

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

FIFTH 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. This report should be read in conjunction with the previous interim Receiver reports issued on its administration to the creditors and the Superintendent of Bankruptcy on September 30, 2022, March 30, 2023, September 29, 2023, and March 28, 2024, and can be consulted on our website.
5. The Receiver issued a third report to the Court on July 11, 2024, in conjunction with Romspen Investment Corporation's (“**Romspen**”), application, “*Romspen Investment Corporation’s Motion to Lift the Stay and for Other Relief*” (“**Romspen Motion**”) to partially lift the stay and for other relief. The order (“**Romspen Order**”) for the Romspen Motion was granted on July 16, 2024.
6. On November 6, 2023, the Honorable Judge Martin F. Sheehan, J.S.C. granted « *l’Ordonnance sur la Demande d’élargissement des pouvoirs du séquestre* » (« **Approval Order** ») and authorized the Receiver to file an assignment of the Debtor’s assets under section 49 to the BIA and to initially appoint MNP trustee (the “**Trustee**”) to the bankruptcy of Flora and 1054, subject to creditor approval.

7. Consequently, as an authorized and court-appointed Receiver via the Approval Order, MNP filed an assignment for both companies, Flora and 1054, on November 15, 2023.
8. The purpose of the fifth report is to update the creditors as to what has transpired since the Receiver's last report.

B. RESTRICTIONS AND LIMITATIONS

9. In preparing this report, the Receiver has relied upon unaudited financial information obtained from the Debtors' books and records and public records.
10. 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

11. 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

12. 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.
13. The Receiver has been made aware of materials and supplies located on the property of third parties, and this continues to be dealt with in due course.

D. CREDITORS

14. The creditors are described hereafter:

Creditors ¹	Amount (in CAD \$)
Secured Creditors	
Parties holding legal hypothecs of construction against the Flora Property	1,560,995 ²
Romspen Investment Corporation (" Romspen ")	40,770,459 ³
Aviva Insurance Company of Canada (" Aviva ")	6,459,236 ⁴
HRM Projet Villanova Inc. (" HRM ")	7,000,000
	55,790,690
Unsecured Creditors	1,476,947

1. No formal claims process was initiated in the Receivership proceedings however, a statutory claims process exists under the parallel bankruptcy proceedings and is currently underway.
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 and that have not been settled or acquired by Romspen.
3. The Debtor's secured indebtedness to Romspen as at the date of the bankruptcy, November 15, 2023, comprised of \$24,844,688 due pursuant to the commitment between Romspen and the Debtors, \$1,300,000 due in respect of interim financing of the receivership and \$14,435,417 representing claims of sub-trades acquired by Romspen. In addition to these amounts, as at the bankruptcy date, Romspen had also made protective advances of \$190,354 under its loan and security instruments. All which is subject to be modified.
4. Amounts paid by Aviva to parties who have provided a deposit on a unit in the Project (*known as promettant acheteur*).

15. 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 are described below.
- c. A Receiver's Borrowing Charge in the aggregate amount of \$2,040,000 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.

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.

16. As at September 30, 2024, only four (4) remaining creditors hold a legal hypothec of construction for an approximate amount of less than \$2M.

E. EFFORTS TO DISPOSE OF PROPERTY

17. Due to the present market conditions and interest rates, the pool of potential buyers is seriously reduced. During the fifth interim Report period, the Receiver focused on maintaining the Flora Property and dealing with the remaining legal hypothecs with Romspen, the whole as discussed below.
18. On July 16, 2024, Romspen presented the Romspen Motion to the court to partially lift the stay and for other relief.
19. The same day, the Court ordered the partial lifting of the stay of proceedings and declared the stay of proceedings ordered on March 30, 2022, to be inapplicable to Romspen.
20. Following the Romspen Order of July 16, 2024, the Receiver received the *Notices of exercise of the hypothecary right to take payment* on July 30, 2024, for 1054 and Flora. The Receiver expects to receive an application for voluntary surrender for the Flora Property shortly.

F. PRESERVATION WORK AND CONSERVATION AND LIEN CLAIMS

21. As previously mentioned in our Fourth Interim Report, the Flora Project has been and will continue to undergo work related to its preservation and protection, the whole as set forth in the Order. Romspen has and will continue to advance the necessary funds to complete such work, which work is performed under the supervision of the Receiver's construction consultant.
22. As part of the continuing measures relating to the conservation and preservation of the property, the Receiver, as required, hired various plumbing and electrical professionals for various maintenance and/or repairs.
23. Flora has again been the victim of theft on the adjacent land where several materials are stored. The value was determined to be insufficient to file a claim with the insurance.
24. On the same adjacent land, there is a potential issue of some contaminated soil. The Receiver and its construction consultant have obtained quotes to rectify the issue. The Receiver has retained a company and the work is expected to begin in early October.
25. The Receiver, together with Romspen have worked to settle some of the construction liens encumbering the Flora Property. At the time of the Receiver's appointment in 2022, there were 18 construction lien claims for a total of approximately \$17 million. Presently, following the informal settlement efforts of the Receiver and Romspen, there are only 4 unresolved claims remaining which aggregate for less than \$2 million (the "**Unresolved Claims**").

26. As discussed below, the Unresolved Claims will be treated pursuant to the formal claims process in effect under the parallel bankruptcy proceedings of the Debtors where MNP acts as bankruptcy trustee. This process of assessing the proof of claims under the bankruptcy and not the receivership will not prejudice creditors.
27. The Trustee is waiting to receive all the supporting documents for the proofs of claim from the Unresolved Claims. Once the documents have been received, the Trustee will continue its review of the proofs of claim and notify the claimants of the Trustee's decision.

G. LEGAL

28. The Receiver and Trustee received a motion from Le Groupe DR Électrique Inc., a creditor holding a legal hypothec, to partially lift the stay of proceedings of the BIA.
29. The Receiver and Romspen contested the motion, and it was rejected on September 12, 2024, by the Honorable Martin F. Sheehan, J.C.S.

H. INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

30. An interim statement of receipts and disbursements has been produced for the period from March 30, 2022, to August 31, 2024, and is included in **Appendix A**.

I. ANTICIPATED COMPLETION OF THE RECEIVERSHIP

31. As of the date of this report, due to the potential timing to surrender the Flora Project to Romspen, the Receiver anticipates completing the realization of the Debtors' assets within the next six (6) months.

DATED at Montréal, this 30th day of September 2024.

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

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, 2024

RECEIPTS	(\$)	(\$)
Realisation of Asset:		
Cash in bank		263.22
Miscellaneous:		
Advances from creditor		4,416,875.38
Advances From Secured Creditor (DIP)		1,584,646.29
Interest Allocation		40,616.67
Refund Énergir		28,856.94
Settlement		9,364.30
Property Tax refund		2,200.18
Taxes:		
Refund of CTI		382,682.90
Refund of RTI		759,648.12
TOTAL RECEIPTS		<u><u>7,225,154.00</u></u>
 DISBURSEMENTS		
Paid Fees:		
Filing Fees Paid to Official Receiver		72.97
Stock Taking and Possession		3,446.50
Premium:		
Insurance		448,369.98
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

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INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
 for the period of March 30, 2022 to September 30, 2024

Miscellaneous Disbursements:		
Permit (City of Montréal)	1,283,688.71	
Operating Expenses	1,845,331.26	
Maintenance, Supervision & Repair	982,500.95	
Utilities	238,907.77	
Security / Monitoring	186,574.19	
Consultants	128,291.53	
Interest payments on DIP	156,908.23	
Property Management	43,426.64	
Appraisal fees	42,000.00	
Settlement	33,332.90	
Municipal Taxes	42,449.50	
Professional Fees	18,524.50	
Administrative Disbursements	20,759.09	
School Taxes	4,729.04	
Bank Charges	6.90	5,027,431.21
	Sub-Total of Disbursements	5,480,165.56
Receiver Fees		592,445.46
Legal Fees/Disbursements		281,942.91
Taxes:		
GST Charged on Receiver Remuneration	29,653.54	
QST Charged on Receiver Remuneration	59,158.71	88,812.25
GST on Legal Fees	14,071.86	
QST on Legal Fees	28,073.31	42,145.17
GST Paid on Disbursements Exclusive of Fees	172,458.20	
QST Paid on Disbursements Exclusive of Fees	344,459.18	516,917.38
TOTAL DISBURSEMENTS		7,002,428.73
AMOUNT HELD IN TRUST BY THE RECEIVER		222,725.27