

DIVISION NO.: 01 – Montreal
COURT NO.: 500-11-060843-220
ESTATE NO.: 41-344733

SECOND INTERIM REPORT OF THE RECEIVER
Paragraph 246 (2) of the *Bankruptcy and Insolvency Act*

10542113 CANADA INC. AND FLORA I LIMITED PARTNERSHIP

A. BACKGROUND

1. On March 30, 2022, MNP Ltd. was appointed as Receiver (“MNP” or the “Receiver”) to the assets of 10542113 Canada Inc. and Flora I Limited Partnership (jointly the “Debtors”), pursuant to section 243 of the *Bankruptcy and Insolvency Act*, by an Order (the “Order”) issued by the Honorable Justice Philippe Bélanger, of the Superior Court of Quebec for the District and the Division of Montreal, (the “Court”). A copy of the Order as well as other documents related to the case can be consulted on our website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/flora-i-ltd-and-10542113-canada-inc>
2. Flora I Limited Partnership (“Flora”) is a partnership that was established for the purpose of developing residential properties (the “Flora Project”) on lot 5 599 420 of the cadastre of Quebec, land registration division of Montreal in the borough of Lachine (the “Flora Property”).
3. 10542113 Canada Inc. (“1054”) is the general partner of Flora and its sole Director is Mr. Paolo Catania (the “Director”).
4. The Receiver issued its First Interim Report of the Receiver on its administration to the creditors and the Superintendent of Bankruptcy on September 30, 2022, Appendix A.
5. The purpose of the second report is to update the creditors as to what has transpired since the Receiver’s last report.

B. RESTRICTIONS AND LIMITATIONS

6. In preparing this report, the Receiver has relied upon unaudited financial information obtained from the Debtors’ books and records and public records.
7. MNP has not audited, reviewed or attempted to verify the completeness and accuracy of the information in accordance with the recognized principles of the Canadian Institute of Chartered Professional Accountants, and as such MNP is not providing any opinion on the financial information of the Debtors.

C. ASSETS

8. The Flora Project, which is partially completed, was to include three condo towers for a total of 181 units.

	Real Estate Flora Project	Sqr. Ft.	Planned Residential Units
1	La Tour A	44 918	40
2	La Tour B	61 568	66
3	La Tour C	70 976	75

9. As of today, Tower A is at its final height and the exterior is almost complete. For the remaining towers, only the first few floors of Tower B have been completed and Tower C remains to be built.

10. The Receiver obtained accounting information pertaining to the Debtors and received pre-receivership tax credits from September 2021 to March 2022.

11. The Receiver has confirmed the ownership of the materials and supplies located on the property of third parties and will be dealt with in due course.

D. CREDITORS

12. The creditors are described hereafter:

Creditors ¹	As at March 28, 2023 (in CAD \$)
Secured Creditors	
Parties holding legal hypothecs of construction against the Flora Property	18,911,697 ²
Romspen	21,666,376 ³
Aviva Insurance Company of Canada (“Aviva”)	5,826,201 ⁴
HRM Projet Villanova Inc. (“HRM”)	7 000 000
	53,404,274
Unsecured Creditors	7,568,799

1. No formal claims process has yet been initiated.

2. These amounts reflect those indicated on the index of immovables registry with respect to parties holding legal hypothecs (construction liens) published against the Flora Property.

3. Based on Romspen’s statement of account dated March 6, 2023.

4. Aviva’s claim (the maximum amount being \$6,100,000 is subject to any amounts which may be paid by Aviva to parties who have provided a deposit on a unit in the Flora Project (known as promissory purchasers).

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13. The following creditors hold security interests published against the Flora Property⁵:
- a. An Administration Charge of \$100,000 on the Flora Property, which ranks senior to all security interests.
 - b. Parties with legal hypothecs of construction which rank in priority to the following security interests described below.
 - c. A Receiver’s Borrowing Charge in the aggregate amount of \$1M securing the Interim Financing Facility which ranks ahead of all security interests except those of holders of legal hypothecs of construction and the Administration Charge.
 - d. With respect to conventional hypothecs:
 - i. Romspen holds a senior ranking conventional hypothec (the “Romspen Hypothec”);
 - ii. Aviva holds a conventional hypothec ranking junior to the Romspen Hypothec (the “Aviva Hypothec”); and
 - iii. HRM holds a conventional hypothec ranking junior to the Romspen Hypothec and the Aviva Hypothec.

E. DEPOSIT HOLDERS

14. The Receiver issued notices to disclaim every known promise to purchase. Promissory purchasers were thus able to make claims against various insurance companies to recover their deposits. To date, the majority of the promissory purchasers have asserted their rights.

F. NOTICE OF STAY OF PROCEEDINGS

15. On April 7, 2022, in virtue of the Order, the Receiver issued *Notices of Stay of Proceedings* to entities that instituted proceedings against the Debtors.
16. Despite the *Notice of Stay of Proceedings*, a judgment in one of the proceedings was rendered. The Receiver filed a *Demande de rétraction de jugement et de sursis de l’exécution* in February 2023, which application is pending.

G. SALE PROCESS

17. The Receiver launched the Sale and Investment Solicitation Process (“SISP”) process on April 19, 2022. The process yielded the interest of over seventy (70) parties.
18. On June 17, 2022, being the deadline for submitting offers with a deposit, the Receiver received three (3) qualified bids.

⁵ Any mention of rank of security is based solely on the publications and information appearing at the index of immovables and in no way constitutes or is to be construed, used or interpreted as an opinion on rank or the validity of any security.

19. One offer was selected, and negotiations ensued. Following numerous discussions with the proposed purchaser and a lengthy period of negotiations which continued into December 2022, ultimately, a final agreement could not be reached. The Receiver returned the proposed purchaser's deposit in January 2023.
20. The Receiver has recently contacted parties that were initially interested in purchasing the Project and continues such efforts. However, one of the main inquiries is whether the permit is still valid. Despite many discussions and meetings with the Borough of Lachine, the Receiver and the Borough were unable to agree as to the status of the permit.
21. Consequently, the Receiver filed before the Superior Court of Canada a *Motion for Directions* on March 13, 2023, seeking guidance from the courts to determine the status of the permit. A hearing on this motion is scheduled for March 30, 2023.

H. GENERAL

22. August 10, 2022, the Receiver was required by the Borough of Lachine to perform civil work on the Flora Property in order to allow for the completion of the construction of a street adjacent to the Flora Property. The work was completed on or around October 3, 2022.
23. In order to respect the engineer's recommendations that the building was to be kept at 10 degrees during the winter months, it was necessary for the Receiver to hire a contractor to seal exposed areas throughout the Flora Property and reconnect the gas with Energir in order to reinstall the heaters.
24. The Receiver, together with Romspen, have worked to settle some of the construction liens encumbering the Flora Property. The parties continue to discuss settlements with the remaining construction lien holders.
25. In its continuation of the conservatory measures, the Receiver, as required, hired various plumbing and electrical professionals for various maintenance and/ or repairs.
26. The Receiver has also had to deal with various acts of vandalism which are currently being settled.

I. INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

27. An interim statement of receipts and disbursements has been produced for the period from March 30, 2022, to February 28, 2023, and is included in **Appendix B**.

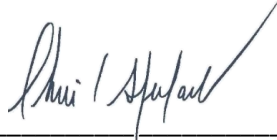
J. ANTICIPATED COMPLETION OF THE RECEIVERSHIP

28. As of the date of this report, due to the filing of the *Motions for Directions* and the search for a potential buyer, the Receiver anticipates completing the realization of the Debtors' assets within the next nine (9) to twelve (12) months.

DATED at Montréal, this 30th day of March 2023.

MNP Ltd

In its capacity as Court appointed Receiver of
10542113 Canada Inc. and Flora I Limited Partnership
And not in its personal or corporate capacity



Sheri L. Aberback, CIRP, CFE, LIT
Senior Vice President

Encl.

Appendix A

DIVISION NO.: 01 – Montreal
COURT NO.: 500-11-060843-220
ESTATE NO.: 41-344733

FIRST INTERIM REPORT OF THE RECEIVER
Paragraph 246 (2) of the *Bankruptcy and Insolvency Act*

10542113 CANADA INC. AND FLORA I LIMITED PARTNERSHIP

A. BACKGROUND

1. On March 30, 2022, MNP Ltd. was appointed as Receiver (“MNP” or the “Receiver”) to the assets of 10542113 Canada Inc. and Flora I Limited Partnership (jointly the “Debtors”), pursuant to section 243 of the *Bankruptcy and Insolvency Act*, by an Order (the “Order”) issued by the Honorable Justice Philippe Bélanger, of the Superior Court of Quebec for the District and the Division of Montreal, (the “Court”). A copy of the Order as well as other documents related to the case can be consulted on our website at:
<https://mnpdebt.ca/en/corporate/corporate-engagements/flora-i-ltd-and-10542113-canada-inc>
2. Flora I Limited Partnership (“Flora”) is a partnership that was established for the purpose of developing residential properties (the “Flora Project”) on lot 5 599 420 of the cadastre of Quebec, land registration division of Montreal in the borough of Lachine (the “Flora Property”).
3. 10542113 Canada Inc. (“1054”) is the general partner of Flora and its sole Director is Mr. Paolo Catania (the “Director”).
4. On March 14, 2022, 9186-9297 Québec Inc. (“Upbrella”), a creditor of the Debtors holding a legal hypothec of construction, filed an Application for an Initial Order under the *Companies’ Creditors Arrangement Act* (“CCAA”). A Court hearing was held on March 16, 2022, to hear Upbrella’s application and was suspended until March 28, 2022.
5. On March 23, 2022, Romspen Investment Corporation (“Romspen”), the Debtors’ lender, filed a Motion to Appoint a Receiver, in contestation of the application under CCAA. A Court hearing was held on March 28 to hear Romspen’s motion. As mentioned, the Order was granted on March 30, 2022.

B. ASSETS

6. In virtue of the Order, the Receiver was authorized to take possession of the property of the Debtors, that includes the Flora Property, as well as the Flora Project - the unfinished real estate project.

7. The project, which is partially completed, was to include three condo towers for a total of 181 units.

	Real Estate Flora Project	Sqr. Ft.	Planned Residential Units
1	La Tour A	44 918	40
2	La Tour B	61 568	66
3	La Tour C	70 976	75

8. As of today, Tower A is at its final height and the exterior is almost complete. For the remaining towers, only the first few floors of Tower B have been completed and Tower C remains to be built.
9. On April 1, 2022, in virtue of the Order, the Receiver took control of the property and had the access codes and locks allowing access to the site changed. In addition, the Receiver sent in a representative to visit the construction site, engaged the services of a security company and confirmed that the Flora Property is insured until March 2023.
10. The Receiver obtained accounting information pertaining to the Debtors and received pre-receivership tax credits from September 2021 to March 2022.
11. The Receiver has been informed by the Director that, in addition to materials and supplies located on the Flora Property, such items are also located on property belonging to third parties in the province of Québec. The ownership of such materials and supplies has been partially determined by the Receiver however, there remains a number of items to be analyzed

C. CREDITORS

12. The creditors are described hereafter:

Creditors ¹	As at March 30, 2022 (in CAD \$)
Secured Creditors	
Parties holding legal hypothecs of construction against the Flora Property	18,911,697 ²
Romspen	19,503,264 ³
Aviva Insurance Company of Canada (“Aviva”)	1 ⁴
HRM Projet Villanova Inc. (“HRM”)	7 000 000
	<u>45,414,962</u>
Unsecured Creditors	<u>7,568,799</u>

1. The Receiver has not yet instituted a formal claims process.

2. These amounts reflect those indicated on the index of immovables registry with respect to parties holding legal hypothecs (construction liens) published against the Flora Property as of the date of the Receivership.

3. Romspen’s secured claim includes \$4,932,007 for subrogated secured claims as a result of payments made by Romspen to subcontractors as of the date of the Receivership. As of today, there is an estimated \$6,522,619 for subrogated secured claims as a result of payments made by Romspen to subcontractors. Romspen provided an interim financing (“DIP”) as approved by the court Order. The amounts used to date are \$340,000 of the total \$850,000 authorized.

4. Aviva’s claim (the maximum amount being \$6,100,000) is subject to any amounts which may be paid by Aviva to parties who have provided a deposit on a unit in the Project (known as a *promettant acheteur*).

13. The following creditors hold security interests published against the Flora Property⁵:
- a. An administration charge of \$100,000 on the Flora Property which ranks ahead of all other claims.
 - b. Parties with legal hypothecs of construction which rank in priority to the following conventional hypothecs.
 - c. With the DIP financing ranking ahead of all claims except those of holders of legal hypothecs of construction and the administration charge.
 - d. With respect to conventional hypothecs:
 - i. Romspen holds a senior ranking conventional hypothec (the “Romspen Hypothec”);
 - ii. Aviva holds a conventional hypothec ranking junior to the Romspen Hypothec (the “Aviva Hypothec”); and
 - iii. HRM holds a conventional hypothec ranking junior to the Romspen Hypothec and the Aviva Hypothec.

D. DEPOSIT HOLDERS

14. With respect to the promissory purchasers and their deposits, pursuant to paragraph 10.3(k) of the Order, the Receiver issued a notice on June 15, 2022, to each known promissory purchaser in order to disclaim each contract for the offer and/or promise to purchase a unit in the Flora Project.

E. NOTICE OF STAY OF PROCEEDINGS

15. On April 7, 2022, in virtue of the Order, the Receiver issued Notices of Stay of Proceedings to entities that instituted proceedings against the Debtors.

F. SALE PROCESS

16. The Receiver launched the Sale and Investment Solicitation Process (“SISP”) process on April 19, 2022. The data room was opened on April 20, 2022.
17. Over seventy (70) specific targets operating in real estate development in Montreal, or its surroundings, were sent a teaser.
18. Of those, eighteen (18) executed a non-disclosure agreement, and three (3) submitted qualified bids prior to the deadline for receipt of bids and deposits on June 17, 2022.
19. An offer was selected, and a deposit is currently being held by the Receiver from the potential purchaser. The deposits received relating to unsuccessful bids were returned to such bidders.
20. The Receiver is in ongoing discussions with respect to the Flora Property.

⁵ Any mention of rank of security is based solely on the publications and information appearing at the index of immovables and in no way constitutes or is to be construed, used or interpreted as an opinion on rank or the validity of any security.

G. INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

21. An interim statement of receipts and disbursements has been produced for the period from March 30, 2022, to September 30, 2022, and is included as **Appendix A**.

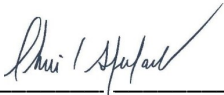
H. ANTICIPATED COMPLETION OF THE RECEIVERSHIP

22. As of the date of this report, the Receiver expects to complete the realization of the Debtors' assets within the next six (6) to nine (9) months.

DATED at Montréal, this 30th day of September 2022.

MNP Ltd

In its capacity as Court appointed Receiver of
10542113 Canada Inc. and Flora I Limited Partnership
And not in its personal or corporate capacity



Sheri L. Aberback, CIRP, CFE, LIT
Senior Vice President

Encl.

IN THE MATTER OF THE RECEIVERSHIP OF
 10542113 CANADA INC. AND FLORA I LIMITED PARTNERSHIP

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
 for the period of March 30, 2022 to September 30, 2022

RECEIPTS	(\$)	(\$)
Realisation of Asset:		
Purchaser Deposit		500,000.00
Miscellaneous:		
Advance From Secured Creditor		340,000.00
Interest Allocation		5,946.09
Taxes:		
Refund of CTI		229,143.46
Refund of RTI		456,870.10
TOTAL RECEIPTS		<u><u>1,531,959.65</u></u>
DISBURSEMENTS		
Paid Fees:		
Filing Fees Paid to Official Receiver		72.97
Stock Taking and Possession		2,886.50
Premium:		
Insurance		74,837.07
Miscellaneous Disbursements:		
Operating Expenses	77,188.76	
Security / Monitoring	55,907.82	
Professional Fees	12,024.50	
Interest Payment	13,698.65	
Municipal Taxes	9,725.59	
Property Management	4,235.00	
Utilities	2,863.43	
Administrative Disbursements	1,517.49	
Maintenance, Supervision & Repair	1,138.00	
Telephone	1,057.41	
Computer Services	535.00	
Redirection of Mail	175.00	
Storage	200.00	
Courier	55.86	
Bank Charges	1.80	
	<u>180,324.31</u>	
Sub-Total of Disbursements		<u>258,120.85</u>
Receiver Fees		190,662.70
Legal Fees/Disbursements		42,082.10

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
DIVISION NO: 01-Montreal
COURT NO: 500-11-060843-220
FILE NO: 41-344733

APPENDIX A
SUPERIOR COURT
Commercial Chamber

IN THE MATTER OF THE RECEIVERSHIP OF
10542113 CANADA INC. AND FLORA I LIMITED PARTNERSHIP

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
for the period of March 30, 2022 to September 30, 2022

Taxes:		
GST Charged on Receiver Remuneration	9,533.14	
QST Charged on Receiver Remuneration	<u>19,018.60</u>	28,551.74
GST on Legal Fees	2,104.06	
QST on Legal Fees	<u>4,197.59</u>	6,301.65
GST Paid on Disbursements Exclusive of Fees	5,597.46	
QST Paid on Disbursements Exclusive of Fees	<u>11,122.20</u>	16,719.66
TOTAL DISBURSEMENTS		<u>542,438.70</u>
AMOUNT HELD IN TRUST BY THE RECEIVER		<u><u>989,520.95</u></u>

Appendix B

IN THE MATTER OF THE RECEIVERSHIP OF
 10542113 CANADA INC. AND FLORA I LIMITED PARTNERSHIP

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
 for the period of March 30, 2022 to February 28, 2023

RECEIPTS	(\$)	(\$)
Miscellaneous:		
Advance From Secured Creditor		590,000.00
Interest Allocation		17,259.00
Property Tax refund		2,200.18
Taxes:		
Refund of CTI		238,425.44
Refund of RTI		491,244.70
TOTAL RECEIPTS		<u>1,339,392.54</u>
DISBURSEMENTS		
Paid Fees:		
Filing Fees Paid to Official Receiver		72.97
Stock Taking and Possession		3,446.50
Premium:		
Insurance		74,837.07
Notice and Statement of Receiver		
To 71 creditors	355.00	
Postage on general correspondence	<u>71.00</u>	426.00
Receiver's Interim Reports		
To 71 creditors	355.00	
Postage on general correspondence	<u>63.90</u>	418.90
Miscellaneous Disbursements:		
Maintenance, Supervision & Repair	181,573.25	
Operating Expenses	179,457.24	
Security / Monitoring	102,373.70	
Utilities	85,719.98	
Appraisal fees (Structural Report)	42,000.00	
Property Management	25,731.49	
Interest Payment	23,327.81	
Professional Fees	16,024.50	
Municipal Taxes	9,725.59	
Administrative Disbursements	3,569.65	

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
DIVISION NO: 01-Montreal
COURT NO: 500-11-060843-220
FILE NO: 41-344733

APPENDIX B
SUPERIOR COURT
Commercial Chamber

IN THE MATTER OF THE RECEIVERSHIP OF
10542113 CANADA INC. AND FLORA I LIMITED PARTNERSHIP

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
for the period of March 30, 2022 to February 28, 2023

School Taxes	2,220.18	
Telephone	1,657.21	
Computer Services	785.00	
Redirection of Mail	457.75	
Storage	350.00	
Courier	55.86	
Bank Charges	2.40	675,031.61
	Sub-Total of Disbursements	<u>754,233.05</u>
Receiver Fees		276,433.70
Legal Fees/Disbursements		88,933.50
Taxes:		
GST Charged on Receiver Remuneration	13,821.71	
QST Charged on Receiver Remuneration	<u>27,574.25</u>	41,395.96
GST on Legal Fees	4,424.14	
QST on Legal Fees	<u>8,826.13</u>	13,250.27
GST Paid on Disbursements Exclusive of Fees	28,436.64	
QST Paid on Disbursements Exclusive of Fees	<u>56,844.79</u>	85,281.43
TOTAL DISBURSEMENTS		<u><u>1,259,527.91</u></u>
AMOUNT HELD IN TRUST BY THE RECEIVER		<u><u>79,864.63</u></u>