

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL
DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-039401-100
ESTATE NO.: 41-342575

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

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-

RICHTER ADVISORY GROUP INC.
(Formerly RSM RICHTER INC.)

Receiver

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

Richter Advisory Group Inc. (formerly RSM Richter Inc.) ("Richter"), in its capacity as Receiver to the assets of 4425529 Canada Inc. ("Company" or "Debtor" or "Bankrupt"), an insolvent person, hereby submits its third 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 215 are leasable units.
5. As at February 28, 2013, the Property is still in the lease-up phase and is currently operating at an occupancy rate of 82.8%, including 7 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 Richter as Receiver to the assets of the Debtor (the "Receiver Order"), with the powers provided therein.
10. On August 13, 2010, Richter, as Receiver, mailed its Notice and Statement of the Receiver, to all known creditors.
11. Pursuant to the appointment of Richter 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, Richter, as Receiver, caused to have 4425529 Canada Inc. file an assignment in bankruptcy in accordance with Article 49 of the *Bankruptcy and Insolvency Act* and Richter was appointed Trustee to the Bankruptcy ("Trustee").
14. On September 23, 2010, Richter, as Trustee, mailed its Notice and Bankruptcy and First meeting of Creditors, to all known creditors.
15. On September 30, 2010, Richter, 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 Richter 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 February 28, 2013.

DATED AT MONTRÉAL, this 10th day of April 2013.

Richter Advisory Group Inc.
(Formerly RSM Richter Inc.)
Receiver



Yves Vircent, 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 | Sept 1, 2012 to Feb.28, 2013 | Total |
| Cash Receipts | | | | |
| Cash in bank | \$ 229,226 | \$ 56,411 | 436,023 | \$ 229,226 |
| Rental Revenues | 2,274,098 | 6,063,600 | 2,791,441 | 11,129,139 |
| Other Revenues | 192,662 | 346,199 | 92,836 | 631,698 |
| | <u>2,695,986</u> | <u>6,466,210</u> | <u>3,320,300</u> | <u>11,990,063</u> |
| Cash Disbursements | | | | |
| Wages & Levies | 1,172,287 | 2,417,407 | 1,070,807 | 4,660,500 |
| Management Fees | 106,117 | 290,774 | 136,578 | 533,469 |
| Food | 115,480 | 358,718 | 193,738 | 667,935 |
| Realty Taxes | 473,202 | 717,491 | 31,109 | 1,221,803 |
| Utilities | 214,962 | 432,862 | 154,205 | 802,029 |
| Insurance | 22,623 | 30,071 | 32,318 | 85,012 |
| Marketing, Commissions and Animation | 152,324 | 222,116 | 108,543 | 482,983 |
| Administration | 153,945 | 278,624 | 250,357 | 682,925 |
| Repairs & Maintenance | 133,077 | 283,142 | 146,391 | 562,610 |
| Service Fees/Referral Fees | 7,992 | 11,188 | 8,806 | 27,988 |
| Professional Fees - RSM Richter Inc. | Note 1 - | - | - | - |
| Professional Fees - Stikeman Elliott/De Grandpré Chait | Note 1 - | - | - | - |
| CapEx | 87,567 | 212,795 | 158,977 | 459,339 |
| | <u>2,639,576</u> | <u>5,255,188</u> | <u>2,291,829</u> | <u>10,186,592</u> |
| Net Cash Flow from Operations | 56,411 | 1,211,023 | 1,028,471 | 1,803,471 |
| Mortgage/Interest Payment | Note 3 - | - | - | - |
| Transfer to Receiver's Trust Account | - | 775,000 | 850,000 | 1,625,000 |
| Cash in operating account | Note 4 \$ 56,411 | \$ 438,023 | 178,471 | \$ 178,471 |

Note 1: The above statement of receipts and disbursements is before consideration of professional fees for services rendered by the Receiver and legal counsels which are paid directly by 1397225 Ontario Limited, the mortgage creditor.

Note 2: The trade payables, as of February 28, 2013, relating to the operations of the Property are estimated to be approximately \$150,000.

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 \$178,471 as at February 28, 2013, the Receiver holds, in its trust account, an amount of approximately \$1,786,814 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 | 1,625,000 |
| - reimbursement from Revenu Quebec re RAMQ | 15,713 |
| - interests earned, net of bank charges | 8,037 |
| | <u>\$ 1,786,814</u> |

Richter Advisory Group Inc.

Receiver

Date

April 10, 2013

Per: Yves Vincent, FCPA, FCA, CIRP