

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**.

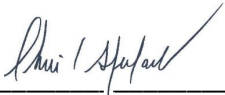
H. ANTICIPATED COMPLETION OF THE RECEIVERSHIP

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>	
		<u>258,120.85</u>
	Sub-Total of Disbursements	
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>