



COURT FILE NUMBERS 1901 - 18029

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS SUN LIFE ASSURANCE COMPANY OF CANADA, AND THOSE OTHER APPLICANTS SET OUT IN THE ATACHED SCEHDULE "A.1"

RESPONDENTS SUNDANCE PLACE II LTD., SUNDANCE PLANCE II 1000 LIMITED PARTNERSHIP by its general partner SUNDANCE PLACE II LTD., AND THOSE RESPONDENTS SET OUT IN THE ATACHED SCHEDULE "A.2"

PROCEEDINGS IN THE MATTER OF AN APPLICATION UNDER SECTION 47(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT, RSC 1985, c B-3*

AND IN THE MATTER OF AN APPLICATION UNDER SECTION 13(2) OF THE *JUDICATURE ACT, RSA 2000, c J-2*

DOCUMENT **THIRD REPORT OF THE RECEIVER**
February 18, 2020

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INTRODUCTION

1. On December 20, 2019, by order of the Honourable Justice K.M. Horner of the Court of Queen's Bench of Alberta (the "**Court**") (the "**Interim Receivership Order**"), Alvarez & Marsal Canada Inc. (the "**Interim Receiver**") was appointed receiver and manager without security, of the lands and premises legally described in Schedule "C" to the Interim Receivership Order and all of the Debtors' (as defined in the Interim Receivership Order and listed in Schedule "A.2" thereto) present and after-acquired personal property situated on the Lands pursuant to section 47(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 ("**BIA**") and section 13(2) of the *Judicature Act*, RSA 2000, c J-2.
2. On January 27, 2020, the Court granted an order expanding the powers granted to the Interim Receiver in respect of certain of the properties subject to the Interim Receivership Order (the "**Expanded Receivership Order**"). Pursuant to the Expanded Receivership Order, Alvarez & Marsal Canada Inc. became the receiver (the "**Receiver**") of the lands and premises legally described in Schedule "C" to the Expanded Receivership Order. The proceedings referenced herein will hereinafter be defined as the "**Receivership Proceeding**".
3. On February 18, 2020, the corporations identified as the general partners in Part I Schedule "B.2" (the "**Non-Atlantic Debtors**") and Part II of Schedule "B.4" (the "**Atlantic Debtors**") in the Amended and Restated Receivership Order (defined below), served and provided the Court an unfiled Notice of Application seeking to amend and restate the Expanded Receivership Order (the "**Amended and Restated Receivership Order**") to extend the Receiver's appointment and powers in respect of certain Lands and Collateral now defined as the "**Non-Atlantic Property**" and the "**Atlantic Property**" which are referenced in Parts I and II, respectively, of Schedule "C" of the Amended and Restated Receivership Order. The Non-Atlantic Property and the Atlantic Property are hereinafter collectively referred to in the proposed form of Amended and Restated Receivership Order and this third report of the Receiver (the "**Third Report**") as the "**Property**".

PURPOSE OF THE REPORT

4. This Third Report is a special purpose report intended to provide this Honourable Court and relevant stakeholders in the Receivership Proceeding with the following information:
 - (a) the Receiver's comments in respect of certain provisions contained in the Amended and Restated Receivership Order; and
 - (a) an update on the current status of the Receivership Proceeding in particular,

- (i) the Receiver's activities in respect of various property management matters involving the Property;
- (ii) the Termination Certificates (as defined in the Interim Receivership Order) filed to date by select mortgage lenders,
- (iii) the Receiver's current review and consideration of a proposed transaction involving the purchase of Property co-owned by TELUS Pensions Master Trust ("TPMT"), and
- (iv) the Receiver's progress with respect to the development of a proposed sales and investment solicitation process.

AMENDED AND RESTATED RECEIVERSHIP ORDER

5. In respect of the Applicants and the Debtors (as listed in Schedules B.1 and B.2 to the Amended and Restated Receivership Order) and insofar as it relates to the relevant Property, the Interim Receivership Order is to be replaced by the terms of the Amended and Restated Receivership Order.

6. The Amended and Restated Receivership Order is generally consistent with the terms of the Expanded Receivership Order save and except for the inclusion of two additional properties included in the Non-Atlantic Property and the Atlantic Property as follows:

Additional Non-Atlantic Property

- (a) Claridge – a 99 unit apartment complex at 3149 – 151 Avenue, Edmonton, Alberta; and
- (b) Duncan – a 243,498 square foot (including land leases) retail shopping centre located in Duncan, British Columbia; and

Atlantic Property

- (c) Atlantic - a number of apartment complexes and a parcel of land located in Dartmouth, Nova Scotia, Halifax, Nova Scotia, Sydney, Nova Scotia, Glace Bay, Nova Scotia, Kentville, Nova Scotia, and Saint John, New Brunswick.

7. In addition to the foregoing, the proposed terms of the Amended and Restated Receivership Order include provisions at paragraphs 7 and 18 that provide the Receiver with the authorization and power to make certain payments on account of principal and interest on mortgages against the Property as well as to make certain payments and disbursements to the co-owners of certain Property as well as to mortgagees holding mortgage security against properties not subject to the Amended and Restated Receivership Order.

STATUS UPDATE OF RECEIVERSHIP PROCEEDING

Receiver's Activities – Property Management Matters

Property Management Transition

8. Effective January 31, 2020, Colliers Macaulay Nicholls Inc. (“Colliers”) took over the property management function in relation to the Property. In conjunction with Colliers, the Receiver has undertaken the following activities:
- (a) developing operating and capital budgets;
 - (b) addressing daily property management issues;
 - (c) attending to various leasing matters and tenant inquiries;
 - (d) validating and confirming ongoing supplier relationships;
 - (e) commencing the reconciliation of 2019 common area charges;
 - (f) completing the transition of the books and records from Strategic; and
 - (g) transitioning property management for properties no longer in the Receivership Proceeding to third party property managers (see Termination Certificates section below for further details).

Cash Management and Collection of February 2020 Rents

9. The Receiver continues to manage the banking requirements for the Property, which includes the collection of rents and the payment of operating expenses, property management fees and professional fees. The Receiver is currently reviewing all supplier invoices for the provision of services in January 2020, and has been reviewing and processing third party supplier and vendor costs incurred since the date of the Interim Receivership Order.
10. The Receiver, in conjunction with Colliers, continues to reconcile the collection of February 2020 rents and has started following up with the various tenants with respect to rental arrears.
11. The Receiver and Colliers are establishing a series of new bank accounts that will be used for the collection of March 2020 rents and the payment of operating expenses going forward. Tenants can expect correspondence from Colliers in the next two weeks with instructions on where to direct their March 2020 rental payments.
12. Summarized below is a consolidated statement of the cash receipts and disbursements relating to the Property for the period December 20, 2019 to February 14, 2020. Attached hereto as Appendix “A” is a property by property summary of cash receipts and disbursements for the period December 20, 2019 to February 14, 2020. As indicated below,

aggregate cash on hand as of February 14, 2020 was approximately \$15.75 million, inclusive of approximately \$0.8 million of security deposits held in segregated trust accounts.

Receivership of Sundance Place II Ltd., et al, in court action #1901-18029 Consolidated Statement of Cash Receipts and Disbursements CAD\$ December 20, 2019 to February 14, 2020	
Opening Cash Balance	\$ 4,412,861
Receipts	
Rental Income	14,631,675
Security Deposits Received	17,583
Total Receipts	14,649,257
Disbursements	
Strategic Manager Disbursements	1,742,001
Insurance	212,783
Opex, Utilities and G&A	442,043
Security Deposits Repaid	27,059
Receiver's and Receiver's Counsel's Fees	889,144
Total Disbursements	\$ 3,313,031
Operational Cash Flow	11,336,226
Receiver's Borrowings	-
Ending Cash Balance	\$ 15,749,087

Termination Certificates

13. Pursuant to the Interim Receivership Order, the various mortgage lenders had the ability to file a termination certificate with the Court to terminate the Interim Receivership Proceeding in respect of the property against which it holds security ("**Termination Certificates**").
14. As at the filing of this Third Report, Termination Certificates have been filed by certain mortgage lenders in respect of seven properties as follows:
 - (a) Canada ICI - 1112 & 1124 17th Avenue SW, Calgary; AB (known as 1124 Boston Pizza);
 - (b) Canada ICI - 2710 17th Avenue SW, Calgary, AB (known as Deerfoot 17);

- (c) Canada ICI - 6006 & 6012 3rd Street SW, Calgary, AB (known as Macleod 6012);
 - (d) Canada ICI - 10525 170 Street, Edmonton, AB (known as Mayfield Business Centre);
 - (e) Canada ICI - 1013 17th Avenue SW, Calgary, AB (known as Shelbourne Place);
 - (f) MCAP - 1121 Centre Street NW, Calgary, AB (known as Centre Eleven); and
 - (g) RBC – 1210 8th Street SW, Calgary, AB (known as Petro West)
- (collectively, the “**Termination Properties**”).
15. The Interim Receiver is working in conjunction with Colliers to facilitate a transition of control to third party receiver managers and/or property managers of the respective Termination Properties, including all available relevant information and documentation.

Proposed TPMT Transaction

16. TPMT has entered into a confidential term sheet with certain Strategic Group entities which will facilitate an acquisition of 100% of the legal and beneficial interest in the Atlantic Property and Non-Atlantic Property (the “**Proposed TPMT Transaction**”).
17. As part of the Proposed TPMT Transaction, TPMT has also entered into term sheets and/or has confirmed terms on arrangements with affected mortgage lenders to assume or payout the respective mortgage debt registered against the Atlantic Property and Non-Atlantic Property and other related terms.
18. The Receiver has been provided a draft term sheet from TPMT outlining the Proposed TPMT Transaction, whereby the Atlantic Property and Non-Atlantic Property becoming subject to an Amended and Restated Receivership Order and with a view to the Receiver and TPMT entering into a definitive agreement of purchase and sale which contemplates the Receiver seeking a sale approval and vesting order.
19. With the assistance of a third-party real estate advisor, the Receiver is currently performing due diligence in respect of a potential future transaction with TPMT, including, but not limited to, reviewing various financial and appraisal information in respect of the Atlantic Property and Non-Atlantic Property.

Proposed Sales and Investment Solicitation Process

20. The Receiver has requested proposals from real estate brokerages and/or investment bankers with the requisite experience to act as a licensed broker agent and as a strategic real estate advisor (the “**Broker-Advisor**”) to the Receiver in the development of a sales process involving properties other than Atlantic Property and Non-Atlantic Property.

21. The Receiver is currently negotiating the final terms of an engagement letter with a internationally recognized brokerage with deep experience and expertise within the Calgary and broader Alberta market for commercial real estate to act as Broker-Advisor in the development of a sales and investment solicitation process (the "SISP"). The terms and conditions of the Broker-Advisor Agreement will be disclosed to this Honourable Court upon any future application for the approval of the SISP.
22. In conjunction with the Broker-Advisor, the Receiver has drafted a SISP document and presentation outlining a general marketing approach, key dates and timelines and will be disseminating same to applicable mortgage lenders during the week of February 17, 2020 to seek input and feedback as appropriate.

CONCLUDING COMMENT

23. The Receiver is prepared to consent to act as Receiver of the three additional properties described in paragraph 6 above should this Honourable Court grant a form of Amended and Restated Receivership Order as currently proposed. The Receiver will have an appropriate consent available at the hearing of the contemplated application.

All of which is respectfully submitted this 18th day of February 2020.

ALVAREZ & MARSAL CANADA INC.,
In its capacity as Receiver in the Receivership of Sundance Place II, et al., In Alberta Court
of Queen's Bench Action 1901-18029
and not its personal or corporate capacity



Todd M. Martin, CPA, CA, CIRP, LIT
Senior Vice President



Cassie Riglin, CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX A

Summary of Cash by Property

Receivership of Sundance Place II Ltd., et al. in court action #1901-18029										
Actual Receipts & Disbursements										
CAADS, unaudited										
December 20, 2019 to February 14, 2020										
	Receipts			Disbursements						
	Opening Cash		Security	Strategic		Opex,	Receiver and	Security		
Entities	Balance (1)	Net Receipts	Deposits Received	Managers	Insurance	Utilities, and G&A (2)	Receiver's Counsel Fees	Deposits Repaid	Ending Cash	
534	3,191	89,916		(13,889)	(907)	(37)	(11,632)		66,642	
926	121,075	485,960		(54,932)	(3,134)	(8,606)	(15,778)		524,585	
1124 LP (Boston Pizza)	14,128	23,525		(5,023)	(310)	(27)	(11,533)		20,761	
20/20 Building	703,916	1,255,514	-	(101,419)	(4,761)	(15,803)	(39,766)	-	1,797,682	
411 (Calfrac)	25,394	264,337		(25,059)	(1,651)	(3,070)	(12,714)		247,237	
5/5	96,270	575,166		(60,395)	(3,612)	(8,793)	(14,334)		584,302	
744 Capital	14,002	140,350		(31,174)	(1,821)	(4,034)	(12,474)		104,849	
808 LP	1,430	217,112		(36,603)	(2,916)	(7,662)	(19,245)		152,115	
Airways Business Plaza	26,324	227,773		(31,776)	(2,464)	(31,609)	(12,040)		176,210	
Aqua	215,645	361,534	1,247	(43,480)	(2,633)	(4,409)	(22,480)	(1,730)	503,694	
Arriva Podium	369	66,380		(2,044)	(881)	(34,786)	(11,695)		17,343	
Aura 1000	(3)	347,407	747,854	4,711	(30,502)	(2,224)	(96,616)	(20,837)	(5,887)	943,906
Aura 2000 & 3000	(3)	-	-	(32,707)	(2,581)	56,364	(21,076)		-	
Aura 4000	(3)	-	-	(14,870)	(817)	29,924	(14,237)		-	
Avenida Village	196,241	506,790		(50,332)	(3,890)	(7,012)	(30,462)		611,336	
Blackfoot Centre	52,270	375,883		(52,431)	(5,095)	(3,910)	(19,921)		346,796	
Bonavista	98,737	389,052		(41,532)	(2,236)	(8,417)	(24,959)		410,645	
Centre 1000	108,818	262,237		(32,268)	(2,044)	(5,396)	(15,278)		316,069	
Centre Eleven	29,056	296,884		(34,371)	(2,295)	(52,674)	(15,616)		220,985	
Centro	121,661	199,855	120	(18,045)	(1,190)	(10,239)	(16,161)	(524)	275,478	
Deerfoot 17	66,072	243,025		(37,769)	(2,496)	(33,497)	(16,887)		218,448	
Deerfoot Court	77,943	314,161		(46,387)	(2,748)	(6,829)	(14,264)		321,875	
Entro	188,541	295,026	2,712	(25,704)	(2,100)	(3,541)	(20,897)	(701)	433,335	
First Street Plaza	48,587	369,953		(47,674)	(2,635)	(8,360)	(17,777)		342,093	
Glenmore Commerce Court	40,008	265,301		(28,565)	(2,138)	(53,652)	(10,873)		210,079	
Inglewood	119,729	223,915	708	(22,856)	(1,484)	(3,745)	(17,934)	(2,169)	296,165	
Kensington Terrace	62,593	129,478		(13,277)	(682)	(1,771)	(9,740)		166,601	
Louise Block	7,791	79,859		(12,810)	(965)	(3,870)	(9,782)		60,223	
M17	82,308	143,636	5,031	(18,317)	(1,257)	(1,523)	(16,509)	(8,578)	184,792	
Macleod 6012	(3)	-	-	(2,309)	(221)	10,664	(8,135)	-	-	
Macleod Lands (exclhding lots)	(3)	-	-	(2,513)	(388)	12,701	(9,800)		-	
Macleod Place I & II (w/ Lots)	(3)	98,302	812,008	(103,337)	(7,380)	(41,543)	(26,730)		731,320	
Mayfield Business Centre	39,780	289,205		(28,819)	(3,761)	(64)	(18,781)		277,559	
Mission Centre	216,946	420,686		(48,483)	(2,814)	(16,160)	(23,719)		546,455	
One6	154,463	282,068	1,060	(24,416)	(1,903)	(14,099)	(21,408)	(6,068)	369,696	
Parallel Centre	34,166	192,519		(41,082)	(2,979)	(7,717)	-		174,907	
Paramount	49,603	21,211		(9,071)	(1,939)	(5,515)	(11,642)		42,647	
Parkwood	5,959	115,817		(10,613)	(1,498)	(53)	(11,282)		98,330	
Pegasus	9,343	52,435		(2,141)	(83)	(8,575)	(7,896)		43,083	
Petro Fina	57,565	437,245		(108,268)	(5,979)	(21,393)	(27,144)		332,026	
Petro West	10,107	190,789		(18,342)	(1,356)	(14,273)	(12,558)		154,367	
Place 9-6	70,919	507,072		(82,364)	(5,738)	(11,897)	(20,275)		457,717	
Shelbourne Place	18,895	128,490	-	(15,978)	(939)	(58)	(13,490)	-	116,920	
Stella Place	117,753	166,427	1,893	(19,260)	(1,771)	(1,102)	(16,647)	(1,403)	245,890	
Strategic Centre	30,250	56,837		(20,893)	(1,857)	(4,368)	-		59,969	
Sundance 1000	33,526	1,377,904		(68,404)	(6,293)	(27,176)	(45,824)		1,263,733	
Sundance 2000	2,020	196		-	-	-	-		2,215	
Sundance 3000	34,381	39,354		(6,363)	(435)	(3,600)	(10,517)		52,819	
Sundance 4000	21,549	104,900		(7,313)	(493)	(5,429)	(11,577)		101,638	
Sundance 5000	2,423	601		-	-	-	-		3,024	
Sundance 6000	19,517	73,567		(15,548)	(1,175)	(13,847)	(13,400)		49,114	
Sundance Place	275,945	305,902		(85,118)	(6,422)	(15,265)	(17,900)		457,141	
Sunpark Plaza	29,754	17,657		(3,474)	(2,204)	(1,856)	(21,183)		18,695	
Terra Town Homes	108,514	155,605	100	(16,694)	(925)	(1,596)	(14,854)	-	230,150	
Wesley Church	5,397	37,549		(2,426)	(1,038)	(17)	(7,765)		31,700	
Willow Park Centre	96,281	295,157		(32,561)	(2,898)	(2,533)	(19,716)		333,729	
Totals:	\$ 4,412,861	\$ 14,631,675	\$ 17,583	\$ (1,742,001)	\$ (126,453)	\$ (528,373)	\$ (889,144)	\$ (27,059)	\$ 15,749,087	

Note 1: The Receiver notes that total opening cash includes funds held in trust by the entities with respect to certain tenant security deposits.

Note 2: Disbursements in this category include preauthorized debits which were drawn on CWB accounts. The Receiver is working with CWB to reverse these preauthorized debits. This category also includes payment to Encompass for security, snow removal and custodial for the first half of February.

Note 3: The Aura properties and Macleod Place properties are operated using a singular operating bank account for each group of properties.