 229,226 |
| Rental Revenues | 2,274,098 | 6,063,600 | 8,337,698 |
| Other Revenues | 192,662 | 346,199 | 538,861 |
| | <u>2,695,986</u> | <u>6,466,210</u> | <u>9,105,785</u> |
| Cash Disbursements | | | |
| Wages & Levies | 1,172,287 | 2,417,407 | 3,589,694 |
| Management Fees | 106,117 | 290,774 | 396,891 |
| Food | 115,480 | 358,718 | 474,197 |
| Realty Taxes | 473,202 | 717,491 | 1,190,694 |
| Utilities | 214,962 | 432,862 | 647,824 |
| Insurance | 22,623 | 30,071 | 52,694 |
| Marketing, Commissions and Animation | 152,324 | 222,116 | 374,439 |
| Administration | 153,945 | 278,624 | 432,568 |
| Repairs & Maintenance | 133,077 | 283,142 | 416,219 |
| Service Fees/Referral Fees | 7,992 | 11,188 | 19,180 |
| Professional Fees - RSM Richter Inc. | - | - | - |
| Professional Fees - De Grandpré Chait | - | - | - |
| CapEx | 87,567 | 212,795 | 300,362 |
| | <u>2,639,576</u> | <u>5,255,187</u> | <u>7,894,763</u> |
| Net Cash Flow from Operations | 56,411 | 1,211,023 | 1,211,023 |
| Mortgage/Interest Payment | - | - | - |
| Transfer to Receiver's Trust Account | - | 775,000 | 775,000 |
| Cash in operating account | Note 4 <u>\$ 56,411</u> | <u>\$ 436,023</u> | <u>\$ 436,023</u> |

Note 1: The above statement of receipts and disbursements is before consideration of professional fees for services rendered by RSM Richter Inc., as Receiver, and De Grandpré Chait, as legal counsel which are paid directly by 1397225 Ontario Limited.

Note 2: The trade payables, as of August 31, 2012, relating to the operations of the Property are estimated to be approximately \$50,000.

Note 3: No funds have been remitted to the mortgage creditor to cover interest payments.

Note 4: In addition to the available cash on hand of \$436,023 as at August 31, 2012, the Receiver holds, in its trust account, an amount of approximately \$936,814 pertaining to the following:

| | |
|---|-------------------|
| - collection of insurance proceeds | \$ 302,540 |
| - payment of the Clermont settlement claim | (45,000) |
| - payment of 2009 & 2010 municipal taxes | (119,476) |
| - transfer of excess funds from the operating account maintained by Cogir | 775,000 |
| - reimbursement from Revenu Quebec re RAMQ | 15,713 |
| - interests earned, net of bank charges | 8,037 |
| | <u>\$ 936,814</u> |

RSM Richter Inc.
Receiver

Date

October 3rd, 2012

Per: Yves Vincent, FCPA, FCA, CIRP