

RSM Richter Inc.

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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-

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 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, is 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 comprise 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 consists of three (3) interconnected buildings and adjacent commercial complexes, marketed as a residence for seniors, which offers varying levels of services, depending on the mobility and health of the tenant. The Property consists of 257 leasable spaces.

4. The Property offers housing to independent or semi-independent residents and the 2nd floor of Phase I is a convalescence floor which offers full-time medical care. Five (5) units of the convalescence floor are rented on a per diem basis for short-term convalescence stays and are 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 has 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 RSM Richter Inc. as Receiver to the assets of the Debtor (the "Receiver Order"), with the powers provided therein.
10. On October 14, 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 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, 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 February 18, 2011, RSM Richter Inc., as Trustee, mailed its Notice and Bankruptcy and First meeting of Creditors, to all known creditors.
15. On March 1, 2011, 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 March 4, 2011, the First Meeting of Creditors was held and RSM Richter Inc. 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 RSM Richter Inc.'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 September 30, 2012.
29. Since the sale of the Property on March 16, 2011, there has been no other realization of assets.

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 4425537 Canada Inc. (Manoir St-Bruno)
a body politic and corporate, duly incorporated according to law and having its principal place of business at
500 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 | Total |
| Receipts | | | |
| Cash in bank | \$ 132,587 | \$ 419,046 | \$ 132,587 |
| Rental Revenues | 2,755,057 | (1,165) | 2,753,892 |
| Other Revenues | 158,526 | 3,460 | 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 | 7,625 |
| Insurance claim | 397,307 | 29,199 | 426,505 |
| Reimbursement of prepaid expenses | 14,909 | - | 14,909 |
| | <u>41,429,776</u> | <u>453,599</u> | <u>41,464,329</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) | 110,009 |
| 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 | 100,579 |
| Professional Fees - Legal (re: construction claim) | 44,676 | - | 44,676 |
| Repairs & Maintenance | 161,490 | 1,261 | 162,751 |
| 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>2,939,352</u> |
| Net Cash Flow from Operations | 38,742,854 | 201,169 | 38,524,977 |
| 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 | \$ 11,169 |
| Note 1: Any residual funds, after payment of professional fees, will be remitted to HSBC, as mortgage lender. | | | |

RSM Richter Inc.
Receiver

Date

Per: Yves Vincent, FCPA, FCA, CIRP