

**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL
DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-039687-104
ESTATE NO.: 41-342646**

**SUPERIOR COURT
(Commercial Division)**

IN THE MATTER OF THE RECEIVERSHIP OF:

4425537 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 4425537 Canada Inc. ("Company" or "Debtor" or "Bankrupt"), an insolvent person, hereby submits its report on the affairs of the Debtor.

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

A) Overview

1. The Company, incorporated in May 2007, was owned 60% by 4425545 Canada Inc., a bankrupt company which was part of the Groupe Melior Inc. corporate structure ("Groupe Melior"), and 40% by 4433491 Canada Inc.
2. The Company's principal assets comprised of a residential complex for seniors and its adjacent commercial centers, referred to as Manoir St-Bruno, located at 1465 St-Jacques Street (Phase I), 1575 St-Jacques Street (Phase II), 1540 de Montarville (Phase III and commercial center) and 50 de la Rabastalière (commercial center) (collectively the "Property").
3. The Property consisted of three (3) interconnected buildings and adjacent commercial complexes, marketed as a residence for seniors, which offered varying levels of services, depending on the mobility and health of the tenant. The Property offered 257 leasable units.

4. The Property offered housing to independent or semi-independent residents and the 2nd floor of Phase I was a convalescence floor which offered full-time medical care. Five (5) units of the convalescence floor were rented on a per diem basis for short-term convalescence stays and were not subject to long-term lease agreements.
5. As at October 6, 2010, the Property's 227 residential units (excluding the five (5) per diem convalescence units) were fully rented (100% occupancy). In addition, the Property had 25 commercial spaces available for rent, of which 20 were occupied, resulting in an occupancy rate of 80%.
6. Notwithstanding the Property's occupancy rate, the rental revenues were 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 29, 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 was financed by Royal Bank of Canada ("RBC"), the first ranking secured mortgage lender, and by HSBC Capital ("HSBC"), the second ranking secured mortgage lender.

B) Receivership

9. On October 6, 2010, RBC, with the consent of HSBC, filed a Motion for the Appointment of a Receiver to the assets of the Debtor and on October 7, 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 October 14, 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 included overseeing the Property's "in-house" management teams and personnel, providing strategic assistance and guidance in the marketing of the residence and maintaining the books and records of the Property.
12. The Receiver, as provided in the Receiver Order, monitored 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 were paid as they came due, as further discussed in Section E of this Report.

C) Bankruptcy

13. On February 11, 2011, as provided for in the Receiver Order, Richter, 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 Richter was appointed Trustee to the Bankruptcy ("Trustee").
14. On February 18, 2011, Richter, as Trustee, mailed its Notice and Bankruptcy and First meeting of Creditors, to all known creditors.
15. On March 1, 2011, 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 March 4, 2011, the First Meeting of Creditors was held and Richter was confirmed as Trustee.

D) Sale of Property

17. Further to a lengthy sale process conducted by RBC Capital Market Real Estate Group Inc., which commenced in May 2009, thus prior to Richter's appointment as Receiver, an acceptable Offer to Purchase was submitted on December 7, 2010.

18. On December 14, 2010, the Receiver, with the consent of the mortgage lenders, expressed to the Purchaser his intent to accept the Offer to Purchase, subject to Court approval.

19. On March 1, 2011, RBC, with the consent of HSBC, filed a Motion Seeking the Authorization to Sell Property of the Debtor and the Issuance of a Vesting Order, in accordance with Section 243 of the *Bankruptcy and Insolvency Act*.

20. On March 7, 2011 a Court Order was granted authorizing the Receiver to sell the Property of the Debtor to 7657269 Canada Inc. ("Purchaser") and to take the necessary steps to do so ("Sale Order").

21. On March 16, 2011, pursuant to the Sale Order, the Receiver and the Purchaser concluded the sale transaction and the Deed of Sale was signed and subsequently registered on March 17, 2011.

22. In accordance with the terms of the Offer to Purchase and the Deed of Sale, the Receiver received the proceeds of sale, net of closing adjustments.

23. A portion of the proceeds were retained by the Receiver to:

- satisfy the Receiver's obligations entered into up to and including the date of closing of the sale transaction; and
- satisfy RBC's obligations up to the date of closing of the sale transaction and to the closing of the Receivership and Bankruptcy files.

24. The balance of the proceeds of sale were remitted, as follows:

- firstly, to RBC, first ranking mortgage creditor, to satisfy the secured debt in its entirety; and
- secondly, to HSBC, second ranking mortgage creditor, to satisfy a portion of its secured debt.

E) Statement of Receipts and Disbursements

25. Over the course of the Receivership mandate, the Receiver monitored the operations of the Property, including the review and approval of all invoices and disbursements.

26. As previously mentioned, the sale transaction was completed on March 16, 2011. The Receiver collected and deposited in his Trust account the proceeds of sale, net of closing adjustments.

27. Pursuant to the closing of the sale transaction, the Receiver collected the rents and paid the outstanding obligations for goods or services received at the Property, for the period up to and including March 16, 2011,

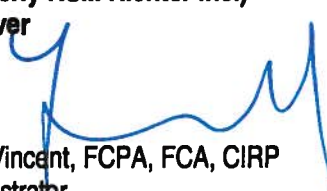
as well as paid the professional fees relating to the administration of the Receivership and the Bankruptcy matters.

28. We refer you to **Exhibit "1"** for the Receiver's Statement of Receipts and Disbursements for the period from October 1, 2010 to February 28, 2013.
29. Since the sale of the Property on March 16, 2011, there has been no other realization of assets.

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

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

Yves Vincent, FCPA, FCA, CIRP
Administratr



In the Matter of the Receivership of 4425537 Canada Inc. (Manoir St-Bruno)
a body politic and corporate, duly incorporated according to law and having its principal place of business at
5300 Côte Saint-Luc Blvd, Montréal, Québec

Statement of Receipts and Disbursements				
	Oct 1, 2010 to May 6, 2011	May 7, 2011 to Sept 30, 2012	Oct.1, 2012 to Feb 28, 2013	Total
Receipts				
Cash in bank	\$ 132,587	\$ 419,046	\$ 11,169	\$ 132,587
Rental Revenues	2,755,057	(1,165)	0	2,753,892
Other Revenues	158,526	3,460	0	161,986
Advance of funds from RBC	166,825	-	-	166,825
Proceeds of Sale	37,800,000	-	-	37,800,000
Interest and others	4,566	3,059	68	7,693
Insurance claim	397,307	29,199	(0)	426,505
Reimbursement of prepaid expenses	14,909	-	-	14,909
	<u>41,429,776</u>	<u>453,599</u>	<u>11,237</u>	<u>41,464,398</u>
Disbursements				
Wages & Levies	766,178	7,322	-	773,500
Management Fees	138,359	8,915	-	147,274
Food	119,249	-	-	119,249
Insurance	30,834	(18,449)	-	12,386
Municipal and School Taxes	333,358	-	-	333,358
Utilities	215,300	(2,101)	-	213,200
Marketing & Commissions	22,975	(6,458)	-	16,517
Administration	110,187	(178)	(4)	110,005
Professional Fees - General	11,613	-	-	11,613
Professional Fees - Receiver	265,659	141,257	-	406,917
Professional Fees - Legal (re: Receivership)	45,331	55,248	2,295	102,874
Professional Fees - Legal (re: construction claim)	44,676	-	-	44,676
Repairs & Maintenance	161,490	1,261	-	162,751
Capital taxes	-	-	-	-
Capex	24,015	-	-	24,015
Transfert of funds to Trustee's account	-	19,513	-	19,513
Repair of water damages	397,697	46,100	-	443,797
	<u>2,686,922</u>	<u>252,430</u>	<u>2,291</u>	<u>2,941,644</u>
Net Cash Flow from Operations	38,742,854	201,169	8,946	38,522,754
Mortgage Payment (RBC)	898,921	-	-	898,921
Mortgage Payout (RBC)	30,480,351	-	-	30,480,351
Mortgage Pay down (HSBC)	6,944,536	190,000	-	7,134,536
Cash on Hand (Note 1)	\$ 419,046	\$ 11,169	\$ 8,946	\$ 8,946

Note 1: Any residual funds, after payment of professional fees, will be remitted to HSBC, as mortgage lender.

Richter Advisory Group Inc.

Receiver

Date

April 10, 2013

Per: Yves Vincent, FCPA, FCA, CIRP

