



No. S-237489  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF THE RECEIVERSHIP OF  
QRD (WILLOUGHBY) HOLDINGS INC., QRD (WILLOUGHBY) LIMITED PARTNERSHIP,  
AND QRD (WILLOUGHBY) GP INC.  
PURSUANT TO SECTION 234(1) OF THE  
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985 c.B-3, AS AMENDED  
AND SECTION 39 OF THE LAW AND EQUITY ACT, R.S.B.C. 1996 c.253 AS AMENDED**

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**Receiver's Second Report to Court**

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**April 4, 2024**

**IN THE MATTER OF THE RECEIVERSHIP OF  
QRD (WILLOUGHBY) HOLDINGS INC., QRD (WILLOUGHBY) LIMITED PARTNERSHIP,  
AND QRD (WILLOUGHBY) GP INC.**

**Receiver's Second Report to Court**

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## I. INTRODUCTION AND PURPOSE

### Background

1. On November 8, 2023, MNP Ltd. was appointed Receiver (the “**Receiver**”) of QRD (Willoughby) Holdings Inc., QRD (Willoughby) GP Inc., and QRD (Willoughby) Limited Partnership (collectively, “**QRD (Willoughby)**” and/or the “**Companies**”) pursuant to an Order of the Supreme Court of British Columbia.
2. QRD (Willoughby) is part of Quarry Rock Developments, a private real estate developer based in Burnaby, B.C.
3. QRD (Willoughby) was constructing a three phase 87-unit townhome project named “The Willoughby” located in Langley, B.C. (the “**Project**”).
4. The Companies were unable to secure financing to complete construction of the Project due to delays with development approval, increased construction costs, and increased interest costs according to management.
5. The Project consists of three phases:
  - i. Phase 1 – 34 units (“**Phase 1**”);
  - ii. Phase 2 – 23 units (“**Phase 2**”); and,
  - iii. Phase 3 – 30 units (“**Phase 3**”).
6. Phase 1 was under construction and consists of seven separate buildings (four to six units per building) with a combined 34 units. Construction of Phase 1 stalled in August of 2023. Phases 2 and 3 had not commenced construction of the units.
7. Each of the seven buildings in Phase 1 were at various stages of completion ranging from Building One estimated at 95% complete to Building Five and Building Seven estimated at 20% complete. Buildings Four to Seven were at framing stage and exposed to weather with no exterior cladding, windows and roofing when construction ceased.

8. The Project is financed by MCAP Financial Corporation, (“**MCAP**”), the first mortgagee owed approximately \$29.6 million at the time of the receivership, and Canadian Mortgage Servicing Corporation (“**CMSC**”), the second mortgagee owed approximately \$7.55 million at the time of the receivership.
9. Overland Capital Corporation and Wubs Investments Ltd. registered mortgages on the Project for approximately \$10.5 million and \$4.5 million, respectively, in or about September 2023 subordinate to both MCAP and CMSC.
10. In addition, Steelcrest Construction Inc. (“**Steelcrest**”), the general contractor on the Project, filed a builder’s lien for \$2.82 million on October 3, 2023.
11. Steelcrest is disputing the validity and enforceability of the Overland Capital Corporation and Wubs Investments Ltd. mortgages.
12. MCAP made an application to appoint the Receiver due to concerns with construction ceasing, security, and winterization with the Receiver appointed on November 8, 2023.
13. On December 15, 2023, on application by the Receiver, the Court granted an Order (the “**Amended and Restated Receivership Order**”) increasing the Receiver’s borrowings from \$750,000 to \$2,209,000 to fund the winterization of Phase 1 units and complete the construction of Building One and Building Two, with consent of MCAP and CMSC.
14. This is the Receiver’s Second Report and should be read in conjunction with its First Report dated December 6, 2023.

## **Purpose of report**

15. This purpose of this report is to:
  - i. Provide the Court with a summary of the Receiver's activities since its First Report dated December 6, 2023;
  - ii. Request the Court's approval for the listing and marketing of the Project on an "as is, where is" basis; and,
  - iii. Request an increase of Receiver's Borrowings of \$175,000 from \$2,209,000 to \$2,384,000 to fund ongoing monthly site costs and professional fees.

## **II. UPDATE ON RECEIVER'S ACTIVITIES**

16. The Receiver performed the following work since its First Report:
  - i. Continued to oversee the protection and preservation of the Project including dealing with security, utilities, maintenance issues and requirements from the Township of Langley;
  - ii. Held various discussions with the Companies' insurance broker and Receiver's Insurance advisor regarding required coverage and extension of insurance;
  - iii. Held various discussion and correspondence with the Companies legal counsel and pre-sale purchasers regarding status of pre-sale contract and deposits;
  - iv. Attended the Project site on an ongoing basis and held meetings and discussions with:
    - a. Representatives of Steelcrest;
    - b. Development consultants engaged on the project to assess the status of construction and the costs to complete Phase 1; and,
    - c. Representatives from the Township of Langley to assess status of the site under the Receiver and planned construction and inspections;
  - v. Monitored Steelcrest's progress of the Winterization of Phase 1 and the completion of Building One and Building Two;

- vi. Engaged in discussion with Steelcrest regarding change orders to the original Winterization scope;
- vii. Obtained marketing proposals and opinions of value from commercial and residential real estate brokerages;
- viii. Held numerous discussions and meetings with commercial and residential real estate brokerages regarding their proposals;
- ix. Held discussions with various consultants and reviewed consulting reports to establish an estimate of the timeline and assess costs to complete Phase 1;
- x. Obtained quotes from contractors for costs to complete Phase 1;
- xi. Prepared a preliminary analysis to determine the estimated realization under various scenarios; and,
- xii. Held discussions with MCAP and CMSC regarding the estimated realizations under difference scenarios.

### **III. WINTERIZATION OF PHASE 1 UNITS AND COMPLETION OF BUILDING ONE AND BUILDING TWO**

#### **Winterization of Phase 1 Units**

- 17. Construction at the Project ceased prior to the appointment of the Receiver. The buildings in Phase 1 were at various stages of completion and at risk of damage from prolonged exposure to weather. In particular, Buildings Four to Seven were at framing stage and exposed to weather with no exterior cladding, windows and roofing.
- 18. The Receiver engaged Steelcrest to perform the agreed upon winterization scope of work to preserve and protect the existing construction value of Phase 1 of the Project.

19. A summary of the winterization work performed by Steelcrest on the buildings in Phase 1 is below:

Building	# Units	Winterization work completed
1	4	Heating
2	6	Heating
3	6	Interior / some exterior
4	4	Exterior / doors / windows / some roof
5	6	Exterior / doors / windows / roof
6	4	Exterior / doors / some roof
7	4	Exterior / doors / windows / roof

20. The winterization scope was substantially completed in January 2024 with maintenance work and remediation of minor issues ongoing.

21. The Receiver engaged the Architect on the Project to complete weekly inspections to monitor the status of the winterization work and exteriors on an ongoing basis.

**Completion of Building One and Building Two**

22. Building One (4 units) and Building Two (6 units) were approximately 95% complete and 85% complete, respectively, at the time of the receivership.

23. The Amended and Restated Receivership Order included Receiver’s borrowings to complete Building One and Building Two, subject to the agreement of MCAP and CMSC.

24. The Receiver worked with Steelcrest, various consultants and representatives of the Township of Langley to complete construction.

25. The Township of Langley approved the final inspection for the Building One and Building Two units on March 27, 2024.

26. The winterization of Phase 1 units and completion of Building One and Two is complete.

27. The Receiver continues to monitor the winterization work with minor maintenance and remediation work ongoing.

#### **IV. SALES AND MARKETING**

##### **Pre-sale Contracts**

28. When the Receiver was appointed the Project had eleven pre-sale contracts.
29. The deposits for the pre-sale agreements were held in trust with the Companies legal counsel.
30. To date, all eleven of the pre-sale purchasers have requested the rescission of their pre-sale contracts and the return of their deposits. The Receiver facilitated the return of pre-sale deposits when officially requested by pre-sale purchasers.

##### **Assessment of Sale Options**

31. The Amended and Restated Receivership Order does not provide the Receiver the ability to market and list the Project without further approval of the Court.
32. The Receiver contacted, solicited proposals and held discussions with three residential project marketing firms and two commercial real estate brokerages to assess the realization strategy for the Project.
33. The Receiver contacted contractors and engaged a development and construction consultant to assess construction costs to complete Phase 1 of the Project.
34. The options available for the sale of the Project consist of:
  - i. The sale of the Project on an “as is, where is” basis; and,
  - ii. The completion of construction of Phase 1 and sale of 34 finished units directly to buyers concurrently with the sale of Phase 2 and Phase 3 on an “as is, where is” basis.



35. The Receiver held numerous discussions with MCAP and CMSC on the realization strategy for the Project. The Receiver prepared a preliminary estimate on the potential realization for the options and discussed the analysis with both parties.

### **Proposed Listing of the Project**

36. MCAP is the first mortgagee owed approximately \$32.99 million (including Receiver's borrowings) as at April 1, 2024. CMSC is the second mortgagee, in a subordinate position to MCAP, and owed approximately \$7.90 million as at April 1, 2024.
37. Based on the Receiver's estimates MCAP and CMSC are the only parties that would stand to recover all or a portion of their outstanding debt.
38. The estimated interest cost on the MCAP debt is approximately \$231,000 per month and the CMSC debt approximately \$86,000 per month. Total debt carrying costs are estimated at \$317,000 per month.
39. The Receiver understands MCAP and CMSC had direct discussions regarding the realization strategy for the Project however have been unable to agree. The Receiver understands that the discussions are ongoing.
40. Discussions to date on the sale of the Project on an "as is, where is" basis have been based on estimates and opinions of value. The Receiver believes that the potential value achievable in the sale of the Project on an "as is, where is" basis cannot be determined accurately without the Project being exposed to market.
41. Real estate market conditions may be improving due to anticipated interest rate cuts expected in the third and fourth quarter in 2024 which coincides with spring and summer markets of higher sales activity.
42. Due to the above and the significant carrying costs of additional delay estimated at \$317,000 per month, the Receiver believes the Project should be listed for sale on an "as is, where is" basis as soon as possible to expose the Project to market.

43. The Receiver recommends that the Project is listed with Colliers Macaulay Nicolls Inc. (“Colliers”) on terms as determined by the Receiver.
44. The Receiver proposes to list the Project for sale on an open basis with no set parameters other than a minimum listing period to maintain flexibility in negotiations with potential purchasers while ensuring the Project is adequately exposed to market.

**V. RECEIVER’S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS**

45. A copy of the Receiver’s Interim Statement of Receipts and Disbursements for the period November 8, 2023, to March 31, 2024, is attached as **Appendix A**.
46. The Receiver’s Interim Statement of Receipts and Disbursements is summarized below:

	<b>\$</b>
<b>Receipts</b>	
Advance from Secured Creditor	2,209,000
Refunds	180,829
Cash in Bank	24,928
Interest	1,909
	<u><b>2,416,666</b></u>
<b>Disbursements</b>	
Contractor costs	1,546,163
Insurance	206,501
GST paid	85,323
Monthly site costs	73,711
Legal fees, PST and disbursements	48,546
Consultant fees	39,770
PST on Legal fees	3,377
Advertising and other misc.	821
	<u><b>2,004,212</b></u>
<b>Excess Receipts over Disbursements</b>	<u><b>412,454</b></u>

47. The Receiver has \$412,454 as of March 31, 2024, however the amount does not include estimated accruals of approximately \$271,000 including unpaid professional fees.
48. The Receiver's estimated remaining cash balance as of March 31, 2024, after taking into account the \$271,000 in accruals, is approximately \$141,454.

## VI. RECEIVER'S BORROWINGS

49. The Amended and Restated Receivership Order authorized the Receiver to borrow up to \$2,209,000 for recommended winterization work, to complete construction of Building One and Building Two and for monthly site costs and professional fees.
50. The Receiver completed the winterization of Phase 1 units and construction of Building One and Building Two and has drawn the full amount of the Receiver's Borrowings.
51. The Receiver continues to incur monthly site costs including, but not limited to, utilities, security, fence rental, insurance, site maintenance and inspections and professional fees.
52. A summary of the estimated costs to be incurred by the Receiver is summarized below for the period of April 1, 2024, to June 30, 2024:

	\$'s
Professional fees	150,000
Monthly site costs (April - June 2024)	115,000
Contingency	50,000
<b>Total Estimated Costs</b>	<b><u>315,000</u></b>
<b>Less:</b>	
Receiver's cash balance as of March 31, 2024	<u>141,454</u>
<b>Required Receiver's Borrowings</b>	<b><u>173,546</u></b>

53. The estimated monthly site costs have increased since the Receiver's First Report due to increased actual energy costs incurred and additional security monitoring requirements on site.
54. The Receiver requires estimated additional funding of \$175,000 for the ongoing protection and preservation of the Project.

## **VII. RECOMMENDATIONS**

55. The Receiver has completed the winterization of the Phase 1 units and construction of Building One and Building Two.
56. Based on the Receiver's preliminary estimates, MCAP and CMSC are the only creditors which would stand to recover some or all of their debt.
57. The Receiver has prepared a preliminary analysis and discussed the realization strategy with MCAP and CMSC. To date MCAP and CMSC have not agreed on a realization strategy, however the Receiver understands discussions are ongoing.
58. Interest costs are approximately \$317,000 per month and the current time is favourable for listing the Project for sale.
59. The Receiver recommends that the Project is listed for sale on an "as is, where is" basis to expose the Project to market, allow the Receiver to better determine the realizable value on an "as is, where is" basis and allow MCAP and CMSC to continue discussions.
60. The Receiver respectfully requests that the Court grant:
  - i. The Receiver the authorization to list the Project for sale on an "as is, where is" basis with Colliers on terms determined by the Receiver; and
  - ii. An increase of Receiver's Borrowings of \$175,000 from \$2,209,000 to \$2,384,000 to fund ongoing monthly site costs and professional fees.

61. All of which respectfully submitted this 4<sup>th</sup> day of April 2024.

**MNP Ltd.**

In its capacity as Receiver and Manager of QRD (Willoughby) Holdings Inc., QRD (Willoughby) Limited Partnership and QRD (Willoughby) GP Inc.

Per:

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

Mario Mainella, CPA, CA, CIRP

Per:

A handwritten signature in black ink, featuring a large, stylized 'G' and 'B' with a long horizontal stroke.

Gordon Brown, CPA, CA, CIRP

## **APPENDIX A**

Receiver's Interim Statement of Receipts and Disbursements

In the Matter of the Receivership of QRD (Willoughby) Holdings Inc. et al.  
Receiver's Interim Statement of Receipts and Disbursements  
For the Period November 8, 2023 to Mar 31, 2024

<b>Receipts</b>	<b>\$</b>
Advance from Secured Creditor	2,209,000
Refunds - BC Hydro and Misc.	130,903
GST Refunds	49,926
Cash in bank	24,928
Interest received	1,909
	<b><u>2,416,666</u></b>
<b>Disbursements</b>	
Contractor costs <sup>1</sup>	1,546,163
Insurance	206,501
GST paid	85,323
Security	53,960
Legal fees and disbursements	48,546
Consultant fees	39,770
Utilities	19,752
PST on legal fees	3,377
Advertising	745
Filing fees paid to Official Receiver	75
	<b><u>2,004,212</u></b>
<b>Excess Receipts over Disbursements</b>	<b><u>412,454</u></b>

**Notes:**

Note 1 - Contractor costs include 10% Holdback on payments made to contractor (not including GST) per Provincial legislation. Holdback will be released upon expiry of legislated waiting period.