

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

B E T W E E N:

CENTURION MORTGAGE CAPITAL CORPORATION

Applicant

- and -

TERRASAN 327 ROYAL YORK RD. LIMITED

Respondent

FOURTH REPORT OF BDO CANADA LIMITED, IN ITS CAPACITY

AS COURT APPOINTED RECEIVER

September 8, 2017

INTRODUCTION AND PURPOSE OF THIS REPORT

Introduction

1. By Order of the Honourable Mr. Justice Wilton-Siegel of the Ontario Superior Court of Justice (the “**Court**”) dated February 24, 2017 (the “**Receivership Order**”), BDO Canada Limited (“**BDO**”) was appointed as the Court-appointed receiver (in such capacity, the “**Receiver**”) of all of the assets, undertakings and properties of Terrasan 327 Royal York Rd. Limited (“**Terrasan**” or the “**Company**”), pursuant to the application made by Centurion Mortgage Capital Corporation.
2. The Company’s principal asset is a partially constructed residential condominium development located at 327 Royal York Rd., Toronto, Ontario known as the “On the Go Mimico”. The municipal address for the Project is 327 Royal York Rd., Toronto, Ontario (the “**Property**”).
3. On April 3, 2017, this Court granted an Order (the “**Sale Process Order**”) which, among other things: (i) approved the First Report of the Receiver dated March 27, 2017, and the actions of the Receiver set out therein; and (ii) approved the marketing and sale process for the Property as set out in the First Report (the “**Sale Process**”).
4. On August 25, 2017, this Court granted an Approval and Vesting Order (the “**Approval and Vesting Order**”) which approved, among other things, the asset purchase agreement dated July 28, 2017 (the “**2402871 APA**”) between the Receiver and 2402871 Ontario Inc. (the “**Purchaser**”) and the transaction as set out therein. The closing of the sale pursuant to the 2402871 APA was to occur within 7 days of the Court granting the Approval and Vesting Order (the “**Closing Date**”).
5. The purpose of this Report dated September 8, 2017 (the “**Fourth Report**”) is to report to the Court and provide an update on the status of the Equipment (as defined herein) and the status of the closing the transaction pursuant to the 2402871 APA.

RESFORM EQUIPMENT AND 2402871 APA

Resform Equipment

6. Aluma Systems Inc. (“**Aluma**”) and Resform Construction Limited (“**Resform**”) were in attendance at the sale approval motion represented by their respective counsel, Ms. Willson and Mr. DaRe. Aluma is a sub-trade of Resform. Each party raised concerns regarding the removal of their client’s equipment from the Property, specifically whether reasonable access would be afforded to Resform following the transfer of the Property. The equipment consists of Aluma’s scaffolding and Resform’s tower crane (together, the “**Equipment**”), which do not form part of the assets being conveyed to the Purchaser pursuant to the 2402871 APA.

7. Certain scaffolding is currently supporting concrete structures at the Property, the removal of which must be engineered and “shored” to maintain the integrity of the structures and the safety of workers that will be onsite and engaged in the removal process. The Receiver also understands that demobilizing the crane requires certain stepped procedures to be followed and requires the use of a secondary mobile crane and will require the closure of a roadway that provides access to the Mimico Go Train Station.
8. At the sale approval motion, Justice Myers issued an endorsement scheduling a motion returnable August 31, 2017 to address Aluma and Resform’s concerns regarding the return of the Equipment in the event a demobilization plan could not be agreed to the August 31, 2017 return date. Attached hereto as **Appendix A** is a copy of the aforementioned endorsement of Justice Myers.
9. Within that intervening period, the Receiver expected the delivery of a demobilization plan. A demobilization plan was not delivered therefore the Receiver filed its Third Report. At the August 31, 2017 appearance, counsel to Resform advised the Court that Resform and the Purchaser were in the process of negotiating a potential agreement with respect to the Equipment. Justice Myers issued an endorsement requiring the parties to re-appear on September 1, 2017. Attached hereto as **Appendix B** is a copy of the Receiver’s Third Report. Attached hereto as **Appendix C** is a copy of the endorsement of Justice Myers dated August 31, 2017.
10. At the September 1, 2017 appearance, the Receiver advised the Court that no agreement was entered into between Resform and the Purchaser. Justice Myers issued an endorsement scheduling a motion returnable September 11, 2017 to address the status of the closing of the 2408271 APA and for a motion requiring the Receiver to pay for post-receivership charges incurred by Resform / Aluma. Attached hereto as **Appendix D** is a copy of the endorsement of Justice Myers dated September 1, 2017.
11. To date, the Receiver has not received a demobilization plan from Resform. The Receiver is concerned that the delays to date in the development a viable demobilization plan may jeopardize the closing of the sale transaction.

2402871 APA update

12. Capitalized terms not otherwise defined herein are as defined in the 2408271 APA.
13. The Closing Date pursuant the 2402871 APA was September 1, 2017. Attached hereto as **Appendix E** is a copy of the redacted 2402871 APA (without exhibits).
14. By correspondence in writing from the Purchaser delivered on August 28, 2017, the Purchaser advised the parties that, upon conducting further due diligence following the Approval Vesting

Order, the Purchaser was not prepared to close the transaction until the Equipment was removed from the Property.

15. The Receiver and the Purchaser engaged in a number of discussions regarding closing following the delivery of the aforementioned correspondence. On September 1, 2017, the Receiver and Purchaser agreed in writing to extend the Closing Date to September 8, 2017 (the “**Closing Extension Period**”).
16. During the Closing Extension Period, the Receiver and Purchaser continued to engage in discussions regarding closing. The Receiver was prepared to close pursuant to the 2402871 APA, however, the Purchaser continued to maintain that it was not prepared until the Equipment was removed.
17. On September 7, 2017, the Receiver and the Purchaser agreed in writing to extend the Closing Date to September 15, 2017 (the “**Second Closing Extension Period**”). Attached hereto as **Appendix F** is a copy of correspondence from Dentons Canada LLP (counsel to the Receiver) confirming the extension of the Closing Date to September 15, 2017 and the Receiver’s position with respect to closing.
18. In the Receiver’s Second Report, the Receiver reported that: (i) the only Purchaser condition to closing was the delivery of the Approval and Vesting Order, and (ii) the 2402871 APA provided for a quick closing which was an economic consideration for the Receiver. Section 5.02 of the 2402871 APA outlines the Purchaser’s conditions. There is no condition associated with the removal of the Equipment.
19. As of the date of this Fourth Report, the Receiver continues discussions with the Purchaser in anticipation of closing the transaction prior to the expiry of the Second Closing Extension Period. In the event the transaction fails to close, the Receiver may be required to file a motion for relief and directions.

20. All of which is respectfully submitted this 8th day of September, 2017.

BDO CANADA LIMITED,
in its capacity as the Court-appointed Receiver of
Terrasan 327 Royal York Rd. Limited, and not in its personal or corporate capacity
Per:

A handwritten signature in black ink, appearing to read "G. Cerrato", written in a cursive style.

Name: Gary Cerrato, CIRP, LIT
Title: Vice-President