

COURT FILE NUMBER 1801-04745

COURT COURT OF QUEEN'S BENCH
OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF HILLSBORO VENTURES INC.

DEFENDANT CEANA DEVELOPMENT SUNRIDGE INC.

IN THE MATTER OF THE RECEIVERSHIP OF
CEANA DEVELOPMENTS SUNRIDGE INC.

DOCUMENT **FOURTH REPORT OF THE RECEIVER
OCTOBER 30, 2020**

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TABLE OF CONTENTS OF THE FOURTH REPORT OF THE RECEIVER

INTRODUCTION.....	3
TERMS OF REFERENCE	4
BACKGROUND AND OVERVIEW	5
ACTIVITIES OF THE RECEIVER.....	6
CONSTRUCTION UPDATE	7
HILLSBORO’S SECURITY AND INDEBTEDNESS.....	8
RECEIVER’S BORROWING.....	10
HILLSBORO’S APPLICATION	11
RECEIPTS AND DISBURSEMENTS – SEPTEMBER 5, 2020 TO OCTOBER 23, 2020 ..	20
RECEIVER’S RECOMMENDATIONS.....	21

LISTING OF APPENDICES TO THE FOURTH REPORT OF THE RECEIVER

CONFIDENTIAL APPENDIX 1

Gross Sales Analysis

INTRODUCTION

1. On July 3, 2019 (the “**Receivership Date**”), by order of the Honourable Madam Justice B.E.C. Romaine of the Alberta Court of Queen’s Bench, which was amended and restated on June 17, 2020 by Madam Justice G.A. Campbell of the Alberta Court of Queen’s Bench (the “**Amended and Restated Receivership Order**”), Alvarez & Marsal Canada Inc. was appointed receiver and manager (the “**Receiver**”), without security, of all of Ceana Development Sunridge Inc.’s (“**Ceana**”, the “**Company**”, or the “**Debtor**”) current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the “**Property**”), pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, and sections 13(2) of the *Judicature Act*, RSA 2000, c J-2, 99(a) of the *Business Corporations Act*, RSA 2000, c B-9, and 65(7) of the *Personal Property Security Act*, RSA 2000, c P-7 (such proceedings referred to herein as the “**Receivership Proceedings**”).
2. Section 3 of the Amended and Restated Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business of the Debtor and to take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Debtor, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business.
3. The purpose of this fourth report of the Receiver (the “**Fourth Report**” or “**this Report**”) is to provide this Honourable Court with information in respect of the following:
 - a) the ongoing activities of the Receiver since its Third Report dated September 14, 2020 (the “**Third Report**”);
 - b) a brief update on the Receiver’s construction efforts in respect of the Project (as defined further in this Report);
 - c) an update on the outstanding matters that have not yet been addressed in the Receivership Proceedings (as outlined in prior reports);

- d) an update on the Receiver’s investigation of the quantum of funds advanced and owing to Hillsboro Ventures Inc. (“**Hillsboro**”) and the security review of the Receiver’s counsel, Torys LLP (the “**Receiver’s Counsel**”), respecting Ceana’s indebtedness owing to Hillsboro;
 - e) the Receiver’s comments with respect to Hillsboro’s upcoming application to this Honourable Court seeking relief related to a number of matters; and
 - f) the cash flow results for the period from September 5, 2020 to October 23, 2020 (the “**Reporting Period**”) and the year to date results.
4. Capitalized words or terms not otherwise defined or ascribed a meaning in the Fourth Report are as defined or ascribed a meaning in the Amended and Restated Receivership Order and the prior reports filed by the Receiver (the “**Prior Reports**”).
5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. In preparing this Fourth Report, the Receiver has relied upon: (i) the representations of certain management and other key stakeholders of Ceana; and (ii) financial and other information contained in the Debtor’s books and records, which were produced and maintained principally by the Debtor. The Receiver has not performed an audit, review or other verification of such information.
7. The Receiver has not performed an audit, review or otherwise attempted to verify the accuracy or completeness of the Company’s financial information that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the Chartered Professional Accountants Canada Handbook, and accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CASs in respect of the financial information. Future oriented financial information relied upon in this Report is based on the Receiver’s assumptions regarding future events and actual results achieved will vary from this information and the variations may be materials.

BACKGROUND AND OVERVIEW

8. Ceana's registered business address is 20, 1915 – 32nd Avenue NE, Calgary, Alberta; however, the principal assets of the Company are located at the proposed commercial retail building and land project site location – the address of which is 2255, 32nd Avenue NE, Calgary, Alberta (the "**Project**").
9. Ceana is a private company incorporated in the Province of Alberta. Ceana is wholly owned by Ceana Development Inc., and Ceana Development Inc. is 100% owned by Mr. Bahadur (Bob) Gaidhar ("**Bob Gaidhar**" or "**Mr. Gaidhar**", together with Mrs. Yasmin Gaidhar, the "**Gaidhars**"), who is also the sole director of Ceana.
10. Ceana is an entity that holds title to the land and buildings under construction, herein referred to as the Project. Specifically, the Project is an initiated 40,000 square foot commercial retail condominium development located on approximately 3.45 acres of land (the "**Project Lands**"). When completed, the Project will consist of seven (7) individual buildings, namely, A, B, C, D, E, F and G (collectively, the "**Buildings**"). The proposed number of individual units in the Buildings is currently twenty-three, with approximately 230 on-grade parking stalls.
11. The Project is located in the northeast of Calgary and was designed primarily as a multi-commercial condominium retail space for professional services firms. The Project was approximately 20% completed as at the Receivership Date and, as previously reported in Prior Reports, the Receiver has revised the Project development permit to change Building E from one (1) building to three (3) buildings (namely, Buildings E, F and G) for the reasons set forth in the Second Report of the Receiver (the "**Second Report**"). As described herein, the development of Buildings A through D is referred to as "Phase I" and development of Buildings E, F, and G are referred to as "Phase II".
12. Further background is contained in the Prior Reports and materials filed in support of the Amended and Restated Receivership Order. These documents and other public filed Court materials in these proceedings have been posted on the Receiver's website at: www.alvarezmarsal.com/ceana.

ACTIVITIES OF THE RECEIVER

13. Since the Third Report, the Receiver's activities have included, but are not limited to, the following:

- a) undertaking the day to day management of operations of the Project, including with respect to site supervision, payment for services rendered and approved by the Receiver (including approving change orders) and discussing the same with Executive Flight Centre ("**EFC**"), the prime contractor for the Project;
- b) attending to various phone calls, site visits and in-person meetings with EFC and Quantity Surveying Services International;
- c) continuing the marketing efforts for the Commercial Condominium Units with Barclay Street Real Estate Ltd ("**Sales Agent**"). The Receiver notes that there have been no material updates to the Sales Process since the Third Report;
- d) completing an investigation into the quantum of the indebtedness Ceana owes to Hillsboro, including reviewing information provided by Borden Ladner Gervais LLP ("**BLG**", who was Hillsboro's former legal counsel) and their legal counsel, the Gaidhars, Hillsboro and Dentons Canada LLP ("**Dentons**"), who is Hillsboro's current legal counsel;
- e) numerous communications with Bob Gaidhar, directly or indirectly through his legal counsel, to collect additional information related to the Project and address questions and concerns of the Gaidhars. The Receiver notes that since the Third Report, the Receiver has delivered one (1) letter to the Gaidhars through their counsel, addressing specific questions from the Gaidhars regarding the Third Report, and has attended two (2) conference calls with Mr. Gaidhar and his counsel to discuss purchase/joint venture deposits, the Receiver's analysis of the quantum of Hillsboro's security and answer questions related to the Receivership Proceedings. To date, the Receiver is still waiting for the majority of information requested from Mr. Gaidhar in the Receiver's numerous correspondences (as discussed in Prior Reports) – the

Receiver has been in contact with Bob Gaidhar and his legal counsel to make further arrangements to allow the Receiver to solicit the outstanding information; and

- f) communicating with Connect First Credit Union Ltd. (“**Connect First**”), Hillsboro, including their respective legal counsel, and the Gaidhars, with respect to the Receiver’s progress on the Project and discussing the intended go-forward plan of the Receiver with respect to the Project.

CONSTRUCTION UPDATE

- 14. Since the Third Report, the Receiver, with the assistance of EFC, has continued to progress construction for Phase I and has completed certain additional site work. EFC has advised the Receiver that as at October 23, 2020, the percentage completion for Phase I and site is as follows:

Category	Percentage Completion
Sitework and Excavation	30%
Interior Building Concrete	100%
Building Masonry	95%
Building Metals	100%
Building Woods and Plastics	60%
Building Roofing	90%
Building Windows and Doors	95%
Building Drywall and Painting	90%
Building Mechanical	85%
Building Electrical	80%
Change Orders (including deep service repairs and installation)	95%

- 15. The specific construction activities of EFC (as prime contractor to the Project) since the Third Report have included, but are not limited to, the following:

- a) Building Construction – running electrical lines from Building A to a new transformer location, pulling electrical lines into Buildings B and C and installing mechanical room panels and electrical devices in Buildings A through D. EFC has advised the Receiver that Buildings A to D are

substantially complete as of the date of this Report, and are expected to be fully completed by December 15, 2020.

- b) Site Work – completing rough grade across the entire site (excluding the area where Phase II buildings are located), installing granular fill for the parking area in front of Buildings B, C and D, installing a retaining wall and two transformer bases beside Building A and building a sidewalk in front of Buildings B, C and D.

16. The remaining construction work for Phase I includes, but is not limited to:

- a) pouring asphalt and finishing the parking lot;
- b) completing site landscaping; and
- c) completing the interior/exterior of Buildings A to D.

17. To date, EFC has been unable to pour asphalt as initially planned as additional permits are required from The City of Calgary (the “City”), which are now expected to take 4 – 6 weeks to obtain. The cause of this recent delay was a result of construction scope changes that included adding a fire hydrant in front of Building B (as required by the City) and adding a 6-inch water line to Building C (at the request of 2035043 Alberta Ltd., the purchaser of Building C). EFC now estimates that 60% of the parking lot and all landscaping work included in Phase I will not be fully completed until Spring 2021 as EFC cannot conduct this work in winter conditions; however, the remaining 40% of the paving and completing the sidewalks is expected to be completed by December 15, 2020 so that occupancy permits may be issued by the City on or around December 31, 2020. Obtaining the occupancy permits will allow the Receiver to sell certain of the Condominium Units as discussed in the Third Report.

HILLSBORO’S SECURITY AND INDEBTEDNESS

18. As discussed in Prior Reports, the Receiver’s Counsel has reviewed both Connect First and Hillsboro’s security, and has concluded that the security filed independently for both secured creditors was valid and enforceable against the Company’s Property.

19. With respect to Hillsboro's indebtedness, over the course of the Receivership Proceedings, the Receiver has obtained a variety of information from Hillsboro, Ceana and other parties to confirm the quantum of the Hillsboro claim outstanding. Subject to any further information it receives, the Receiver has now completed its review. In particular, the Receiver requested various information from the Gaidhars, BLG, Hillsboro and Dentons (counsel to Hillsboro) to quantify the Hillsboro indebtedness and reviewed the following:
- a) BLG's and Dentons trust account statements;
 - b) signed Facility Loan Commitment letters and Facility Mortgage Agreements for each of the three mortgage advances;
 - c) signed forbearance agreement between Hillsboro Ventures Inc. and Ceana Development Sunridge Inc. (the borrower) and Bahadur Gaidhar and Yasmin Gaidhar and Ceana Development Westwinds Inc. (the guarantors) dated May 16, 2018;
 - d) the first affidavit of Keith Ferrel dated August 31, 2018 and the second affidavit of Keith Ferrel dated June 21, 2019 (the "**June 2019 Ferrel Affidavit**");
 - e) the unfiled affidavits of Travis McArthur and Patrick Mah (BLG employees who acted for certain entities of the Hillsboro Group);
 - f) a workbook outlining Hillsboro's calculations of interest and fees for each of the three mortgages advances; and
 - g) a workbook outlining the Gaidhars' calculations of interest and fees for each of the three Hillsboro mortgage advances.
20. Based on the Receiver's review of the foregoing information, the Receiver has concluded that the outstanding obligations due to Hillsboro under its mortgage facilities are as follows:

- a) as at June 5, 2019 (the date used to calculate Hillsboro's debt included in the June 2019 Ferrel Affidavit), the amount owing to Hillsboro was approximately \$8.2 million; and
 - b) as at October 31, 2020, the amount owing to Hillsboro was approximately \$11.9 million, which is consistent with the balance said to be outstanding in the October 2020 Ferrel Affidavit (as defined below).
21. The Receiver shared its quantitative analysis of Hillsboro's security with Mr. Gaidhar and his counsel on October 25, 2020 and subsequently discussed the same with Mr. Gaidhar and his counsel on October 27, 2020. Mr. Gaidhar advised that he is not in agreement with the Receiver's findings and believes the quantum of Hillsboro's security is significantly lower. Mr. Gaidhar has advised the Receiver that he will be providing the Receiver with additional evidence to support his position. No information has been provided in this regard as of the date of this Report.
22. The Hillsboro indebtedness of \$11.9 million does not include the loans that Hillsboro it and its related company has provided the Receiver in the Receivership Proceedings as discussed further below.

RECEIVER'S BORROWING

23. Pursuant to paragraph 21 of the Amended and Restated Receivership Order, the Receiver has been empowered to borrow up to \$6,000,000 (or such greater amount as the Court may further order).
24. During the Receivership Proceedings, the Receiver issued the following Receiver's Certificates at a notional rate per annum of 10%:
- a) Receiver's Certificate No. 1 (September 30, 2019): \$195,435.26 to Hillsboro
 - b) Receiver's Certificate No. 2 (October 29, 2019): \$750,000 to Neotric Enterprises Inc. ("**Neotric**"), a related entity to Hillsboro,
 - c) Receiver's Certificate No. 3 (March 9, 2020): \$1,300,000 to Hillsboro;

- d) Receiver's Certificate No. 4 (May 1, 2020): \$1,000,000 to Hillsboro;
 - e) Receiver's Certificate No. 5 (August 13, 2020): \$1,250,000 to Hillsboro
25. The terms of Receiver's Certificate No. 1 – 5, is payable on demand by the lender (Hillsboro or Neotric) with interest calculated and compounded monthly not in advance on the 1st day of each month at a notional rate per annum to the rate equal of 10%.
26. Pursuant to paragraph 21 of the Amended and Restated Receivership Order, Receiver's Certificate No. 1 has a charge over the Property of the Debtors by way of a fixed and specific charge as security for the payment of the monies borrowed, together with interest and charges, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, but subordinate in priority to the Receiver's Borrowings Charge (as defined in the Receivership Order). Notwithstanding, pursuant to paragraph 23 of the Amended and Restated Receivership Order, the Receiver's Borrowing Charge shall rank subordinate in priority and payment to the security interests of Connect First and the Receiver's Charge and the fees and costs related thereto.
27. Effective November 1, 2020 the Receiver has issued \$4,495,435.26 in Receiver's Certificates. With compounding interest, the total borrowings is \$4,762,334.62 and is payable as follows:
- a) Hillsboro: \$3,932,893.65, which comprise of \$3,745,435.26 in principal advance plus \$187,458.39 in accrued interest; and
 - b) Neotric: \$829,440.97, which comprise of \$750,000 principal advance plus \$79,440.97 in accrued interest

HILLSBORO'S APPLICATION

Overview

28. The Receiver has reviewed the filed Hillsboro application and affidavit of Mr. Keith Ferrel sworn October 26, 2020 (the "**October 2020 Ferrel Affidavit**"), which have been filed

with this Honourable Court in support of Hillsboro’s application that is scheduled to be heard on November 2, 2020 (the “**Hillsboro Application**”).

29. The Receiver understands that Hillsboro Application seeks the following relief:

- a) lifting the stay of proceedings as granted pursuant to the Receivership Order in favour of Hillsboro, *nunc pro tunc*, to enable Hillsboro to bring forward their application and approve and consummate the sales transaction described in the proposed Sales Approval Order appended as Schedule “D” to the Hillsboro Application (the “**Proposed Sales Approval Order**”);
- b) approving the Hillsboro offer to purchase the Project for approximately \$17.7 million, which consists of a combination of cash (\$3 million), an assumption of its secured debt (\$6 million), an assumption of Connect First’s secured debt (\$3.9 million) and advancement of Receiver’s borrowings (\$4.8 million);
- c) approving the Restricted Court Access Order attached as Schedule “C” to the Hillsboro Application, to seal the confidential affidavit of Keith Ferrel sworn October 26, 2020 until November 2, 2022 or until otherwise ordered by the Court, which includes the unredacted Affidavit of Value and Valuator’s Report prepared by Altus Group;
- d) declaring that Hillsboro’s mortgages and related security, as amended from time to time, over the assets, properties and undertakings of Ceana are valid and enforceable;
- e) granting judgment in favour of Hillsboro in respect of Ceana for amounts owing by Ceana pursuant to the facility documents;
- f) declaring the amount owing to Hillsboro in respect of the amounts loan by Hillsboro to the Receiver pursuant to the terms of the Receivership Order;
- g) declaring that Hillsboro shall not, by completion of the sales transaction, have liability of any kind whatsoever in respect of any Claims against Ceana;

- h) vesting in Hillsboro, or its nominee, the Project Lands and all improvements, structures, fixtures, property, applications, plans, permits, licenses, approvals, deposits, and letters of authorization of Ceana associated with the Project Lands free and clear of all encumbrances except for the permitted encumbrances noted therein;
- i) assignment of the Presale Contracts and Presale Deposits, as defined and set out in Schedule “E” of the Proposed Sales Approval Order to Hillsboro;
- j) directing The City of Calgary to transfer certain building permits and development permits to Hillsboro, or its nominee; and
- k) declaring that Hillsboro, or its nominee, shall be deemed to be the “developer” for the purposes of the *Condominium Property Act*, RSA 2000 c C-22 (“*CPA*”).

Considerations

- 30. The Receiver wishes to summarize for this Honourable Court the various outstanding matters that have been previously discussed in Prior Reports and other information that may be important factors for this Court to consider as it contemplates the Hillsboro Application.

Purchase Deposit Funds

- 31. As previously reported, purchase deposits of approximately \$992,376.25 (the “**Purchase Deposits**”) were transferred to the Receiver’s Counsel from Ceana’s former legal counsel, KH Dunkley Law Group, shortly after the Receivership Date. Throughout the Receivership Proceedings, there have been numerous requests and claims made against the Purchase Deposits, including:
 - a) requests by two of the purchase depositors, Mr. Karim Sharifat (\$127,751.25) and Mr. Mounir Alein (\$76,000), to release their respective Purchase Deposits back to them as they no longer wish to proceed with the purchase of the Commercial Condominium Units that they originally agreed to purchase;

- b) a claim by Hillsboro against \$439,000 of Purchase Deposits provided by Mr. Mounir Alein, Eureka Prescriptions Inc., 1989207 Alberta Inc. and Central Halal Meat Ltd. (as discussed in the Second Report); and
 - c) a claim by Mr. Doug Nishimura of Field Law LLP, counsel to 1785337 Alberta Ltd. (“**178 Ltd.**”), that no Purchase Deposits be released on the basis that 178 Ltd. may have priority to these funds.
32. The aforementioned requests and claims have not been resolved between the various parties. As discussed in the Third Report, should this Honourable Court determine not to grant the relief sought by Hillsboro to release the Purchase Deposits to Hillsboro, the Receiver is of the respectful view that the Purchase Deposits should be interplead with the Court until the priority of these funds be determined by this Court or agreed upon by the parties otherwise.

Completion of Pre-Receivership “Sources and Uses” Analysis

33. The Receiver has received requests from Hillsboro and various purchase depositors and joint ventures’ (parties to the JV Contracts, as defined in the Second Report) to provide them with further accounting information with respect to their pre-receivership deposits provided to Ceana.
34. The Receiver included a draft ‘sources and uses’ schedule (the “**Sources and Uses Schedule**”) in its Third Report that outlined all known cash receipts collected and disbursed from Ceana’s bank accounts over the past 5 years. This exercise was undertaken largely at the request of various creditors and stakeholders attempting to understand the whereabouts of their JV and purchase deposits in Ceana and the significant lack of accounting and financial information provided by Ceana to the Receiver during the Receivership Proceedings. As noted above, since the Third Report, the Receiver and its counsel held two (2) separate discussions with Mr. Gaidhar and its counsel on the Sources and Uses Schedule. Mr. Gaidhar has advised the Receiver that he continues to work with his external accountant to provide the Receiver with historical financial statements dating back to 2015. The Receiver intends to review these financial statements and/or financial information,

should they be provided to the Receiver by Mr. Gaidhar, and will advise the Court if any updates are required to the Sources and Uses Schedule.

Missing Purchase and Joint Venture Deposits

35. As discussed in the Third Report, and as part of the Sources and Uses Schedule exercise, the Receiver confirmed that approximately \$3.2 million in other purchase deposits and JV deposits (the “**Remaining Deposits**”) were deposited into Ceana’s bank accounts over a 5-year period and that none of these Remaining Deposits existed in any of Ceana’s known bank accounts as at the Receivership Date (save and except for the Purchase Deposits of approximately \$992,376 that are currently held by the Receiver’s Counsel, in trust, as discussed above). Based on information provided to the Receiver from interested parties claiming they had interest in the Remaining Deposits, the Receiver has estimated that approximately 70% of the Remaining Deposits may relate to other purchase deposits and 30% may relate to JV deposits.
36. On October 23, 2020, Mr. Gaidhar provided the Receiver with some information with respect to the missing Remaining Deposits. As discussed above, Mr. Gaidhar has advised that he continues to work on completing the accounting information with his external accountant, including providing any outstanding JV contracts and other information requested since the Receivership Date. Should this accounting and financial information undertaking be fulfilled by Mr. Gaidhar, the Receiver intends to review and evaluate such information and report to the Court, if such information materially changes the Receiver’s previous comments and reporting to the Court.

Total Hillsboro Debt

37. The Receiver has been able to validate that the total amount owed to Hillsboro effective November 1, 2020 is approximately \$15.9 million, which is comprised of the secured debt owing to Hillsboro in the amount of \$11.9 million and an additional \$4.0 million advanced (including interest) to the Receiver by Hillsboro under Receiver’s Certificates issued in these Receivership Proceedings.

38. The Receiver notes that Neotric Enterprises Inc. (“**Neotric**”), a related entity to Hillsboro, provided the Receiver with the second Receiver’s borrowings totalling \$829,440.97, which includes accrued interest. The Receiver is unaware if Neotric has assigned its Receiver’s borrowings to Hillsboro.
39. For purposes of Hillsboro’s bid price in the Proposed Sales Approval Order, it appears that Hillsboro is credit bidding approximately \$10.8 million of its total outstanding \$15.9 million obligations outstanding with Ceana and the Receiver, leaving approximately \$5.1 million not included in the proposed bid price, as discussed further below.

Proposed Bid Price

40. The October 2020 Ferrel Affidavit outlines Hillsboro’s intention to acquire the Project for \$17,622,355, which will be comprised of cash, credit bid and the assumption of Connect First debt broken down as follows:

Cash Deposit:	3,000,000
Credit Bid (Receiver's Certificates):	4,762,335
Credit Bid (Facility Indebtedness):	6,000,000
Assumption of Connect First Indebtedness (est.):	3,900,000
Aggregate Bid Price:	17,662,335

41. Upon the Receiver’s cursory review of the proposed bid price, the Receiver understands the following:

- a) Cash Deposit. The Receiver understands that Hillsboro is prepared to provide \$3 million in cash as part of its offer, which contemplates funds required to complete the Phase I project and funds assumed to be required to complete the administration of the Receivership Proceedings. It is not entirely clear to the Receiver if the entire \$3 million will be required to complete the Phase I construction and the administration of the estate and, if this is the case, it is unclear if the unused portions will go back to Hillsboro or if it will be left to other creditors. If the unused portion of the cash component of the Hillsboro offer is not utilized, the overall purchase price offer may be overstated. The Receiver has not yet been able to evaluate the overall reasonableness of the

cash component of the purchase price Hillsboro offer, and what the remaining costs may be to complete the administration of the estate should this Honourable Court grant the relief sought by Hillsboro.

- b) Credit Bid (Receiver's Certificates). As discussed above, Hillsboro is credit bidding all outstanding Receiver's borrowings totaling \$4,762,334.62; however, it appears that the total amount outstanding to Hillsboro is only \$3,932,893.65, which excludes Receiver's Certificate No. 2 to Neotric. The Receiver is unaware if Neotric has assigned this Receiver's Certificate No. 2 to Hillsboro, and if this has not occurred, it would appear that the purchase price may be overstated by \$829,440.97, for this component of the purchase price;
- c) Credit Bid (Facilities). Hillsboro is credit bidding a portion (\$6 million) of its total facility obligations outstanding (\$11.9 million);
- d) Assumption of Connect First 1st lien position. Hillsboro is seeking court approval to assume approximately \$3.9 million of the total indebtedness outstanding to Connect First (as first secured) and the Receiver understands that Connect First objects to this arrangement or assumption of debt.

42. The Receiver has not commissioned an independent appraisal of the Project of its own. The Project is currently in the development stages (with Phase I almost complete), and the Receiver has identified two interested parties that it wishes to enter into sales agreements with as reported in the Third Report. Although it is challenging to confirm what the final realizations will be on this Project once Phase I and Phase II will be completed (which will require further funding/borrowings by the Receiver to complete the Project), the Receiver's independent Sales Agent assisted the Receiver in providing various market metrics to assist in determining an estimated range of gross sales realizations that may be achieved on the Project. The Sales Agent advised the Receiver that the estimated value (or gross sales realizations of the Project) may change significant (either upwards or downwards) based on factors out of the control of the Receiver (i.e. state of the economy, status of COVID-

19, etc.) and that the gross estimated sales proceeds range provided in **Confidential Appendix 1** is based on current market metrics.

43. Due to the confidential nature of the information provided evaluated by the Receiver and its Sales Agent, and the fact that an unredacted appraisal commissioned by Hillsboro has also been provided to the Court (to be sealed) by Hillsboro as part of the Hillsboro Application, the release of the analysis to the public that has been prepared by the Receiver (with the assistance of the Sales Agent) provides some concern to the Sales Agent. In particular, there is a possibility that this may negatively impact potential realizations on sale of the various units of the Project as the Receiver proceeds in its negotiating of sales transactions with interested parties. Accordingly, the Receiver respectfully requests that this Honourable Court grant a Restricted Court Access Order in relation to Confidential Appendix 1.

Stakeholder Opposition of the Hillsboro Application

44. Since the filing of the Hillsboro Application, the Receiver is aware of multiple stakeholders coming forward to advise that they oppose the Hillsboro Application and/or are seeking an adjournment. The Receiver is unaware, as at the date of this Report, of any stakeholder to the Receivership Proceedings that is in support of the Hillsboro Application.

Assignment of Purchase Deposits

45. Paragraph 11(b) of the Proposed Sales Approval Order included in the Hillsboro Application seeks to deliver the Purchase Deposits currently held by the Receiver's Counsel, to Hillsboro. The Receiver and the Receiver's Counsel have not completed a detailed review with respect to the priority of these Purchase Deposits amongst the various competing claims, and it was the intention of the Receiver, should this Honourable Court not grant the relief sought in the Hillsboro Application, to interplead these funds into Court to have the priority to same determined at a later date by this Honourable Court, following further evidence and submission being made by the respective stakeholders, as, based on the preliminary review conducted by the Receiver's counsel, much of the judicial and academic commentary related to the disputed deposit funds indicates that some of these

matters will be arguable and may be contested, particularly due to a lack of jurisprudence in the area.

46. The Receiver had previously scheduled an application with the Court to address this matter, to be heard on November 26, 2020.

Receiver's Charge

47. As noted above, the Proposed Sales Approval Order stipulates that the closing cash of \$3 million will be used, in part, as a portion of the overall purchase price for the Project and will be utilized to pay for the: (i) final construction costs of Phase I; (ii) \$500,000 on account of the mortgage indebtedness owing to Connect First; and (iii) the Receiver's final fees and costs and those of the Receiver's Counsel, to be approved by this Honourable Court at or before the Receiver's discharge.
48. It appears that approximately \$2.5 million of the \$3 million cash portion of the purchase price may be sufficient to complete Phase I and cover the Receiver's fees, costs and commitments in the Receivership Proceedings; however, the Receiver has not had the opportunity to seek confirmation from its vendors and construction sub-trades that all obligations have been paid by its prime contractor, EFC, to ensure that all costs incurred by the Receiver under the Receiver's Charge are current. Further, the Proposed Sale Approval Order contemplates the removal of any encumbrances or charges created by the Receivership Order and the Receiver is concerned that, should this Honourable Court grant the relief sought by the Hillsboro Application, this would remove the only asset in the Ceana estate for which the Receiver's Charge would have no security over.
49. The Receiver is of the respectful view that should this Honourable Court grant the relief sought in the Hillsboro Application, in particular the Proposed Sale Approval Order, that the Receiver's Charge should remain unaffected and have a priority charge on the Project until such time as the Receiver has completed the administration of the Receivership Proceedings and receives its unconditional discharge as Receiver, from this Honourable Court.

Claims Against Ceana

50. Paragraph 17 of the Proposed Sales Approval Order states that “for certainty, the Purchaser shall not, by completion of the Transaction, have liability of any kind whatsoever in respect of any Claims against Ceana”. The Receiver understands that this declaratory relief may be problematic to certain stakeholders who may want to utilize Ceana’s claims against Hillsboro at a later date, however, the Receiver is not in a position to opine on the validity of such claims.

RECEIPTS AND DISBURSEMENTS – SEPTEMBER 5, 2020 TO OCTOBER 23, 2020

51. The following is a statement of the Receiver’s receipts and disbursements in respect of Ceana during the Reporting Period:

Ceana Development Sunridge Inc. - in Receivership Interim Statement of Receipts & Disbursements July 3, 2019 to October 23, 2020 <i>CAD\$, unaudited</i>			
	Third Report July 3/19 to September 4/20	Reporting Period September 4/20 to October 23/20	Total July 3/19 to October 23/20
Opening cash balance	\$ 1,091	\$ 1,072,669	\$ 1,091
Receiver's borrowings	\$ 4,495,435	\$ -	\$ 4,495,435
Receipts			
Deposits collected	2,856	-	2,856
Total Receipts	\$ 4,499,382	\$ 1,072,669	\$ 4,499,381
Disbursements			
Property taxes	273,344	19,796	293,140
Development costs	164,755	13,737	178,492
Construction costs	1,839,691	485,883	2,325,574
General & administrative costs	69,941	55,378	125,319
GST payments	146,423	29,717	176,140
Professional fees and costs			
Court approved fees and costs (Jul 3/19 - Aug 31/20)	932,558	-	932,558
Fees and cost (Sep 1/20 - Sep 30/20)	-	81,300	81,300
Total disbursements	\$ 3,426,712	\$ 685,811	\$ 4,112,523
Ending cash balance	\$ 1,072,669	\$ 386,858	\$ 386,858

- Opening available cash of approximately \$1.07 million;
- The Receiver made disbursements of approximately \$686,000 during the Reporting Period, relating primarily to:

- i. initial payment for 2020 municipal taxes of approximately \$20,000. The Receiver is enrolled in the TIPP program and will be issuing payments of approximately \$10,000 per month through to August 2021;
 - ii. development costs of approximately \$14,000 relating to architectural consulting services of \$6,000 for preparing development and construction drawings and \$8,000 for engineering services;
 - iii. construction costs of approximately \$486,000 relating to quantity surveying costs of approximately \$9,000, construction management and overhead of costs of approximately \$39,000, and general site costs and sub-trade construction costs of approximately \$438,000;
 - iv. general and administrative costs of approximately \$55,000 relating to insurance, legal fees for real estate services and draft bank charges;
 - v. GST paid on disbursements of approximately \$30,000;
 - vi. professional fees and costs totaling approximately \$81,000, for the Receiver and its legal counsel, in the approximate amounts of \$48,600 and \$32,600, respectively, for the period from September 1 to September 30, 2020;
- c. Total ending cash available as at October 23, 2020 is approximately \$387,000; and
 - d. In addition to the ending cash available of approximately \$387,000, the Receiver's Counsel (as discussed above) is holding in trust approximately \$992,376 of Purchase Deposits.

RECEIVER'S RECOMMENDATIONS

52. The Receiver recommends that this Honourable Court grant a Restricted Court Access Order in respect of certain sensitive information, which is included in Confidential Appendix 1 to this Report.

All of which is respectfully submitted this 30th day of October, 2020.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as the Court-appointed Receiver of
Ceana Sunridge Development Inc., and not in
its personal or corporate capacity**

A handwritten signature in blue ink, appearing to be 'Orest Konowalchuk', with a stylized, flowing script.

Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President

A handwritten signature in blue ink, appearing to be 'David Williams', with a stylized, flowing script.

David Williams, CPA
Manager

CONFIDENTIAL APPENDIX 1