

COURT FILE NUMBER 1901-13307
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

APPLICANT MARIA MAKSYM'TZ

DOCUMENT **PRE-FILING REPORT OF THE
PROPOSED RECEIVER
HARDIE & KELLY INC.
SEPTEMBER 23, 2019**

PROPOSED RECEIVER

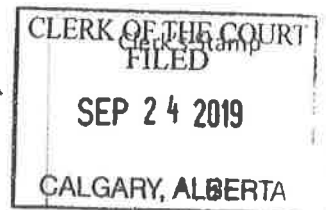
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**PRE-FILING REPORT OF THE PROPOSED RECEIVER
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INTRODUCTION

1. On September 23, 2019, Ms. Maria Maksymyts filed materials with this Honourable Court seeking an order (the “Proposed Receivership Order”) appointing Hardie & Kelly Inc. as Receiver of Homerun International Inc. (“Homerun International”) to facilitate a distribution of funds to its creditors for the reasons as more fully detailed in the Affidavit of Maria Maksymyts and discussed more fully herein.
2. The purpose of this report (the “Pre-Filing Report”) of the Proposed Receiver is to provide this Honourable Court with information pertaining to:
 - a) the CCAA Proceedings of the individual members of the Homerun Group as defined below, as it pertains to the Receivership Application and proposed Receivership Order;
 - b) Hardie & Kelly Inc.’s administration of the bankrupt estate of First Base Investments Inc., including an estimate of the dividend anticipated to be distributable to Homerun International Inc. as the material proven creditor of the bankrupt estate;
 - c) Homerun International Inc., including its current corporate status and estimated creditor composition; and
 - d) The Proposed Receiver’s comments with respect to a proposed claims process to distribute the proceeds anticipated to be received by Homerun International pursuant to the First Base Investments Inc. bankruptcy.
3. The Proposed Receiver is submitting this Pre-Filing Report to provide this Honourable Court with relevant background information, which the Proposed Receiver is aware of through its previous involvement as the court-appointed monitor or trustee in bankruptcy of entities comprising the Homerun Group or affiliates thereof.

TERMS OF REFERENCE

4. In preparing this Pre-Filing Report, the Proposed Receiver has relied upon unaudited financial and other information and the Companies’ books and records. The Proposed Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or

completeness of such information and, accordingly, the Proposed Receiver expresses no opinion or other form of assurance in respect of such information contained in this report.

5. References to Management refer primarily to Ms. Candice Graf in her capacity as director of former director of certain members of the Homerun Group.
6. All references to currency are in Canadian dollars unless otherwise noted.

CCAA PROCEEDINGS

7. On October 4, 2012, Homerun Capital Corp. (“Homerun Capital”), Homerun Equities Inc. (“Homerun Equities”), Homerun Capital II Corp. (“Homerun Capital II”), Homerun Equities II Inc. (“Homerun Equities II”), Homerun International Inc. (“Homerun International”), Homerun Properties Inc. (“Homerun Properties”), Homerun Securities Inc. (“Homerun Securities”), 1484106 Alberta Ltd. (“148”), 1496044 Alberta Ltd. (“149”), 1515997 Alberta Ltd. (“151”) and 1539149 Alberta Ltd. (“153”), (individually a “Company” and collectively, the “Homerun Group” or the “Companies”) sought and obtained protection from their creditors (the “Stay”) under the Companies’ Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended (the “CCAA”) pursuant to an order of this Honourable Court (the “Initial Order”).
8. Pursuant to the Initial Order, Hardie & Kelly Inc. was appointed Monitor of the Companies (the “Monitor”).
9. On November 1, 2012, the Monitor was granted an Order (the “SUF Order”) authorizing the preparation of a sources and uses of funds analysis (the “SUF Analysis”) in respect of the Homerun Group which formed the basis for its Tenth Report, filed on October 11, 2013.
10. On December 21, 2012, the Companies sought and obtained a series of claims process orders to establish the amount of claims (the “Claims Process”) against the respective members of the Homerun Group as at the Filing Date.
11. On May 9, 2013, in response to a significant number of transactions amongst related entities, namely First Base Investments Inc. (“First Base Investments”) and Homerun Investments Inc. (“Homerun Investments”), (collectively the “Related Homerun Entities”), the Monitor sought and received an Order (the “RHE SUF Order”) authorizing an expansion of its powers to include the Related Homerun Entities in the SUF Analysis.

12. On October 7, 2013, First Base Investments assigned itself into bankruptcy and Hardie & Kelly Inc. was named as Trustee of the Bankrupt estate (the "Trustee").
13. On October 24, 2013, certain members of the Homerun Group sought and obtained approval of this Honourable Court for a distribution to its proven creditors (the "Initial Distribution").
14. The Monitor sought and obtained its discharge as Monitor over Homerun International Inc. on January 16, 2014 with the Monitor's discharge over the estate of Homerun International precipitated by the City of Calgary serving notice of a Safety Code Order (the "Safety Code Order") on December 12, 2013 notifying the Monitor that as a result of the removal of a former residence, Homerun International was deemed to be in violation of the Building Code. The Safety Code Order also named the Monitor as a co-owner of the Rocky Ridge Lands pursuant to the terms of the Safety Codes Act.
15. The Safety Code Order mandated that the Monitor or Homerun International eliminate the unsafe condition by removing the existing foundation and debris from the site, backfill any open excavation and grate the area of the demolition work to match the natural contours of the surrounding areas by January 24, 2014.
16. As the Monitor was without funds to attend to the above remediation work, and the responsibility for sale of the Rocky Ridge Property was essentially in the hands of the Rocky Ridge Syndicate, the Monitor sought and obtained its discharge over the estate of Homerun International on notice to the City of Calgary.

BANKRUPTCY OF FIRST BASE INVESTMENTS

17. Following the identification of significant related party transactions as between Homerun International and the Related Homerun Entities through the completion of the sources and uses of funds analysis of the members of the Homerun Group as supplemented by a further analysis of transactions with the Related Homerun Entities, the Monitor determined that there were significant amounts outstanding from First Base Investments Inc. to Homerun International.
18. Ms. Candice Graf as sole director of First Base Investments ultimately assigned First Base Investments into bankruptcy on October 7, 2013 and Hardie & Kelly Inc. was named as

Trustee of the bankrupt estate (the "Trustee") pending affirmation by its creditors which was obtained on October 29, 2013.

19. In the course of its administration of the estate of First Base Investments, the Trustee has ultimately disallowed or settled all material claims against the estate, other than a claim of Homerun International in the amount of \$548,536.

Calculation of estimated distributable proceeds

20. As of the date of this Pre-Filing Report, the Trustee is holding approximate net funds from the bankruptcy of First Base Investments of approximately \$479,901.
21. Following an estimate of unpaid accounts receivable, unbilled work in process and fees to completion of the Trustee and its counsel of approximately \$25,611, the Trustee would estimate a potential dividend to Homerun International of approximately \$431,575 (after the levy payable to the Office of the Superintendent of Bankruptcy pursuant to Section 147 of the *Bankruptcy and Insolvency Act*).
22. However, for the reasons outlined below, the Trustee is aware of several limiting factors with respect to a potential distribution to Homerun International.

HOMERUN INTERNATIONAL

Corporate Structure

23. Based on a corporate search of Homerun International dated October 9, 2012 (the "October 2012 HRI Search") indicates that Ms. Candice Graf and Mr. Robert Hayward were both directors of Homerun International. However, we understand that Ms. Graf and Mr. Hayward resigned their directorships on December 24, 2012. A copy of such resignations is attached as Appendix "A". As a result, we understand that Homerun International is without directors.
24. A corporate search of Homerun International dated September 16, 2019 indicates that it has been struck from the corporate records and that Ms. Candice Graf is the sole voting shareholder of Homerun International.

25. As a result, in light of the resignations of its directors, together with the fact that prior to its discharge, the Monitor was effectively in operational control of Homerun International pursuant to the terms of the amended Initial Order, the Proposed Receiver understands that Ms. Maksymytz is seeking the distribution of the funds to be received by Homerun International Inc. from the bankruptcy of First Base Investments through a court supervised claims process.

Creditors

26. No claims process was conducted for Homerun International during the claims process given that it was not anticipated that there would be funds available for distribution to its unsecured creditors, together with the understanding that given the number and nature of the various creditor claims that conducting such claims process would be costly and therefore would only be recommended to be conducted in the event that there were funds to be distributed.
27. For contextual purposes, a Homerun International creditors listing provided by Management based on the unaudited books and records during the CCAA proceedings, a copy of which is attached as Appendix "B", notes secured creditors of approximately \$2,403,657 and unsecured creditors of approximately \$17,608,492, for which we have provided certain comments further below.

Creditor composition

28. We note that based on the quantum of potential claims, in light of the estimated distributable proceeds, and anticipated professional fees to review and validate the claims against Homerun International, it would appear that the potential estimated distribution to individual creditors is estimated to be quite small on a percentage basis of such claims.
29. However, we also note that the creditor base is composed of a significant number of individuals who invested significant funds into Homerun International, therefore even a small percentage return on their investment, would likely be a meaningful return rather than such individuals having to forgo receiving such amounts.

30. In order to provide further context as to the relative size of individual creditor claims against the estate of Homerun International, we have provided a stratification of the number of creditors in certain value thresholds, based on the HRI Creditors Listing as increased by the Homerun Intercompany Claims, but excluding the claim of First Base Investments as discussed below.

Claim range	Creditors	
	#	Aggregate \$
\$0 - \$49,999	31	486,821
\$50,000 - \$99,999	28	1,955,254
\$100,000 - \$149,999	26	3,049,308
\$150,000 - \$199,999	16	2,544,170
\$200,000 - \$249,999	5	1,073,596
\$250,000 - \$300,000	5	1,331,746
\$300,000 - \$400,000	2	660,000
\$400,000 - \$500,000	1	470,573
\$500,000 - \$600,000	1	530,000
\$600,000 - \$2,000,000	-	-
\$2,000,000 - \$3,000,000	1	2,078,087
\$3,000,000 - \$4,000,000	1	3,853,844
Total	117	18,033,398

Rocky Ridge Syndicate

31. The HRI Creditors listing notes two mortgage groups, Sjoberg et. al and Werk et. al with respective amounts noted as being secured of \$903,657 and \$1,500,000.
32. The Proposed Receiver understands that these two mortgage groups relate to a first and second ranking mortgage syndicate who had a secured claim against a property bearing the civic address of 9 Rocky Ridge Place N.W., Calgary, the “Rocky Ridge Property”.
33. The Proposed Receiver understands, but will need to confirm as part of the below described claims process, that the Rocky Ridge Property was foreclosed on with the result that members of the First Mortgage Syndicate received a portion of their claim, but have certain amounts remaining while members of the Second Mortgage Syndicate have not received any distribution.

Allan and Gay Bushfield

34. The HRI Creditors listing notes an unsecured claim purportedly held by Allan and Gayle Bushfield (the “Bushfields”) in the approximate amount of \$3,853,844.

35. The Proposed Receiver understands that the Bushfields held a mortgage on certain properties referred to as the "Balzac Lands" which were foreclosed on.
36. In addition, the Proposed Receiver understands that in the period immediately preceding the CCAA proceedings that Homerun International transferred the Balzac Lands to a numbered company, for which the sole director and shareholder was legal counsel to Homerun International who was representing both Homerun International and certain promissory noteholders.
37. The Proposed Receiver understands that the intention of this transaction was that the new entity would assume the secured mortgage registered against the Balzac Lands and the property was to be held for the beneficial interest of the promissory note holders who were to contribute additional funds to meet the mortgage obligations by giving them a direct ownership interest in the Balzac Lands.
38. The Proposed Receiver anticipates that it will need to review the transactions surrounding the Balzac Lands in consultation with its legal counsel to determine whether any obligations of Homerun International were satisfied through the promissory note holders transferring their interest to the numbered company as outlined above.
39. The Proposed Receiver would also anticipate that any investor funds contributed to the numbered company in an attempt to meet future obligations would not constitute claims against Homerun International.

Candice Graf

40. The HRI Creditors listing notes an unsecured claim purportedly held by Candice Graf in the approximate amount of \$470,573.
41. The Proposed Receiver understands that Ms. Graf declared personal bankruptcy on May 20, 2016 and received her discharge on February 21, 2017. As a result, any claim owing to Ms. Graf would properly be owing to her bankrupt estate. The Proposed Receiver also notes that, subject to limitations issues (if any), it would anticipate that the estate of Homerun International may have counter claims as against Ms. Graf in the event she attempted to exert a claim against the estate.

First Base Investments

42. The HRI Creditors listing notes an unsecured claim purportedly held by First Base Investments in the approximate amount of \$1,999,836 which the Proposed Receiver understands based on its sources and uses of funds analysis does not exist as it has been more than entirely offset with a counterclaim by Homerun International against First Base Investment.

Promissory Notes

43. The SUF Analysis estimated that Homerun International borrowed an estimated amount of \$11,363,000 from a series of promissory notes and that the terms of each promissory note would vary depending on the corporate needs of Homerun International and the particular needs of the individual lender. In particular, the terms of the loan, the maturity date, the interest rates applicable and the method of interest calculation vary amongst the promissory notes.
44. One form of promissory note offered was through a program referred to as the “Pay Off Your Mortgage” program (“POYM”). These POYM promissory notes appear to have operated as follows:
- a) A lender would lend funds on a particular date under the terms of a negotiated promissory note, thereby setting an “Anniversary Date” or maturity date with respect to the individual promissory note;
 - b) The promissory note provides for a certain level of growth to the principal of the loan (i.e. 12% of the current principal investment), although the rate could vary from year to year;
 - c) On the Anniversary Date, the lender could choose to redeem or withdraw an annual amount equal to the growth of their original loan, with such funds typically being used to pay off the lenders mortgage;
 - d) The lender is then provided a one month window following the date of redemption or withdrawal to recontribute the funds so as to not affect the growth calculation. In addition, the lender had the option of choosing to contribute

funds in excess of those redeemed or withdrawn, thereby increasing the amount of their principal;

- e) In addition, the lender was allowed to lend additional funds during the year, after a one month grace period. In this case, the additional loan amount is added to the current annual principal loan, but the additional interest for the year is proportional to the number of months left until the Anniversary Date.

45. As certain of the promissory notes contained handwritten amendments to the terms of the loan and the Homerun International records did not consistently maintain updated records of the indebtedness, the Proposed Receiver anticipates that quantifying the proven claims thereunder will be an extensive process.

Homerun Group Intercompany Claims

46. In conducting the SUF Analysis, the Monitor identified and received court approval for various intercompany claims amongst the various members of the Homerun Group. Through this process, the Proposed Receiver understands that the following entities would have claims as against Homerun International, with the amount of such claims noted in parentheses:

- a) Homerun Equities II / Homerun Capital II (\$2,078,087)
- b) 149 (\$124,645);
- c) 151 (\$95,660);
- d) 153 (\$113,432)

INVESTOR ADVISORS

47. During the CCAA Proceedings, the Companies determined that it would be a beneficial process to form an Investor Advisory Group (“IAG”) for certain of the entities under CCAA protection in order to provide a cost-efficient and effective line of communication with the remaining creditors.
48. During the bankruptcy of First Base Investments, two individual creditors of Homerun International and members of the Homerun International IAG, Gary Cochrane and Maria Maksymytz acted as estate Inspectors under Section 116(1) of the *Bankruptcy and Insolvency Act*.

49. Each of Mr. Cochrane and Ms. Maksymyts have offered to continue to assist the Proposed Receiver with a role similar to that of members of the Investor Advisory Group and the Receiver is appreciative of such a role in order to solicit input from creditors as representative stakeholders for the general body of creditors.

CLAIMS PROCESS

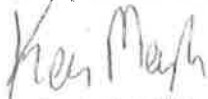
50. Given the passage of a significant amount of time subsequent to the discharge of the Monitor of Homerun International, together with the anticipated potential significant cost of a claims process, the Proposed Receiver is not seeking the Court's approval for a Claims Process concurrent with its appointment.
51. However, in the event that this Honourable Court grant the requested relief in granting the Receivership Order, the Proposed Receiver intends on reviewing the books and records of Homerun International, together with those which may be required to be obtained from third parties under the compelling provisions of the proposed Receivership Order.
52. Following this review, the Receiver anticipates reporting back to the Court seeking the approval of a formal claims process to facilitate a distribution to the creditors of Homerun International.

All of which is respectfully submitted this 23rd day of September, 2019.

Hardie & Kelly Inc.

In its capacity as Proposed Receiver of Homerun International Inc.
and not in its personal or corporate capacity

Per:



Kevin Meyler, CA-CIRP
President

APPENDIX A

RESIGNATION

TO: HOMERUN INTERNATIONAL INC.
HOMERUN CAPITAL CORP.
HOMERUN CAPITAL II CORP.
HOMERUN EQUITIES INC.
HOMERUN EQUITIES II INC.
HOMERUN PROPERTIES INC.
HOMERUN SECURITIES INC.
1484106 ALBERTA LTD.
1496044 ALBERTA LTD.
1539149 ALBERTA LTD.
1515997 ALBERTA LTD.

(collectively, the "Corporations")

The undersigned hereby resigns as an officer and director of the Corporations effective as of December 24, 2012.


SIGNATURE

PRINT NAME

RESIGNATION

TO: HOMERUN INTERNATIONAL INC.
HOMERUN CAPITAL CORP.
HOMERUN CAPITAL II CORP.
HOMERUN EQUITIES INC.
HOMERUN EQUITIES II INC.
HOMERUN PROPERTIES INC.
HOMERUN SECURITIES INC.
1484106 ALBERTA LTD,
1496044 ALBERTA LTD,
1539149 ALBERTA LTD,
1515997 ALBERTA LTD,

(collectively, the "Corporations")

The undersigned hereby resigns as an officer and director of the Corporations effective as of December 24, 2012.



SIGNATURE

C. Robert Howard
PRINT NAME

APPENDIX B

Homerun International Inc. ("HII")
 Listing of Creditors as at October 4, 2012
 As per the unaudited books and records of HII

Secured Creditors

Last Name	First Name	Amount
Mortgage Group Sjoberg et. al		903,657.00
Mortgage Group Werk et. al		1,500,000.00
Total Secured Creditors		2,403,657.00

Unsecured Creditors

Last Name	First Name	Amount
(937077 AB Ltd)	Doug Spenst	70,000.00
Alfred	Patricia and Mervyn	156,000.00
Ally Credit Canada Limited		1.00
Anderson	Kimberley	174,320.00
Balance	Janet	61,600.00
Bell Mobility		565.87
Bennett	Wayne and Dixie	150,000.00
Bernas	Karen and Bruce	88,681.09
BFI Canada		389.38
Blain	Allan	175,000.00
Borden Ladner Gervais LLP		3,761.03
Bowerman	Robert	150,000.00
Brooks	Juliann	82,800.00
Brown	Cindy	60,000.00
Bushfield	Allan and Gayle	3,853,843.98
Buteau	Carol	300,000.00
Buyers	Susan	200,000.00
Candice Graf	c/o BLG	470,572.69
Cochrane	Gary	63,392.00
Compass Accounting		1,575.00
Corbeil	Kara and Jamie	49,873.09
Dickson	Joanne	50,000.00
Dwyer	John and Laurie	50,000.00
Eastwood	Linda	28,500.00
Eaton	David and Audrey	61,600.00
Ehresman	Catherine and Adarn	100,000.00
Eslinger	Darcy	148,483.85
Fagnan	Louise	75,000.00
Ferguson	Merron	11,500.00
First Base Inv	c/o BLG	1,999,836.80
Forbes	Sherry	150,000.00
Ford	Kevin and Shelley	45,760.00
Fossen	Connie	110,000.00
Fuller	Maurice and Christine	124,604.10

Unsecured Creditors (Cont'd)

Last Name	First Name	Amount
Galambos	Lloyd	250,000.00
Galarneau	Randy	71,128.00
Gamble	Jamie and Pamela	55,032.00
Goodwin	Joe	291,745.54
Hagerty	Tim and Clara	100,988.74
Hargraves	Nicole and Brandon	120,030.40
Hayward	Stuart and Maureen	100,000.00
Hileman	Richard and Cathy	150,000.00
Hobmaier	Ben and Agnes	205,239.20
Hudon	Treena	130,564.00
Ibrahim (Abraham)	Adam	176.00
Innes	Brian and Dale	150,000.00
Jones	Dennis and Lori	132,960.00
Kaur Ghai	Ravinder	10,000.00
Kerr	Sheila	140,000.00
Kiiskinen	Shannon	50,000.00
Kirouac	Shauna and James	41,428.56
Kovacs	Frank	210,000.00
Kozlowski	James	150,000.00
Landry	Randy	69,000.00
Langer	Rico	124,550.00
Loewen	Darren	217,844.63
Luscombe	Dawn and Christopher	185,000.00
MacElwain	Richard (Terry and Leslie)	150,000.00
MacNeill	David and Cora	157,000.00
Maksymytz	Maria	75,000.00
Mangat	Manved and Rupinder	44,000.00
McDermott	Todd	97,864.00
McDonald	Dennis and Linda	100,000.00
McGlone	Richard	13,629.44
Melanson	Jerry and Barbara	90,530.88
Merli	Feizal	10,222.08
Miazga	Larry and Kathleen	250,000.00
Millot	Rowens	100,000.00
Minaker	June	120,000.00
Moffat	Peter	63,052.80
Munz	Karen	82,999.13
Myers	Carol and Ron	250,000.00
Nashchuk	Laurie	104,640.00
Nucaza	Fernando and Rowena	50,000.00
Ohler	Emil	167,960.00
Parenteau	Russell	100,000.00
Paulina Holdings		4,640.56
Payette	Lisa	39,000.00
Peregonchuk	Svetlana	23,800.00

Unsecured Creditors (Cont'd)

Last Name	First Name	Amount
Pieper	Douglas and Sharon	90,024.00
Plett	Charles	63,600.00
Primus Canada		2,007.94
Reduka	Walter and Karen	112,640.00
Reimer	Phil and Jackie	141,200.00
Robete	Florin	143,000.00
Ron and Eva Wright	Ron and Eva	360,000.00
Rosanna Law	Robert and Rosanna	38,400.00
Scherger	MaryAnn	240,512.50
Scotiabank		68,471.00
Shaganappi Motors (1976) Ltd.		1.00
Soliven	Arnel and Cecilia	102,160.00
Soliven	Toni and Bobi (Nerita)	136,850.00
Sroka	Andrew	118,560.00
Stone	Ron and Tami	154,000.00
Stoughton	Kellar	530,000.00
Sugars	Cheryl	50,000.00
TeraGo Networks		577.50
Toomey	Debra	49,384.00
Tracy Strueby	Tracy	154,889.60
Up & Running Technologies		1,260.00
Vandenberg	Albert	100,000.00
Vetian	Ann Maria	50,000.00
Wade	Karen	70,000.00
Wagner	Rischar and Heidi	99,818.68
Wandler	James and Jeannette	42,400.00
Werk	Paerla and Earl	100,000.00
Whitnack	Douglas and Nicola	290,000.00
Williams	Shirley	11,050.00
Willms	David and Kimberly	170,000.00

Total Unsecured Creditors

17,608,492.06