Court File No. BK24-00000230-0033

ONTARIO
SUPERIOR COURT OF JUSTICE

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MIZRAHI DEVELOPMENT GROUP (1451 WELLINGTON) INC.

Applicant

PRE-FILING REPORT OF THE PROPOSED MONITOR, MNP LTD.

OCTOBER 15, 2024

Table of Contents

Exhibits

INTRODUCTION

1. MNP Ltd. (**"MNP**" or the **"Proposed Monitor**") understands that Mizrahi Development Group (1451 Wellington) Inc. ("**MDG**", the "**Company**" or the "**Applicant**") intends on bringing an application before the Ontario Superior Court of Justice (the "**Court**") seeking certain relief (the "**Initial Order**") under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), among other things, granting a stay of proceedings for not more than ten (10) days from the Initial Order (the "**Stay Period**") and appointing MNP as monitor (if appointed, the "**Monitor**"). The proceedings to be commenced by the Company under the CCAA will be referred to hereinafter as the "**CCAA Proceedings**".
2. This report (the "**Pre-Filing Report**") provides information to the Court for its consideration on the Company's initial hearing seeking protection under the CCAA.

PURPOSE

3. The purpose of this Pre-Filing Report is to provide information to the Court regarding the following:
   (a) MNP's qualifications to act as Monitor (if appointed);
   (b) General background to the proposed CCAA Proceedings and MDG;
   (c) The Company's 13-week cash flow forecast;
   (d) The proposed funding of the CCAA Proceedings pursuant to a debtor-in-possession ("**DIP**") financing facility (the "**DIP Facility**") in the maximum principal amount of approximately $25MM to be made available to the Company by TCC Mortgage Holdings Inc. ("**TCC**" or the "**DIP Lender**"), pursuant to a DIP Loan Agreement to be executed prior to the initial hearing (the "**DIP Term Sheet**");

(e) Interim financing of up to $2,345,000 to be provided (the “**Initial Advance**”) pursuant to the DIP Term Sheet and secured by the DIP Lender’s Charge (as such term is later defined);

(f) The proposed Initial Order, including the Charges (as such term is later defined); and

(g) The Proposed Monitor’s observations and recommendations concerning the foregoing.

4. The Proposed Monitor understands that the following relief, among other things, will be sought at a motion (the “**Comeback Motion**”), which is anticipated to take place no later than October 25, 2024:

(a) An extension of the Stay Period;

(b) An increase in the permitted borrowings under the DIP Facility and associated increase to the DIP Lender’s Charge; and

(c) An increase to the Administration Charge to $300,000.

This Pre-Filing Report contains limited information in respect of each of the items above.

TERMS OF REFERENCE

5. In preparing this Pre-Filing Report, MNP has necessarily relied upon the Mizrahi Affidavit (as such term is later defined), the unaudited financial statements and other information supplied, and representations made by certain management of the Company (“**Management**”), the DIP Lender and third-party sources (collectively, the “**Information**”). Except as specifically noted in this Pre-Filing Report, MNP has not conducted an audit or

otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook. Accordingly, MNP expresses no opinion and does not provide any other form of assurance on or relating to the accuracy of the Information contained in this Pre-Filing Report, or otherwise used to prepare this Pre-Filing Report.

6. MNP also bases its report on the Company's cash flow forecasts and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Cash Flow Statement) (the "**Professional Standards**"). Certain of the information referred to in this Pre-Filing Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future oriented financial information referred to in this Pre-Filing Report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

7. Capitalized terms not defined in this Pre-Filing Report are used as defined in the affidavit of Sam Mizrahi sworn October 15, 2024 (the "**Mizrahi Affidavit"**) filed in support of the Applicant's application for relief under the CCAA.

8. This Pre-Filing Report should be read in conjunction with the Mizrahi Affidavit.

9. Unless otherwise stated, all monetary amounts contained in this Pre-Filing Report are expressed in Canadian dollars.

GENERAL BACKGROUND TO THE PROPOSED CCAA PROCEEDINGS

10. As set out in the Mizrahi Affidavit, the Applicant is a single purpose real estate development company incorporated under the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16 (the "**OBCA**") with its head office located at 133 Hazelton Avenue, Toronto, Ontario. MDG owns and is developing a mixed-use luxury condominium development known as "1451 Wellington---The Residences at Island Park Drive" (the "**Project**"), a 12-storey building featuring ninety-three (93) residential units[1] and ground-floor retail space located in Ottawa, Ontario. The Project is being developed on lands that were formerly two, separate properties: (i) 1451 Wellington Street West, Ottawa, Ontario (PIN 04030-0259), and (ii) 1445 Wellington Street West, Ottawa, Ontario (PIN 04030-0260). On October 26, 2023, the two properties were consolidated with such real property now having the following legal description:

> PIN 04030-0261 (LT) LOTS 1, 2 & 3 & PART LOT 4, PLAN 145, N/S RICHMOND ROAD (NOW WELLINGTON STREET), PARTS 1 & 2 PLAN 4R35696; SUBJECT TO AN EASEMENT AS IN OC2360765; SUBJECT TO AN EASEMENT AS IN OC2671330; CITY OF OTTAWA (the "**Real Property**").

11. Mizrahi Inc. ("**MI**"), the General Contractor, is also incorporated under the OBCA. In addition to supporting the Company, it provides contracting and project management services to related development entities.

[1] A number of the units have been consolidated into single suites. As a result, the total number of suites in the Project will be less than 93.

12. Starting in 2015 and initially aimed to finish by November, 2023, the Project has encountered notable delays and extra costs due to construction challenges, the COVID-19 pandemic, market conditions, and cost overruns for goods and services.

13. As of October 9, 2024, the Project is approximately 85% complete, with much of the structural and mechanical work done.

14. Since 2017, MDG has presold approximately seventy-two (72) of the 93 units, which accounts for 77% of the total units, with some sales originating from the pre-sale marketing campaign in 2017-18. Deposits from these pre-sales of approximately $14.8 million have been released to MDG.

15. The Project is currently in the final stages of construction, with the following work remaining to be done:

    (a) Interior finishing, including drywall, flooring, painting, cabinetry, appliances, and fixtures; and

    (b) Cladding/roofing work.

16. MDG has obtained all the necessary permits and approvals for the Project, except for the occupancy permit, which will be issued upon completion of the Project and inspection by the City of Ottawa. Additionally, the registration of the condominium with the relevant authorities, which ensures all units comply with local regulations and standards, needs to be completed before closing of the sale of the units.

FINANCIAL POSITION OF THE APPLICANT

17. As of December 31, 2023, MDG's unaudited financial statements indicated that most of its asset base consisted of land acquisition and development costs, which are valued at

around $85 million. MDG's other assets include limited prepaid expenses and deposits (together with the Real Property, the "**Property**")

18. MDG's liabilities mainly relate to Project financing, which will be detailed further below, and include construction loans owed to Trez Capital Limited Partnership, by its general partner, Trez Capital (2011) Corporation (the "**Construction Lender**") (which, as is further detailed below, have recently been assigned to TCC), advances from the shareholder and trade payables.

The Construction Lender and TCC

19. MDG funded the Project through two credit facilities via two separate commitment letters (as amended from time to time, together the "**Commitment Letters**") from the Construction Lender: a construction loan (the "**First Lien Indebtednes**s") capped at the lower of $67 million or 73.6% of eligible project costs, and a $1 million letter of credit facility; and (ii) a $6 million loan under a second credit facility (the "**Second Lien Indebtedness**").

20. As at October 1, 2024, the Construction Lender was owed approximately $73,146,753 for the First Lien Indebtedness and $7,908,211 for the Second Lien Indebtedness[2].

21. To ensure the payment and fulfillment of both the First Lien Indebtedness and the Second Lien Indebtedness, the Applicant, among others, granted certain security (collectively, the "**Security**") including a first and second mortgage registered against the Real Property in

[2] Subject to ongoing interest and costs.

favour of Computershare Trust Company of Canada ("**Computershare**"), which holds these mortgages on behalf of the Construction Lender.

22. The Proposed Monitor understands that prior to the hearing of the application, the Construction Lender and Computershare intend on entering into two Assignment and Assumption Agreements (together, the "**TCC Assignment Agreements**") with TCC wherein the Construction Lender and Computershare agree to assign their rights under the Commitment Letters and Security to TCC.

23. The Proposed Monitor further understands that on October 15, 2024, the Applicant and TCC intend on entering into a forbearance agreement (the "**Forbearance Agreement**") in connection with the Commitment Letters. The Proposed Monitor understands that, among other things, the Forbearance Agreement: (i) reduces the applicable interest rate under the Commitment Letters; and (ii) incorporates by reference certain sections from the DIP Term Sheet so that the Applicant will be required to comply with such terms after the DIP Facility is repaid in full but before TCC is repaid in full.

24. The Proposed Monitor understands that the Applicant is seeking approval of the Forbearance Agreement in connection with the proposed Initial Order.

Westmount Deposit Insurance

25. Westmount Guarantee Services Inc. ("**Westmount**") provided the Applicant with a surety facility valued at $24,000,000 (the "**Surety Facility**") to insure deposits made by the purchasers of units in the Project. To secure the Surety Facility, Westmount was granted,

among other things, a mortgage in favor of Westmount, which was registered against the Real Property on October 29, 2019.

V2I

26. On October 31, 2019, Sam Mizrahi, in his personal capacity, entered into a loan agreement with V2 Investment Holdings Inc. ("**V2I**") for a loan amounting to $12,900,000, with an interest rate of 10% compounded annually (the "**V2I Loan Agreement**"). The loan's maturity date was extended until December 31, 2023 through an amending agreement on March 31, 2023. The amending agreement also set a new schedule for interest payments.

27. As of October 10, 2024, there is an aggregate of $13,300,000 outstanding under this loan.

28. MDG, a guarantor of the V2I loan, provided various security, including a demand debenture that granted V2I a charge over the Real Property upon default. On April 15, 2024, due to a default, V2I registered a mortgage on the Real Property, which resulted in a default under the Commitment Letter with the Construction Lender.

Berry Loan

29. In June 2016, Mizrahi Developments Inc. ("**MDI**")[3] and David Berry ("**Berry**") entered into a loan agreement (the "**Berry Loan Agreement**") whereby Berry advanced $10,000,000 to MDI through two (2) loan facilities (the "**Berry Loan**"). The interest rate for these loans was set at 14% annually. MDI secured the Berry Loan with multiple guarantees, including personal guarantees and a general security agreement covering all current and future personal property

[3] MDI is an affiliate to MDG and MI.

of MDI and MDG. Additionally, a mortgage was set to be registered against the Real Property if certain conditions were not met.

30. On June 28, 2016, Berry and Sam Mizrahi entered into a supplementary agreement (the "**Supplementary Agreement**") in connection with the Berry Loan Agreement and the Berry Loan.

31. The first facility, amounting to $4,000,000, has been fully repaid. Despite MDG's position that there are no further amounts owing to Berry, Berry claims additional amounts are still outstanding. According to the Supplementary Agreement, Berry's outstanding balance would be partly settled by using the balance from his purchase of two units in the Project and two units in another Mizrahi development against the remaining loan balance.

32. Berry has no registrations against MDG or the Real Property.

Consideration Owing to Seller of the 1445 Parcel

33. In April 2013, MDG acquired the property at 1445 Wellington through an Agreement of Purchase and Sale dated April 17, 2013, involving Alfredo Giannuzzi, Mario Giannuzzi, and Eugenio Milito. According to MDG's financial statements, a balance of $2,995,000 is still owed to the vendors. This remaining balance was to be partially satisfied by providing 4,027 square feet within the Project: 2,080 square feet of commercially ready space on the ground floor and an additional 1,947 square feet in the form of residential units within the Project.

CWB

34. MDG engaged in environmental remediation of the Real Property, applied for a municipal Brownfield Financial Tax Incentive Program credit, and secured a loan of $675,930.46 from CWB Maxium Financial Inc. through a promissory note. This loan, intended for remediation obligations, was backed by a general security agreement dated December 1, 2022, covering MDG's personal property, intellectual property, and real estate, both freehold and leasehold.

35. MDG could qualify for certain credits if it meets the criteria set forth by the Brownfield Financial Tax Incentive Program.

Trade Creditors

36. MDG has liabilities to trade suppliers and related parties supplying goods and services in connection with the Project. As at September 30, 2024, the Company has approximately $5,051,684 outstanding to such parties, including an amount of $4,836,364 owing to MI. On September 19, 2024, Alenfrage Designer Paint Inc., operating as Alenfrage Painting Service, filed a lien against the Project under the *Construction Act* for $107,293.50[4].

37. Additional information in respect of the Company, including its assets and liabilities, is set out in the Mizrahi Affidavit. MNP has not repeated such details in this Pre-Filing Report.

ENFORCEMENT ACTIONS AGAINST THE APPLICANT

38. Beginning in January, 2024, V2I and Sam Mizrahi began discussing amending the V2I Loan Agreement a second time to push the maturity date out further.

[4] The amount owing to Alenfrage is subsumed in the balance owing to MI.

39. In February 2024, V2I delivered a Notice of Default to MDG, MDI and Sam Mizrahi which alleged certain defaults under the V2I Loan Agreement due to, among other things, non-payment of the principal and other amounts by the maturity date. Additional details surrounding the events that followed delivery of the Notice of Default are detailed in the Mizrahi Affidavit and, as such, are not repeated herein.

40. On April 15, 2024, V2I issued a Notice of Intention to Enforce Security under the *Bankruptcy and Insolvency Act* ("**BIA**") and registered the V2I Mortgage against the Real Property. Following this, V2I initiated legal proceedings seeking, among other things, judgment against MDG, MDI, and Sam Mizrahi, and the appointment of a receiver over the Project and the Real Property.

41. After V2I registered its charge against the Real Property, the Construction Lender also took certain actions to protect its interests. To that end, on June 6, 2024, the Construction Lender delivered a demand letter and a Notice of Intention to Enforce Security under section 244 of the BIA.

42. The Construction Lender advised MDG that it was only prepared to continue funding if V2I entered into a fulsome subordination and standstill agreement, in the form of an intercreditor agreement, which, among other things, would subordinate V2I's interest to any further financing advanced by the Construction Lender to continue funding the Project.

43. As is outlined in the Mizrahi Affidavit and considering the above, the main objective of the CCAA Proceedings is to provide MDG stability and financial support to complete and monetize the Project for the benefit of all of the Company's stakeholders, including the trades, subtrades and suppliers. This will be achieved by providing for a stay of

proceedings which will enable the Company to implement its restructuring plan, which, pending court approval, includes the following:

(a) continuing construction under the monitoring of the Proposed Monitor, the Project Monitor, and the DIP Lender's Cost Consultant (as defined in the DIP Term Sheet), ensuring proper oversight;

(b) securing interim financing through the DIP Facility, to resume and complete construction of the Project; and

(c) assessing the economic viability of certain of the pre-sale agreements of purchase and sale (the "**Pre-Sale Agreements**") in light of the present-day condition, and once complete, in consultation with the DIP Lender and the Monitor, determine next steps.

44. The Proposed Monitor understands that TCC, in its capacity as the senior secured creditor following its assignment and assumption of the Commitment Letters and Security pursuant to the TCC Assignment Agreements and in its capacity as DIP Lender, has agreed to support the Applicant's CCAA proceedings subject to the terms of the DIP Term Sheet.

CASH FLOW FORECAST FOR THE PERIOD ENDING JANUARY 12, 2025

45. MDG estimates that the remaining work will take approximately seven (7) months to complete and will cost approximately $23 million, excluding contingency, professional fees and interest.

46. The Company, with the assistance of the Proposed Monitor, has prepared the cash flow forecast for MDG (the "**Cash Flow Forecast**") for the 13-week period ending January 12,

2025 (the "**Cash Flow Period**"). Management prepared the Cash Flow Forecast using the probable and hypothetical assumptions set out in the notes.

47. A copy of the Cash Flow Forecast is attached hereto as **Exhibit "A".**

48. The Cash Flow Forecast was prepared on the assumption that MDG has access to suitable funding to complete construction of the Project. The Company does not anticipate entering into interim occupancy with purchasers within the Cash Flow Period.

49. Recognizing the need to meet its construction financing, the Cash Flow Forecast is built on the assumptions that MDG's cash requirements are supported by the availability of funds from the DIP Facility, including the Initial Advance.

50. The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

   (a) The Company has limited cash resources available to it and requires access to the DIP Facility to support ongoing construction with a view to completing the Project;

   (b) The Cash Flow Forecast anticipates a draw on the DIP Facility of approximately $9,845,000 during the Cash Flow Period, including the Initial Advance during the Stay Period. At the Comeback Motion, the Company intends to seek Court approval for the authority to draw against the balance of the DIP Facility; and

   (c) In addition, the Company expects to pay the Administrative Professionals (as defined below) estimated fees of $508,500 during the Cash Flow Period[5].

---

[5] The Cash Flow Forecast provides for payment of certain pre-CCAA professional fees that were incurred in contemplation of a filing that are disclosed as a separate line item and are $344,199. Payment of these fees is subject to Monitor and the DIP Lender's approval.

51. Management's Representation Letter regarding the Cash Flow Forecast and the Proposed Monitor's Prescribed Report to the Court regarding the adequacy of the Cash Flow Forecast are attached hereto as **Exhibits "B"** and **"C"**, respectively.

52. The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-Appointed Monitor by section 23(1)(b) of the CCAA and in accordance with the Professional Standards. Based on the Professional Standards, the Proposed Monitor's review of the Cash Flow Forecast consisted of enquiries, analytical procedures and discussions related to information supplied to us by Management. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the forecast.

53. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe that, in all material respects:

    (a) The hypothetical assumptions are not consistent with the purpose of the forecast;

    (b) As at the date of this Pre-Filing Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the forecast, given the hypothetical assumptions; and

    (c) The Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

54. The Cash Flow Forecast constitutes the basis for funding under the DIP Facility.

DEBTOR IN POSSESSION FINANCING

55. The terms of the DIP Facility are detailed in the DIP Term Sheet, a copy of which is attached as Exhibit "NN" to the Mizrahi Affidavit. A summary of the salient terms of the DIP Term Sheet are also included as part of the Mizrahi Affidavit.

56. MNP has considered the factors set out in Section 11.2 of the CCAA with respect to the granting of a Court order approving the Initial Advance and recommends the Court approve the Initial Advance for the following reasons:

    a) MNP understands that the DIP Lender is not willing to provide the required interim financing other than on the terms and conditions set out in the DIP Term Sheet;

    b) In light of the current circumstances, the CCAA Proceedings offer the most viable path for MDG to secure the necessary funds to complete the construction of the Project. This process is being facilitated by MDG in consultation with the DIP Lender and under the supervision of the Monitor;

    c) The Project and the Real Property is a substantial asset with significant potential value. Its completion is paramount to realizing this value, which will benefit all stakeholders involved;

    d) The Proposed Monitor believes that approving the Initial Advance is in the best interests of the Company's stakeholders, as it will preserve the Project and enhance the prospects of maximizing value. Without the DIP Facility, the Company will be unable to fund completion of the Project, which would have an adverse impact on stakeholders and their ability to maximize value. Accordingly, absent funding under the DIP Facility, the Project would likely become subject to enforcement proceedings;

e) By obtaining the DIP Facility, MDG will signal to the market and its stakeholders that it has the necessary financial backing and stakeholder support to navigate its current financial difficulties, thereby restoring some degree of confidence in the Project;

f) MNP compared the terms of the DIP Facility to other DIP facilities recently approved by Canadian courts in CCAA proceedings.[6] Based on MNP's analysis, the cost of the proposed DIP Facility is consistent with other recent DIP financings approved by this and other Canadian courts and provides financing on reasonable economic terms in the circumstances;

g) Substantially all of the other DIP facilities approved by Canadian courts provide a corresponding super-priority DIP charge over all other creditors;

h) MNP does not believe that creditors will be prejudiced by the approval of the DIP Facility and the DIP Lender's Charge. To the contrary, they will benefit from it as it will allow the Applicant to continue to complete construction of the Project under the supervision of current management and the DIP Lender and the Monitor, with the view of protecting and enhancing value of the Project for the benefit of all stakeholders; and

i) The DIP Facility, including the Initial Advance, will ensure that MDG can maintain its daily operations seamlessly. This continuity is crucial for preserving the company's

[6] *Insolvency Insider*, Document Library, Approved Debtor-in-Possession Financing Facilities for Canadian Debtors Current as at August 5, 2024.

relationships with suppliers, contractors, and other stakeholders, which are essential for the successful completion and monetization of the Project. The Initial Advance is intended to fund the payment of construction costs that have been incurred, the release of which will promote stability by signaling to the trades and subtrades that funds are flowing, and work can resume as anticipated. Additionally, it will cover insurance premiums extending through February 2025, pay the DIP Lender's commitment fee and expenses incurred related to MDG and the CCAA Proceedings, and address limited overhead expenses.

57. Based on the foregoing, MNP believes that the terms of the DIP Facility are reasonable in the circumstances and that the Initial Advance provides the Company with the interim funding it requires until the Comeback Motion.

PROPOSED INITIAL CCAA ORDER SOUGHT

58. The relief requested by the Company includes, *inter alia*:

(a) the granting of the Stay Period and corresponding stay of proceeding that extends to the General Contractor, but only in respect of the Applicant's Business or Property;

(b) the appointment of MNP as Monitor;

(c) authorization and empowerment to enter into the DIP Term Sheet and approval of the Initial Advance; and

(d) the granting of various charges over the assets of the MDG, which charges are proposed to secure the professional fees and disbursements necessary to administer the CCAA Proceedings.

59. The Proposed Monitor is of the opinion that such relief will provide the Company with the time and protection they require to stabilize the Project and its day-to-day operations until the Comeback Motion.

60. MNP has reviewed the Initial Order and provided comments and observations on certain provisions below. It is noted that matters relating to the DIP Facility are addressed in the previous section of this Pre-Filing Report.

MNP'S QUALIFICATION TO ACT AS MONITOR

61. The proposed Initial Order contemplates that MNP will be appointed as Monitor of the Company in the CCAA Proceedings.

62. MNP is a trustee within the meaning of subsection 2(1) of the BIA.

63. MNP is not subject to any of the restrictions on who may be appointed as Monitor set out in subsection 11.7(2) of the CCAA. Those restrictions stipulate that without the permission of the Court and on any conditions that the Court may impose, no trustee may be appointed as monitor in relation to a company if, among other things, the trustee is or, at any time during the two (2) preceding years, was the auditor or accountant of the company. In addressing this two-year period, the Canadian Association of Insolvency and Restructuring Professional's Rules of Professional Conduct specify that "the two-year period commences at the date of the last audit report or the last review engagement report".

64. MNP is affiliated with MNP LLP, which has previously served in an advisory/consulting role for both MDG and MI, MDG's general contractor. The services provided to the Company were purely consulting/advisory, did not involve auditing or review engagements and were limited in nature. These services are not ongoing, with the last invoice issued on October 15, 2021. For MI, MNP LLP assisted the Company during a Canada Revenue Agency audit, with its final invoice issued on October 30, 2023. Additionally, MNP LLP provides accounting services to various other entities within the Mizrahi group of companies. MDG is a single-purpose entity, and any activities related to its affiliated companies do not impact the Company.

65. MNP is an independent national professional services firm providing, among other things, bankruptcy, insolvency and restructuring services. The senior MNP professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees in Canada, all of whom have acted in CCAA or BIA matters of a similar nature, business type and scale in Canada.

66. MNP has consented to act as Monitor of the Applicants should the Court grant the Initial Order. MNP's consent to act as Monitor is appended as Exhibit "OO" to the Mizrahi Affidavit.

67. The Proposed Monitor has retained Chaitons LLP to act as its independent legal counsel.

PROPOSED COURT ORDERED CHARGES OVER MDG'S ASSETS

Administration Charge

68. In order to secure the fees and expenses of the Administrative Professionals (as defined herein), MDG is proposing that the Monitor, counsel to the Monitor and the Company's counsel (collectively, the "**Administrative Professionals**") be entitled to the benefit of a charge (the "**Administration Charge**") on all of the Property in the amount of $100,000 as security for their professional fees and disbursements incurred at their agreed upon hourly rates and charges, both before and after the making of the Initial Order in respect of the CCAA Proceedings.

69. The quantum of the Administration Charge is the estimated amount of the Administrative Professionals' fees during the proposed Stay Period.

70. The Administration Charge is reasonable and appropriate in the circumstances having regard to, among other things, the fact that the professionals covered by the Administration Charge are vital to MDG's restructuring. The Company plans to pay the foregoing fees from its cash flow, contingent on court approval and financing through the DIP Facility during the CCAA Proceedings. The Administration Charge ensures their protection if the restructuring or a sale is unsuccessful due to the complexity of these CCAA Proceedings.

DIP Lender's Charge

71. It is proposed that the Company be authorized to borrow the Initial Advance from the DIP Lender in accordance with the terms of the DIP Term Sheet. As security for the DIP Facility, it is proposed that the DIP Lender be entitled to the benefit of a charge (the "**DIP Lender's**

Charge") on the Property, which DIP Lender's Charge shall not secure any obligation existing before the Initial Order is made. The DIP Lender's Charge is proposed to rank subordinate only to the Administration Charge.

72. As noted in paragraph 56, the Proposed Monitor is supportive of the approval of both the DIP Term Sheet and related DIP Lender's Charge, which charge, at this time, is only proposed to secure to the Initial Advance.

Priority of Charges Created by the Initial Order

73. The priorities of the proposed Administration Charge and the DIP Lender's Charge (the "**Charges**") are proposed to be as follows:

    (a) First – Administration Charge (to the maximum amount of $100,000); and

    (b) Second – DIP Lender's Charge to the extent of the Initial Advance.

74. MNP in its capacity as Proposed Monitor has reviewed the calculations that support the Administration Charge and the DIP Lender's Charge and believes that the amounts are reasonable in the circumstances. The Charges will have priority over all other debts and obligations of the Company (other than those secured parties who have not been notified of the Company's CCAA application). The Proposed Monitor notes that the quantum and priority ranking of all proposed charges is not objected to by TCC.

Extension of the Stay of Proceedings to the General Contractor

75. The Initial Order considers extending the stay of proceedings to MI, the General Contractor, except for the ongoing proceedings before Justice Osborne in Court File No. CV-23-

00707839-00CL. As General Contractor, MI has entered into subcontracts with suppliers of goods or services to the Project. Unless the stay of proceedings is extended to MI, suppliers may seek to terminate their subcontracts due to the admitted insolvency and commencement of these CCAA Proceedings. The Proposed Monitor is of the view that extending the stay to MI will facilitate the continued construction of the Project by preserving supplier relationships and minimizing further construction delays and extra costs. The Proposed Monitor therefore supports this relief.

PROPOSED MONITOR'S RECOMMENDATIONS

76. For the reasons set out above, the Proposed Monitor's recommendations are summarized below:

    (a) MDG is insolvent, and the Proposed Monitor considers the relief sought in the Initial Order to be reasonable, appropriate, and necessary having regard to the current circumstances of the Company;

    (b) The Proposed Monitor has concluded that the DIP Facility is required for the Company to continue construction of the Project, and to pay the costs of these CCAA Proceedings;

    (c) The Proposed Monitor supports the amounts and rankings of the Court-ordered charges proposed in the draft Initial Order, namely:

        i. *First* — Administration Charge (to the maximum amount of $100,000); and

        ii. *Second* — the DIP Lenders' Charge to the extent of the Initial Advance; and

(d) Additionally, the Proposed Monitor has reviewed the Company's financial statements and projections, and has determined that without the DIP Facility, the Company would be unable to complete the Project, which could result in significant losses for creditors and other stakeholders.

77. Considering the above, the Proposed Monitor supports MDG's application for CCAA protection and respectfully recommends that the Court grant the Initial Order.

All of which is respectfully submitted this 15th day of October, 2024.

MNP Ltd., in its capacity
as Proposed Monitor of the Mizrahi
Development Group (1451 Wellington) Inc.,
and not in its personal or corporate capacity

Per:

____

Sheldon Title, CPA, CA, CIRP, LIT
Senior Vice-President

Exhibit “A”

Mizrahi Development Group (1451 Wellington) Inc.
Statement of Projected Cash Flow
For the thirteen week period ending January 12, 2025

Currency: CAD															
Week Beginning	**Notes**	**14-Oct-24**	**21-Oct-24**	**28-Oct-24**	**04-Nov-24**	**11-Nov-24**	**18-Nov-24**	**25-Nov-24**	**02-Dec-24**	**09-Dec-24**	**16-Dec-24**	**23-Dec-24**	**30-Dec-24**	**06-Jan-25**	**Total**
Opening cash balance		10,422	26,202	25,962	90,684	70,393	59,926	59,686	334,948	49,110	48,018	47,778	47,778	268,170	10,422
Receipts															
DIP funding (net)	1	2,345,000	-	-		400,000	-	3,800,000	-	-		-	3,300,000	-	9,845,000
HST Refund		-	-	190,000	-	-	-	190,000	-	-	-	-	237,125	-	617,125
Total Receipts		**2,345,000**	**-**	**190,000**	**-**	**400,000**	**-**	**3,990,000**	**-**	**-**	**-**	**-**	**3,537,125**	**-**	**10,462,125**
Disbursements															
Deposit Refunds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Occupancy Cost		-	-	8,980	-	-	-	-	8,980	-	-	-	8,980	-	26,940
Utilities (Primus, Enbridge)		742	-	-	750	842	-	-	850	1,092	-	-	-	1,050	5,325
Construction Costs	2	1,670,919	-	-		-	-	3,396,317	-	-	-	-	3,206,317	-	8,273,553
Soft Costs	2	25,659	-	-		-	-	40,000	-	-	-	-	40,000	-	105,659
Professional Fees- CCAA	3	-	-	-	-	226,000	-	-	141,250	-	-	-	-	141,250	508,500
Pre-CCAA Legal fees	4	24,520	-	116,278	-	-	-	203,401	-	-	-	-	-	-	344,199
Insurance		46,169	-	-	-	-	-	-	-	-	-	-	-	-	46,169
Interest on DIP Funding	5	-	-	-	19,542	-	-	-	38,708	-	-	-	61,417	-	119,667
Forbearance fee/Commitment fee/DIP Lender's fees and expenses		561,211				183,625		75,000	96,050					73,450	989,336
Bank Service charges		-	240	20	-	-	240	20	-	-	240	-	20	-	780
Total Disbursements		**2,329,219**	**240**	**125,278**	**20,292**	**410,467**	**240**	**3,714,738**	**285,838**	**1,092**	**240**	**-**	**3,316,734**	**215,750**	**10,420,127**
Closing cash balance		**26,202**	**25,962**	**90,684**	**70,393**	**59,926**	**59,686**	**334,948**	**49,110**	**48,018**	**47,778**	**47,778**	**268,170**	**52,420**	**52,420**

The Statement of Projected Cash Flow for the period from October 14, 2024 to January 12, 2025 has been prepared pursuant to the requirements of section 10 (2) (a) of the Companies' Creditors Arrangement Act and should be read in conjunction with the attached Notes and Assumptions and the Monitor's Report.

MNP LTD.,
Proposed Monitor acting in re the CCAA of
Mizrahi Development Group (1451 Wellington) Inc.
and not in its personal or corporate capacity

Per:
Sheldon Title, CPA, CA, CIRP, LIT

Mizrahi Developments Group (1451 Wellington) Inc.

Per:
Amanda Brown, Director

Date: October 15, 2024

Exhibit "B"

ONTARIO
SUPERIOR COURT OF JUSTICE

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MIZRAHI DEVELOPMENT GROUP (1451 WELLINGTON) INC.

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT (PARAGRAPH 10(2)(B) OF THE CCAA)

Mizrahi Development Group (1451 Wellington) Inc. (the "**Applicant**") has developed the assumptions and prepared the attached Statement of Projected Cash Flow as of October 15, 2024, for the period from October 14, 2024, to January 12, 2025 ("**Cash Flow**"). All such assumptions are disclosed in the Notes to the Statement of Projected Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 15th day of October 2024.

Mizrahi Development Group (1451 Wellington) Inc.

Per:

A Brown

Amanda Brown, Director

1. The purpose of the projection is to present a cash forecast of Mizrahi Development Group (1451 Wellington) Inc. (the "Company") for the period October 14, 2024 to January 12, 2025 (the "Period") in respect of their proceedings under the *Companies' Creditors Arrangement*

Disclaimer

2. In preparing the Cash Flow Projections, the Company have relied upon unaudited financial information and have not attempted to further verify the accuracy or completeness of such information. Since the Cash Flow Projections are based on assumptions about future events and conditions that are not ascertainable, actual results achieved during the period of the Cash Flow Projections will vary from the Cash Flow Projections, even if the assumptions materialize, and such variations may be material. There is no representation, warranty, or other assurance that any of the estimates, forecasts or projections will be realized

Assumptions:

Hypothetical - none

Probable

1. Ongoing development costs are being funded from a DIP loan facility supplied by TCC Mortgage Holdings Inc.

2. Development costs (hard and soft costs) projected to be incurred during the cash flow period are based on draw requests already submitted.
Estimated additional development costs are based on data from cost consultants and the Company.

3. Post-filing professional fees include those of the Company's counsel, the Monitor, and the Monitor's counsel.

4, Pre-filing professional fees include Company's counsel and its real estate counsel incurred in contemplation of making an application under the CCAA.

5. Reflects interest payments on the contemplated Debtor-in-Possession Financing facility.

6. The cash flow projection may be updated periodically following additional reviews by the Company and external cost consultants concerning completion costs.

Exhibit “C”

ONTARIO
SUPERIOR COURT OF JUSTICE

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MIZRAHI DEVELOPMENT GROUP (1451 WELLINGTON) INC.

MONITOR'S REPORT ON CASH FLOW STATEMENT

(paragraph 23(1)(b) of the CCAA)

October 15, 2024

The attached Cash Flow Forecast of Mizrahi Development Group (1451 Wellington) Inc. (the "**Applicant**") as at the 15th day of October 2024, consisting of a weekly projected cash flow statement for the period October 14, 2024, to January 12, 2025 ("**Cash Flow**") has been prepared by the management of the Applicant for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the Notes to Statement of Projected Cash Flow.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied by the management, employees and the representatives of the Applicant. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow. We have also reviewed the support provided by management of the Applicant for the probable assumptions, and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow.

b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or

c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on Assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other forms of assurance with respect to the accuracy of any financial information presented in this report or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in the Notes to Statement of Projected Cash Flow and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, Ontario this 15th day of October 2024.

MNP LTD.
IN ITS CAPACITY AS PROPOSED MONITOR OF
MIZRAHI DEVELOPMENT GROUP (1451 WELLINGTON) INC.
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY

Per:

Sheldon Title, CPA, CA, CIRP, LIT
Senior Vice-President