Court File No. 14-59998

**ONTARIO**
**SUPERIOR COURT OF JUSTICE**

B E T W E E N :

**FRONTENAC MORTGAGE INVESTMENT CORPORATION**

Applicant

and

**HYDE PARK RESIDENCES INC.**

Respondent

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# SECOND REPORT OF THE RECEIVER AND MANAGER

January 26, 2015

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## Exhibits:

D Letter from the City of Ottawa to Gowlings dated December 19, 2014

E Receiver's 2015 property management budget

F Receiver's Methodology to Calculate the Capital Reserve Fund Requirement

G Receiver's Interim Statements of Receipts and Disbursements as at December 31, 2014

H Receiver's statutory Interim Report and Statement of Accounts, dated August 11, 2014

I Receiver's Estimated Borrowing Requirements to May 31, 2015

## Introduction

1. Hyde Park Residences Inc. (“**Hyde Park**”) was incorporated on January 16, 2001 as an Ontario not-for-profit corporation. It is the owner and developer of a partially completed retirement housing community in the village of Richmond, Ontario (the “**Project**”).

2. By Order of the Ontario Superior Court of Justice (the "**Court**") dated February 20, 2014 (the "**Appointment Order**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as the receiver and manager (collectively referred to as the “**Receiver**”) of the assets, undertakings and property (the “**Property**”) of Hyde Park, including all of the lands and premises known municipally as 6143 Perth Street, Richmond, and more particularly described in Schedule A to the Appointment Order (the “**Lands**”).

3. The Appointment Order authorized the Receiver to, among other things, take possession of, and exercise control over the Property and any and all proceeds, receipts and disbursements, arising out of or from the Property.

4. The Project had proceeded as a life lease development and included (at the date of the Appointment Order):

   a) 92 completed and occupied bungalow townhouses;

   b) An operating private water treatment facility (the “**Water Plant**”) which currently serves the needs of the 92 townhouses, and was designed for expansion so as to eventually meet the needs of all residents of the Project. The operation of the Water Plant is subject to a comprehensive agreement between Hyde Park and the City of Ottawa (the “**City**”);

   c) A 105 unit assisted living retirement residence (known as “**Immanuel House”**) that was approximately 1/3 complete;

   d) An adjoining 35 unit apartment building (known as “**Apartment A”**) that was approximately 2/3 complete; and

   e) A vacant piece of land behind Apartment A on which Hyde Park had planned to construct two (2) additional apartment buildings with 56 units each.

5. The Receiver submitted its first report to the Court, dated April 7, 2014 (the “**First Report**”) on April 15, 2014. This report provided the following information:

a) Background on Hyde Park and its Property;

b) Current status of the Project;

c) The Receiver's activities up to April 7, 2014, which included details of Hyde Park's financial books and records, the status of reserve funds, the charges levied by the City of Ottawa, problems obtaining insurance on the Project, the status of investments and deposits in the Project, assets held by third parties, and property management issues for current residents; and

d) The Receiver's proposed marketing and sale process for the Property.

6. On April 15, 2014, the Court issued an Order (the "**April 15th Order**") approving the marketing and sales plan proposed by the Receiver to realize on the Property.

7. The Appointment Order, April 15th Order, First Report, marketing teaser for the Property, and other key documents have been posted on the Receiver's website at http://www.insolvencies.deloitte.ca/en-ca/Pages/Hyde%20Park%20Residences%20Inc_%20.aspx.

8. The purpose of this second report of the Receiver (the **"Second Report")** is to:

a) Provide the Court with a description of the Receiver's activities since the First Report;

b) Provide the Court with the evidentiary basis to make an Order:

i.) Approving the activities of the Receiver as described in the Second Report;

ii.) Approving the Receiver's revised approach to realize on the Property;

iii.) Approving an increase in the Receiver's borrowing limit in paragraph 23 of the Appointment Order from $750,000 to $1,550,000.

iv.) Confirming that the deferred development charges of $673,164.61, added to the Property's tax roll after the date of receivership, must be removed from the tax roll along with all interest, fees, and penalties that have accrued since March 4, 2014.

## Terms of Reference

9. In preparing the Second Report and making the comments contained herein, the Receiver has relied upon the following information:

a) Records of Hyde Park and Courtyard Developments Inc. ("**Courtyard**"), which is a company related to Hyde Park that acted as general contractor for the Hyde Park development project.

b) Information provided by management personnel of Hyde Park and Courtyard ("**Management**");

c) Information provided by employees (including former employees) of Courtyard and independent contractors that had been retained by Hyde Park or Courtyard. Hyde Park had no employees of its own; and

d) Information provided by third parties, such as consultants, the residents, the City, and creditors.

10. The Receiver has not audited the information received.

11. Unless otherwise stated, all dollar amounts contained in the Second Report are expressed in Canadian dollars.

12. Capitalized terms not otherwise defined in this Second Report are as defined in the Appointment Order.

## Receiver's Activities since the First Report

## Marketing and Sales Process

***Overview:***

13. Pursuant to the April 15th Order, the Receiver directly marketed the Property through a focused target marketing process using Deloitte's real estate specialists. The Receiver targeted both residential developers and seniors housing developers and operators.

14. The Property was marketed on an "as is, where is" basis. The broad objective of this process was to obtain the highest and cleanest offer (i.e. the least conditional offer). Prospective purchasers were invited to submit binding offer submissions with a deposit by June 27, 2014.

15. The marketing process involved the following three (3) phases:

***Phase 1: Pre-marketing Process:***

16. The Receiver carried out the following tasks:

a) Reviewed all available reports, plans, agreements, and other documents in its possession that would likely be of interest to a prospective purchaser;

b) Prepared an e-mail teaser for direct marketing (copy attached at **Exhibit "A")**.

c) Prepared a Confidential Information Memorandum ("**CIM**") that provided detailed information in respect of the Property based on the documentation obtained from Hyde Park and the City, and augmented by local real estate market data. The CIM included:

   i.) An overview of key features of the Property;

   ii.) Details of site location, surrounding uses, etc.;

   iii.) Address and legal description, identification of any encumbrances on title, designation and zoning;

   iv.) A site plan, elevations, and status of building condition;

   v.) Information on past environmental and geotechnical assessments;

   vi.) Financial information including expenses associated with operations/maintenance of existing buildings and estimated costs to complete the two (2) incomplete buildings;

   vii.) An overview of relevant real estate market indicators;

   viii.) A description of the offering process, including the submission date, document and deposit requirements, and the terms and conditions of sale; and

   ix.) Legal disclaimer and confidentiality/indemnification.

d) Created and populated a secure electronic data room. Hard copies of building plans and other documents were also made available for on-site inspection;

e) Prepared a target list of potential purchasers encompassing both seniors housing specialists and more general real estate developers, representing both the local, national and international development community. This list was used for e-mail distribution and direct follow up calls; and

f) Prepared a print advertisement to be placed in a national newspaper.

***Phase 2: Marketing Process:***

17. The Receiver initially provided a marketing period of six (6) weeks. It was initially believed that this time period would be sufficient to expose the Property and permit qualified parties to conduct due diligence and determine if they would make an offer, while at the same time minimizing the uncertainty and costs of marketing the Property over the summer period when business activity is generally slower. The marketing process involved the following activities:

    a) E-mailed teasers to the Receiver's target list and other parties identified during the process. Teasers were sent out to 399 individuals representing 194 different parties/companies, starting on May 13, 2014;

    b) Placed an ad in the commercial real estate section of the Globe & Mail on May 20, 2014;

    c) Attempted to directly contact all parties that had been sent teasers to gauge interest and to document why they were or were not interested in the Property;

    d) Granted access to the electronic data room to 26 parties (prior to the final offer date) who expressed interest in pursuing the opportunity further;

    e) Arranged site visits for five (5) interested parties. Some other parties (at least three (3)) visited the site on their own without making an appointment with the Receiver. In those cases, the Receiver's maintenance technician showed them around if he was available;

    f) Maintained a list of parties that had been contacted, tracked the feedback received from these parties, and recorded those parties who asked for access to the electronic data room. The Receiver also monitored activity in the data room to understand what each party, that had been granted access to the data room, had downloaded.

18. Parties that decided not to pursue the opportunity further provided the following reasons:

    a) The Property was too far from the Ottawa core, and the surrounding local market was too small on its own;

    b) The negative history of the Project would have a negative impact on attempts to remarket the units. More specifically, while market demand for this Project may have existed once, much of market (in the form of previous buyers of life leases for the units) will have disappeared since many individuals would have likely lost their previous deposit in its entirety, and would not be willing to proceed again;

c) There were perceived design problems with the Project, with concerns raised over the practicality of the layout in regard to suitability for its intended purpose;

d) The life lease concept would be difficult to finance; and

e) Concerns were raised over the build quality of the apartment building and townhouses, which did not meet a developer's quality standards.

***Phase 3: Assessing Results of Marketing Process, and Next Steps***

19. Of the 26 parties who expressed interest in pursuing the opportunity further, six (6) appeared to still be interested after conducting initial due diligence. After further due diligence, this number was reduced to four (4).

20. At the request of the four (4) prospective purchasers, the offer date of June 27, 2014 was extended by the Receiver for an additional four (4) weeks to July 25, 2014 to provide further time for due diligence.

21. On July 25, 2014, only one of the prospective purchasers submitted an offer. Unfortunately, the amount of this offer was much lower than anticipated (based on earlier indications from some of the prospective purchasers), and it would not generate any recovery for the mortgagees, or cover the Receiver's costs. In addition, the offer was less than the appraised value of the Lands prepared by CBRE Limited on a forced sale "as is" basis. This appraisal was delivered to the Receiver on May 22, 2014. The Receiver is prepared to provide the Court with copies of the offer and CBRE's appraisal on condition that the two (2) documents are sealed by the Court and not disclosed to others.

22. Without revealing any details of the offer received, the Receiver contacted (or attempted to contact) the other prospective purchasers to determine why they had not submitted a bid and whether they were still interested in the Property. Three (3) of the parties indicated that they were still very interested, and had failed to provide an offer by the July 25, 2014 deadline for one or more of the following reasons:

    a) Due diligence could not be completed in time, due to other conflicting priorities, and the complexity of the Project;

    b) The financial risk of the Project was too high to take on by themselves; and

    c) Financing this type of Project would be difficult to obtain.

23. Pillar Financial Services Inc. ("**Pillar**") the underwriter of Frontenac Mortgage Investment Corporation ("**Frontenac**"), the first mortgagee and financier of the receivership, indicated that it still believed in the Project and that Frontenac would be willing to help a purchaser (or the Receiver if necessary) finance completion of buildings under construction. Based on this offer of financial assistance, and the fact that several parties were still very interested in the Project, the Receiver rejected the one offer received on July 25, 2014.

24. The Receiver subsequently reached out to the prospective purchasers to see if a sale of the Property could be negotiated at a price that could generate a recovery for the mortgagees. Early indications were positive. The Receiver advised the prospective purchasers that it was prepared to deal with certain issues that may be preventing them from making an offer. The Receiver has also advised the prospective purchasers of Frontenac's willingness to assist them financially.

25. Over the next several months, a number of prospective purchasers continued to investigate the Property and always indicated that purchase offers would be forthcoming within a few weeks. The Receiver continued to work with these parties by:

a) providing additional information and documentation requested (where available);

b) arranging additional site visits for the parties' contractors, engineers, architects, or other professional; and

c) meeting with the parties (when requested) in order to discuss possible alternatives to resolve specific issues, and to explain the Receiver's requirements and the Court process.

26. The Receiver is advised that four (4) of the prospective purchasers have approached Frontenac to help finance a purchase offer.

27. One of the prospective purchasers has made three (3) conditional offers to the Receiver since September 2014, which were very similar to each other. All of these offers were conditional on financing, which the party has been unable to obtain. As a result, the Receiver was unable to accept any of these offers.

28. There are currently six (6) parties interested in the Property. Two (2) are fairly recent participants to the process. One (1) of the parties submitted a conditional offer to the Receiver on December 15, 2014, but has not yet confirmed its financing or undertaken substantial due diligence. The Receiver is currently waiting to see if the party can satisfy its conditions. Another has promised to submit a

written offer shortly, and the last two (2) parties have not yet indicated when an offer would be forthcoming.

29. If the conditional offer referred to above cannot be accepted, the Receiver proposes to continue working with all six (6) parties until a reasonable offer is received and can be recommended to the Court, or until approximately the end of March 2015. In the event that a reasonable offer for the Property is not received, Frontenac has confirmed that it is prepared to finance the Receiver to complete part of the Project in order that some of the unfinished units could be completed and sold. The only other alternative for the Receiver would be to abandon the Property to the City which has a large amount owing from Hyde Park on the Lands' tax roll.

30. In order to continue with the plan noted above (excluding the plan to have the Receiver complete the Project), the Receiver will need to increase its borrowing limit from $750,000 to $1,550,000 to cover accrued and anticipated costs up to May 31, 2015 (in the event an offer cannot close quickly). Details of the Receiver's receipts and disbursements to date, as well as accrued and anticipated expenses are discussed below starting in paragraph 77. In the event that a reasonable offer for the Property is not received, and the Court agrees that the Receiver should proceed to complete Apartment A (financed by Frontenac), then the Receiver will apply back to Court for a further increase in the borrowing limit to cover the estimated costs of construction.

## *Ongoing Oversight and Preservation of the Property*

### *Oversight of Apartment A and Immanuel House*

31. As part of the ongoing requirement to provide site safety and security, one of the Receiver's capital projects' specialists continues to conduct regular reviews of the Project site. This person carries out the following activities with respect to Apartment A and Immanuel House:

    1) Conducts a walkthrough around the perimeter of the site to review the general condition of the buildings' exterior;

    2) Walks through the interior units of Apartment A and each level of Immanuel House to check current conditions;

    3) Reviews site conditions and reports on any changes from the prior visit;

    4) Inspects each room of Apartment A. The equipment and fixtures in the rooms are confirmed with those captured in the original inventory list (prepared when

taking possession on February 21, 2014) to ensure that no changes have occurred;

5) Meets with the maintenance technician to receive an update on the past few weeks and any concerns moving forward. The maintenance technician, who is the same person providing maintenance services to the residents, is on the Project site every day, and conducts a daily cursory inspection and visual walk around Apartment A and Immanuel House; and

6) Completes a checklist to ensure that all aspects of the inspection are adequately captured during each visit.

32. Based on the above noted inspections, the assets of the project are all still accounted for, and the condition of the buildings has not deteriorated more than expected (given that none of the buildings are watertight and that one of the buildings, Immanuel House, is completely open to the elements).

33. The Receiver estimates that the ongoing costs, including utilities, insurance, security, maintenance, and equipment rental, for the incomplete buildings (excluding the professional fees of the Receiver and its legal counsel) are approximately $35,000 per month.

34. The Receiver continues to retain a maintenance technician to look after the day to day maintenance and security of the Property.

35. The Receiver has arranged to:

a) Renew insurance coverage for the construction site (which was originally placed on May 1, 2014, as discussed in paragraph 50);

b) Repair the fence surrounding the perimeter of the construction site to ensure safety at the site;

c) Winterize the buildings; and

d) Heat the foundation of Apartment A (with propane heaters).

36. The Receiver continues to respond to inquiries from current residents, investors, purchasers of life leases in Apartment A and Immanuel House, and other creditors.

***Cost to Complete Apartment A and Immanuel House***

37. As noted in the First Report, Management estimated the cost to complete phase 3A of the Project (i.e. Apartment A and Immanuel House, including the community centre) at $3.35 million and $20.40 million respectively. These figures included

development and management costs, marketing and legal costs, interest and profit ("**Non-Construction Costs**").

38. In May 2014, the Receiver's capital projects' specialists conducted a review and assessment of the reasonableness of Management's estimated cost to complete Phase 3A. A copy of the review is attached as **Exhibit "B"**. Management had estimated the direct costs of construction (excluding Non-Construction Costs and contingency) to be approximately $2.36 million for Apartment A and $13.07 million for Immanuel House, for a total of $15.43 million. Management had calculated this cost to complete the construction by deducting the cost spent to date from their estimated total construction cost. This methodology only reflected the financial amount spent to date, not the actual progress of work relative to the amount spent and the total estimated construction cost. This approach does not meet industry standards and is not what one would normally see in a project of this nature.

39. In order to assess the accuracy of Management's construction cost estimate, the Receiver's capital projects' specialists validated the building construction cost estimate against published industry standard cost information, and then determined a more realistic assessment of the cost to complete by applying the percentages complete observed on site to the estimated total construction costs. As a result, the Receiver estimated that, relative to Management's estimate of $15.43 million, the remaining construction cost to complete Phase 3A of the Project was approximately $18.14 million, excluding Non-Construction Costs and professional fees (i.e. $2.71 million higher than Management's estimate), before taking into account contingencies and other adjustments. This information was provided to the Receiver's appraiser in order to assist him in valuing the Property, and to prospective purchasers.

## *Other Matters Relating to the Property*

### *Deferred Development Charges and Property Taxes*

40. As noted in the First Report, the Receiver discovered that the City transferred $673,132 in deferred development charges to the Lands' tax roll on March 4, 2014. The $673,132 figure was based on an e-mail sent from the City to Hyde Park's legal counsel at the time. The Receiver was subsequently advised by the City that the development charges transferred actually equalled $652,749. A recent letter from the City, dated December 19, 2014, states that the development charges transferred equalled $673,164.61, which is the figure that has been used in this report. The reason for the differences between the above noted figures is unknown.

41. The deferred development charges are currently due and owing and accumulating interest charges (at 1.25% per month); however, the Receiver does not currently have the funds available to satisfy this debt. As this transfer occurred after the issuance of the Appointment Order and the stay of proceedings referred to therein, the Receiver disputes the City's entitlement to transfer the deferred charges to the tax roll in order to facilitate their collection. Moreover, the Receiver is concerned with the consequences that the City's actions have had upon its ability to keep the taxes for the Property in good standing and preserve and protect the interests of all stakeholders.

42. Property taxes are levied by the City against the Lands under two (2) separate roll numbers. Property taxes of $80,933.31 (less a credit of $15,084.00) were assessed under roll number 0614.273.815.00450.000 ("**450**") for 2014. Additional property taxes of $110,288.77 were assessed under roll number 0614.273.815.00501.000 ("**501**") for 2014. The $673,164.61 in deferred development charges were transferred to roll number 501 on March 4, 2014. The City advised Gowling Lafleur Henderson LLP ("**Gowlings**"), the Receiver's legal counsel, that the total amount owing under roll number 501 is $846,471.46, including $83,430.88 in interest, as at December 1, 2014.

43. The Receiver has paid in full the amount assessed under roll number 450, but has not paid any of the amount assessed under roll number 501 since the City would not confirm that the Receiver could make payments strictly on account of the property taxes and not the deferred development charges until the issue of priority was resolved.

44. Gowlings has advised the Receiver that (1) neither the Municipal Act nor the Development Charges Act attributes super-priority to development charges and the ability to treat those charges as taxes by transferring them to the tax roll is a collection mechanism, and (2) according to case law, a municipality is not entitled to enhance its position vis-a-vis other creditors and take steps to enforce a debtor's payment obligations in the face of a stay of proceedings.

45. At the Receiver's request, Gowlings wrote to the City on April 28, 2014 and requested the City's response to the Receiver's position (noted above). Gowlings followed up numerous times with the City by e-mail, telephone, and letter, and received a response on December 19, 2014. Attached as **Exhibit "C"** is the most recent correspondence from Gowlings to the City, dated December 16, 2014, which details the interactions to date, and a final request for the City's position. Attached as **Exhibit "D"** is the City's letter dated December 19, 2014 responding to Gowlings' recent letter.

46. The City, in its letter dated December 19, 2014, has taken the position that the deferred development charges can be added to the Lands' tax roll, but has not provided any argument as to why such a transfer would be exempt from the stay of proceedings provided in the Appointment Order. The Receiver therefore requests the Court to order that the deferred development charges of $673,164.61 which were added to the Land's tax roll by the City after the date of receivership, be removed from the tax roll along with any related interest, fees and penalties, plus any interest accrued on the unpaid property taxes (since the City would not agree to apply any payments made by the Receiver to the actual property taxes assessed under roll number 501). The Receiver does not dispute the City's right to payment or priority in respect of the deferred development charges but rather to the City's entitlement, following the issuance of the Appointment Order, to transfer the development charges to the tax roll for the Lands, and the City's right to payment and priority with respect to additional interest, costs and penalties resulting from such transfer.

***Insurance***

47. As noted in the First Report, Great American Insurance Group ("**Great American**") had attempted to cancel, effective March 10, 2014, two (2) insurance policies, which covered the incomplete buildings on the Property, which it had provided prior to the receivership. These policies had originally been renewed in early January 2014 and extended to June 5, 2014 at the request of Pillar, who represented the first mortgagee.

48. Both the Receiver and Gowlings advised Great American of the receivership and the requirements of the Appointment Order, and that the Receiver required that the policies continue in full force.

49. It was Great American's position that coverage was cancelled in accordance with its policy provisions, and more specifically because the policy did not insure loss of or damage to property at locations which, to the knowledge of the insured, are vacant, unoccupied or shut down for more than 30 consecutive days. With respect to the policy extension it had recently granted to Hyde Park (i.e. January 5 to June 5, 2014), Great American indicated that it was under the impression from its correspondence with Hyde Park's insurance broker that, although there had been some delays, the owner had made progress in resolving the issues with contractors and work would commence once again.

50. The Receiver had initially planned to seek an Order from the Court confirming that Great American, who had not responded to Gowlings' correspondence until just prior to the Receiver's attendance in Court on April 15, 2014, could not cancel its

policies without leave of the Court. Upon discussions with Great American, and given Gowlings' advice that the policy could not be renewed again after the June 5, 2014 expiry date, the Receiver determined that it was not cost effective to argue the matter in Court. As a result, it agreed with Great American that its policies could be cancelled effective May 1, 2014, and that the premium for the remainder of the term would be refunded to the Receiver. The Receiver proceeded to obtain the best alternate insurance available, which provided lower coverage at a higher cost.

51. As noted in the First Report, ProInCon (the Receiver's insurance consultant) reviewed the Private Communal Water System and Private Communal Wastewater System Responsibility Agreement between Hyde Park and the City, dated July 9, 2010 (the "**Water System Agreement**") to assess whether the insurance policies covering the Water Plant (provided by Aviva Canada Inc. and Elliott Special Risks) met all of the requirements of the Water System Agreement. ProInCon advised the Receiver that there were some gaps in the insurance coverage. Management and Hyde Park's insurance broker advised the Receiver that the City had previously agreed to the existing insurance coverage and gaps (notwithstanding the specific language of the Water System Agreement). The Receiver followed up with the City who confirmed that they now required the identified gaps to be rectified. Thus, the Receiver obtained additional insurance coverage (at a cost of $6,655 per annum) so as to be in compliance with all insurance requirements of the Water System Agreement.

### *Hyde Park Assets Being Held by Third Parties*

52. As noted in the First Report, X-L-Air Energy Services Ltd. ("**X-L-Air**"), the mechanical sub-contractor on the Project, was holding mechanical equipment, ordered for Immanuel House, in storage. In January 2014, X-L-Air offered to release the equipment to Hyde Park or its creditors upon payment of storage costs totalling $75,661. In order to assess the value of this equipment, the Receiver engaged ICPM, a cost consultancy firm, to inspect and assess the cost value of the equipment (i.e. the cost to purchase similar equipment from another supplier). ICPM identified 18 pieces of equipment and determined the probable cost value to be $272,982 plus HST.

53. In June 2014, after discussions between Gowlings and X-L-Air's legal counsel, X-L-Air agreed that it would release the mechanical equipment to the Receiver upon payment of storage fees of $2,500 per month (or $82.19 per day) calculated from the date of receivership, and it offered to move the equipment back to the Hyde Park site for approximately $20,000. The Receiver's capital projects' specialist confirmed that the moving cost was not unreasonable for this type of equipment

(given that it was stored in several locations). Before committing approximately $30,000 in total to retrieve this equipment, the Receiver first contacted the most interested potential purchasers to see if they were attributing any value to this equipment in the process of determining a bid price. Two of the most interested parties did not appear to be attributing any value to the equipment; thus, the Receiver decided to wait until bids were received before deciding to commit funds to retrieve the equipment.

54. As discussed earlier in this report, only one bid was received for the Property by July 25, 2014, which was subsequently rejected by the Receiver. Given that there was no purchaser, the issue of whether or not to retrieve the mechanical equipment was at the discretion of the Receiver. In addition, X-L-Air was now claiming an additional $15,000 in costs due to the requirement to store its own assets at an off-site location (as a result of storing Hyde Park's equipment). The Receiver subsequently advised X-L-Air that it would not be paying the costs claimed by X-L-Air in order to recover the mechanical equipment, and that X-L-Air would have to wait until a purchaser of the Property decides whether or not it needs the equipment.

***Shoring System for Immanuel House***

55. As noted in the First Report, Aluma Systems Inc. ("**Aluma**"), a subcontractor of Landform Canada Construction Ltd. ("**Landform**") (who was a subcontractor of Courtyard), owned the support shoring systems that had been rented to Landform and were still on the Project site. These could not be removed from the Project site without damaging Immanuel House, since part of the second floor had not been completed. The rental cost of these shoring systems is $19,058.66 per month (including HST), which adds up to $228,704 a year. Gowlings had advised the Receiver that the ongoing rental charges for these shoring systems was the responsibility of the Receiver.

56. The Receiver retained the structural engineer of record for this Project to inspect the second floor of Immanuel House and estimate the cost to complete the floor so that the Aluma support shoring system could be removed. The engineer estimated the cost to be approximately $207,000 (including HST), not including the Receiver's professional fees to arrange for and oversee this work. Given the high cost of completing this work, the Receiver consulted with Frontenac to see if it was prepared to finance the completion of the second floor. Frontenac advised the Receiver that it was not prepared to finance the cost at that time, and still does not wish to do so. Thus, the Receiver continues to pay the monthly rent for Aluma's shoring system.

## Property Management Issues and Reserve Funds

### *Property Management Activities*

57. As noted in the First Report, the Receiver took over Hyde Park's role as property manager for the 92 occupied townhouses and Water Plant on the Lands. Since the First Report, the Receiver has undertaken the following activities specifically related to property management:

a) Continued to collect monthly occupancy charges from the residents. As at December 31, 2014, all residents were up to date;

b) Continued to manage and pay all utilities and other service providers who are delivering services for the benefit of the townhouses and Water Plant;

c) Continued to retain the Project's previous maintenance technician (to look after the day to day maintenance and security of the Property), and the Project's client service manager (to act as the Receiver's representative at the Project site to respond to all resident inquiries and property management issues). The maintenance technician also inspects and helps to monitor the Water Plant every day;

d) Instituted monthly meetings between a representative of the Residents' Association, the Receiver's maintenance technician, and the Receiver's on-site client service manager in order to address residents' maintenance concerns on a timely basis;

e) Regularly tracked the resolution of maintenance/repair issues posted to a maintenance log (which is updated based on observations/queries from residents and the maintenance technician);

f) Investigated and approved necessary repairs and maintenance for the townhouses, the Water Plant and the common areas;

g) Pursued insurance claims when required repairs were covered by insurance policies maintained by the Receiver;

h) Continued to engage Brownlee Water Quality Management Inc. ("**Brownlee**"), a certified drinking water system operator, as the external operator of the Water Plant;

i) Arranged for Brownlee to correct some minor issues (of an operational nature) in the Water Plant that had been identified by BluMetric Environmental Inc. ("**BluMetric**"), an independent water system engineering company. When the

Receiver had originally taken possession of the Property, it retained BluMetric to inspect and evaluate the operational condition of the Water Plant;

j) Hired a landscaping contractor, through a formal request for proposal ("**RFP**") process, to provide lawn and grounds maintenance for the period from May 1 to November 15, 2014. The Receiver worked closely with the Hyde Park Residents Association to identify the residents' needs and preferences when developing the RFP;

k) Renewed last year's contract for winter snow removal for 2014/2015 at the same price as the previous winter;

l) Hired a roofing company, through an RFP process, to replace the roof on a 5-unit block of townhouses (discussed further in paragraph 71); and

m) Attended meetings of the Residents' Association executive committee, and meetings of all residents, to provide updates on the status of the receivership, deal with residents' concerns, and to answer any questions regarding the process.

58. Since the date of the First Report, two (2) lessees assigned their Life Lease Occupancy Agreements ("LLOA") to new parties. Pursuant to the terms of the LLOA, the Receiver helped to facilitate these assignments with the assistance of Gowlings.

59. As noted in the First Report, Gowlings advised the Receiver that 91 of the 92 LLOAs for the townhouses were registered on title of the Lands. The LLOA that was not registered was purchased by Elizabeth and James Hyde (the latter now being deceased), the mother and father of Stephen Hyde, a director of Hyde Park. Based on a review of the supporting documentation for this sale, it appears that the price for James and Elizabeth Hyde's LLOA was paid in full, and that the LLOA was not registered due to an oversight. Stephen Hyde advised the Receiver that his father was very ill at the time. After discussion of this matter with Gowlings, the Receiver believes that, as a practical matter, this unregistered LLOA should be treated as if it was always registered against title of the Lands.

60. As noted in the First Report, the Receiver prepared a draft property management budget for the twelve (12) month period from March 1, 2014 to February 28, 2015. This budget was based on the original Hyde Park budget for 2014 (calendar year) and available expense information. The Receiver can now confirm that the 2014 Hyde Park revenue budget had been set too low for this Property. A budget shortfall of $25,125 as at December 31, 2014 was projected when the Receiver prepared a new budget for 2015 (in early December). Management advised the

Receiver that certain costs of maintaining the Property had not been previously passed on to the residents. Details of the Receiver's actual property management expenses for 2014, with explanations of variances from budget, were provided to all lessees.

61. As noted above, the Receiver recently prepared a property management budget for the 2015 calendar year. At the request of the residents, the Receiver changed its budgeting cycle from the 12-month period of March 1 to February 28, to a calendar year basis. The Receiver had to increase the monthly occupancy fees by 6.19% to cover the projected expenses for 2015 and the estimated deficit for the 2014 calendar year. Even with this increase, there will still be insufficient funds to start replenishing the reserve accounts to a more reasonable level. The 2015 property management budget was reviewed and agreed to by the executive committee of the Residents Association. A notice of the increase in monthly occupancy charge, together with the 2015 budget, was sent to all lessees in early December 2014.

62. A copy of the Receiver's 2015 property management budget is attached as **Exhibit "E"**, and includes comparative figures from Hyde Park's original 2014 budget and explanatory notes for each cost item. This budget does not include the interest that has accrued to date on the tax roll, or the professional fees of the Receiver and its legal counsel.

***Reserve Funds***

63. As noted in the First Report, Hyde Park agreed to maintain two (2) reserve funds pursuant to the LLOAs signed with the Townhouse residents; one for the major repairs and capital replacement of the common areas and facilities, services, roadways, sewer and walkways, and one for major repairs and capital replacement of the structural elements, electrical, plumbing and heating systems of the units (collectively referred to as the "**Townhouse Reserve Fund**"). The LLOAs require that five percent (5%) of the annual property management budget be contributed monthly to the Townhouse Reserve Fund.

64. In the First Report, the Receiver estimated a shortfall of approximately $101,032 between the total Townhouse Reserve Fund required pursuant to the LLOAs (i.e. approximately $133,000) and the actual amount on deposit with Scotiabank (i.e. $30,968) at the time of the receivership. The Receiver has been contributing 5% of monthly occupancy charges (collected from the residents) to this reserve fund since it took control of the Property. As at December 31, 2014, the Townhouse Reserve Fund equalled $56,163 (including $44,000 collected as part of a special assessment levied by the Receiver, which is discussed below).

65. The Receiver located a ‘Reserve Fund Study’ prepared by Keller Engineering Associate Inc. for ‘Hyde Park Canada’ in March 2013. The study recommended that contributions to the Townhouse Reserve Fund be increased substantially in order to provide for the expected costs of major repair and replacement of the common elements and assets over the next 30 years. The study indicated that the Townhouse Reserve Fund should be at least $355,000 in 2014. Assuming this figure is correct, the current shortfall in the Townhouse Reserve Fund, as at December 31, 2014, is approximately $299,000 (i.e. $355,000 less actual reserve of $56,163).

66. As noted in the First Report, the Water System Agreement requires Hyde Park to maintain another capital reserve fund to ensure that adequate funds are available to repair, maintain, replace, and update the Water Plant and related systems. Pursuant to the Water System Agreement, the amount of this reserve is to be determined annually (every July) by a calculation of the difference between the replacement cost for the installed infrastructure (adjusted for inflation) and the depreciated value of that same infrastructure. This reserve must be topped up every September 1st and must be held in trust for the benefit of those being serviced by the Water Plant.

67. The Receiver could not locate a copy of any calculations of this capital reserve fund in Hyde Park’s records. Management did not believe that a calculation had been performed for several years. The Receiver subsequently asked the City if it had a copy of any such calculations. The City provided a copy of a detailed capital reserve fund calculation as at February 2008. Based on this calculation and on the methodology preferred by the City, the Receiver estimated the capital reserve requirement as at July 2014 to be approximately $433,000. Details of the Receiver’s methodology and calculations are attached as **Exhibit “F”**. Given that Hyde Park had $112,859 in a trust account with BMO Harris Private Banking for this capital reserve fund, there appears to be a $320,000 shortfall as at July 2014.

68. Based on the above analysis, it appears that the total shortfall in reserve funds for the Property equal $619,000 (i.e. $299,000 + $320,000) as at December, 31, 2014. Assuming that the residents of the 92 townhouses are ultimately responsible for these shortfalls, the shortfall per residence is approximately $6,730 (based on the existing 92 townhouses). The shortfall per residence, related to the Water Plant’s capital reserve fund, may decrease if the incomplete buildings are finished and additional residents move into the buildings (assuming that these buildings make use of the Water Plant).

69. The Receiver attended a meeting of residents (who represented 57 of the 92 units) on September 22, 2014 to discuss the status of the receivership and the reserve fund shortfalls. At that meeting, the majority of the residents in attendance agreed that the Receiver should levy a special assessment of $500 on each unit (or $46,000 in total) to start replenishing the Townhouse Reserve Fund. An assessment of $1,000 per unit was initially suggested but rejected as several residents could not afford this amount. The impetus for this special assessment was the fact that the roof on a 5-unit block of townhouses was in very poor condition and needed to be replaced. The cost was estimated to be between $30,000 and $40,000, which would use up most of the existing reserve fund.

70. On September 26, 2014, pursuant to section 20.5 of the LLOA, the Receiver issued a notice to all 92 lessees that a special assessment of $500 was being levied in order to start replenishing the reserve fund. Payment of this assessment was due November 30, 2014. As at December 31, 2014, the Receiver had received special assessment payments from all but four (4) of the 92 lessees. Three (3) additional payments were received in early January 2015, and the one (1) remaining payment is expected shortly.

71. On November 29, 2014, the roof on the 5-unit block of townhouses was replaced at a cost of $35,281.99 (including HST), which was paid from the Townhouse Reserve Fund. The roofing contractor was hired through a formal RFP process. The Receiver's capital projects' specialist prepared the detailed specifications for this project, and then inspected the completed job to ensure it met the Receiver's requirements.

72. As at December 31, 2014, the balance in the Townhouse Reserve Fund was $56,163.11.

## Receiver's Interim Statements of Receipts and Disbursements

73. As reported in the First Report, the Receiver has the following three (3) trust accounts:

    1) A 'Property Management Account' to record all receipts and disbursements relating to the 92 townhouses and the Water Plant;

    2) A 'Reserve Account' to record all receipts and disbursements relating to reserve funds; and

3) A 'General Account' to record all receipts and disbursements relating to all other receivership matters excluding those that relate to property management or reserve funds.

74. Attached as **Exhibit "G"**, is a copy of the Receiver's Interim Statements of Receipts and Disbursements, as at December 31, 2014, for the three (3) trust accounts noted above.

75. To date, the Receiver has received $750,000 in funding from Frontenac. These funds are reflected in the Receiver's Interim Statement of Receipts and Disbursements for its General Account. In accordance with the Appointment Order, these funds form a first charge on the Property, subordinate only to the Receiver's Charge.

76. The Receiver prepared, and filed with the Office of the Superintendent of Bankruptcy, its statutory Interim Report and Statement of Accounts (pursuant to subsection 246(2) of the Bankruptcy and Insolvency Act) on August 11, 2014. A copy is attached as **Exhibit "H"** and has been posted to the Receiver's website.

## Funding Required for Receivership

77. The Receiver had anticipated that a sale of the Property would be completed over the summer/fall and that the proceeds would cover the current shortfall in required funding of the receivership. The Receiver and its legal counsel currently have $436,375 in unpaid invoices; $319,529 for the Receiver up to December 31, 2014 and $116,846 for Gowlings up to November 30, 2014. There is $77,549 in the receivership trust account (as at December 31, 2014) available to pay these invoices, thus, there is a shortfall of $358,826.

78. The Receiver estimates that ongoing professional fees (including legal services) will be approximately $38,000 per month, and that operating costs (to preserve, protect, and insure the unfinished buildings) will be approximately $35,000 per month until a sale of the Property can be completed. Based on the above noted Interim Statement of Receipts and Disbursements for the Receiver's General Account (**Exhibit "G"**), and on the additional funding requirements of the Receiver, detailed in **Exhibit "I"**, the Receiver requires the ability to borrow up to an additional $800,000 in order to continue to the receivership to May 31, 2015. Frontenac has agreed to provide this funding on the same basis as earlier funds provided to the Receiver.

## Requests to the Court

79. For the reasons set out above, the Receiver requests that the Court make an Order:

    a) Approving the activities of the Receiver as described in the Second Report;

    b) Approving the Receiver's revised approach to realize on the Property (as set out in paragraphs 23 to 30);

    c) Approving an increase in the Receiver's borrowing limit in paragraph 23 of the Appointment Order from $750,000 to $1,550,000.

    d) Confirming that the deferred development charges of $673,164.61, added to the Property's tax roll after the date of receivership, must be removed from the tax roll along with all interest, fees, and penalties that have accrued on the development charges and on any other property taxes assessed under roll number 501, since March 4, 2014, and that the removal of these charges from the tax roll must be completed by March 31, 2015.

All of which is respectfully submitted, this 26th day of January 2015.

DELOITTE RESTRUCTURING INC.,
In its capacity as Receiver and Manager of Hyde Park Residences Inc.
and not in its personal capacity

Per:

John Saunders, CPA, CA, CIRP, Trustee
Vice President

# Exhibit "A"

E-mail teaser for direct marketing of Property

Deloitte.

Canada
Real Estate

# Exciting opportunity in growing 'seniors' sector with potential for residential conversion
## For sale: land and buildings

Representing a unique opportunity to purchase an attractive, partially completed seniors housing development, well-located to the southwest of Ottawa

Deloitte Restructuring Inc., in its capacity as Court appointed Receiver and Manager of Hyde Park Residences Inc. ("HPRI") (the "Receiver"), offers for sale the property of HPRI, including all of the lands and premises known municipally as 6143 Perth Street, Richmond, Ontario.

### Transaction and competitive bids process

The Receiver will be conducting a Request for Offers with the deadline for submissions set for Friday, June 27, 2014 at 13:00 PM. Offers must be submitted using the pre-approved form of offer available with the Confidential Information Memorandum ("CIM"). The Receiver reserves the right to extend the above deadline at its sole discretion.

To receive additional information, including the CIM and access to the data room, prospects must execute the **Confidentiality Agreement** and return a copy via e-mail to **HPRIdevelopment@deloitte.ca** or via facsimile (416-601-6690) marked for the attention of Mr. Craig Leslie, MRICS

# Exhibit “B”

Review of costs to complete phase 3A

# Hyde Park Development Phase 3A

# Review of Costs to Complete

May, 2014
Private and Confidential

# Table of contents

# Executive Summary

## Introduction

In 2010, Hyde Park Residences Inc. ("Hyde Park") commenced constructing Phase 3A of a residential community development located in Richmond, Ottawa (the "Project"). Phase 3A of the Project consists of two residential buildings. The first is a 105 unit assisted living retirement residence with a community center, known as Immanuel House. The second building is an adjoining 35 unit apartment building, known as Apartment A. In June 2012, Hyde Park had insufficient finance to continue and construction was halted. Subsequently, Hyde Park arranged for partial financing allowing some further progress on the project but Hyde Park was unable to secure full funding to complete the Project and construction was halted again in August 2013.

Hyde Park performed the construction management of the Project under its own related company called Courtyard Developments Inc. ("Courtyard Developments"). Subsequent to the Project coming to a halt in August 2013, Courtyard Developments prepared a cost spreadsheet to reflect the costs to date and the anticipated costs to complete as of October 2013.

In February 2014, by the Order of the Ontario Superior Court of Justice (the "Court"), Deloitte Restructuring Inc. ("Deloitte") was appointed as the receiver and manager of the assets, undertakings, and property of Hyde Park. Deloitte was authorized to take possession of and exercise control over the Project and any and all proceeds, receipts and disbursements, arising out of or from the property.

The objective of this report is to review and assess the reasonableness of Courtyard Developments cost to complete and provide an independent assessment of the cost to complete Phase 3A. Development, Engineering and Architectural costs have not been considered or included as part this review.

## Courtyard Developments cost to complete

Courtyard Developments has calculated their cost to complete the work of approximately $15.4 million[1] by deducting the costs spent to date from their estimated total construction costs. While Courtyard Developments estimate of the total construction cost appears reasonable, the methodology used to calculate the cost to complete does not reflect the actual construction progress on site and, based on our site visit, understates the cost to complete. As such we consider that the Courtyard Developments cost to complete figure is unreliable.

## Assessment of likely cost to complete

To arrive at a more realistic assessment of the cost to complete we applied the percentages complete observed on site to Courtyard Developments estimated total construction costs updated to 2014 costs and adjusted to include additional items considered necessary to complete Phase 3A.

Based on the above analysis the costs to complete Phase 3A of the Project are anticipated to be in the range of $20 to $24 million. Development, Engineering and Architectural costs have not been considered or included in this number.

Further details of our analysis and findings are detailed below together with the assumptions, exclusions, restrictions and qualifications which should be considered when viewing these findings.

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[1] This figure excludes contingency but includes General Construction Conditions and Roads and Utilities costs

# Analysis and findings

## Courtyard Developments cost to complete

Following is our analysis of Courtyard Developments cost to complete

### Cost to complete calculation

In October 2013, Courtyard Developments issued a spreadsheet detailing the costs to complete the Project, which included the Phase 3A elements as shown in Table 1 below.

**Table 1: Courtyard Developments cost to complete calculation**

| Description | Immanuel House | Apartment A | Total Cost[2] |
|---|---|---|---|
| Courtyard Developments estimate of total cost | $ 23,025,730 | $ 7,972,715 | $ 30,998,445 |
| Courtyard Developments incurred cost as of October 2013 | $ 9,958,363 | $ 5,610,074 | $ 15,568,436 |
| **Courtyard Developments calculated cost to complete** | **$ 13,067,367** | **$ 2,362,641** | **$ 15,430,009** |

Based on our review, Courtyard Developments has calculated the cost to complete the work by deducting the cost spent to date from their estimated total construction cost. The methodology used by Courtyard Developments only reflects the financial amount spent to date, not the actual progress of work relative to the estimated amounts.  For example the suspended slabs for Immanuel House were estimated to cost a total of $5,213,176 and the incurred cost to October 2013 was $4,523,713 giving an assessed cost to complete of $689,463. This suggests that the suspended slabs are 87% completed based on Courtyard Developments' calculation but, based on a site visit, the suspended slabs are actually nearer 75% complete. As such Courtyard Developments' cost to complete for this element appears understated.

This approach does not meet industry standards and is not what we would normally see in a project of this nature.

### Costs incurred to date

As noted above, Courtyard Developments' cost to complete relies upon the costs incurred to date to calculate the cost to complete. In addition to Courtyard Developments' assessment of the costs incurred to date, ICPM, a quantity surveyor and project management firm, was hired by Pillar Financial Services[3] to assess the value of work completed as of August 15, 2012 for Phase 3A and ICPM issued a letter dated August 23, 2012, which detailed their assessment of the costs spent to date for Phase 3A.

A comparison of the Courtyard Developments' assessment of the costs incurred reported versus ICPM's assessment is detailed in Table 2 below.

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[2] Excluding Development Management and Engineering costs and contingency
[3] Pillar Financial Services Inc. is the underwriter of Frontenac Mortgage Investment Corporation, who provided finance for the Project.

**Table 2: Comparison of costs incurred to date**

| | ICPM August 2012 | Courtyard Developments October 2013 |
|---|---|---|
| Immanuel House | $8,348,282 | $8,798,711[4] |
| Apartment A | $3,708,006 | $5,567,072[5] |
| Roads & Utilities | $2,881,376 | $1,202,653[6] |
| **Total Cost** | **$14,937,664** | **$15,568,436** |

Based on the comparison between August 2012 and October 2013, it appears that incurred costs increased by approximately $630,000. While the overall increase is not significant, there are considerable differences in the allocation of cost between the two assessment particularly with respect to Apartment A and Roads and Utilities. The significant differences raise further questions around the reliability of the incurred costs reported and therefore Courtyard Developments' cost to complete calculation.

## Construction progress

Table 3 shown below shows a comparison of the progress on site based on our observations on site as detailed in Appendix A against the percentages assumed by Courtyard Developments' cost to complete calculations.

**Table 3: Assessment of construction progress**

| Building | Courtyard Developments assessment of progress to date (based on financials) | Assessment of actual progress to date based on site observations |
|---|---|---|
| Apartment A | 70% | 71% |
| Immanuel House | 43% | 31% |
| Total Project[7] | 50% | 41% |

As such, Courtyard Developments' cost to complete overstates the construction work completed which, due to the methodology of their calculation, results in an understated cost to complete.

## Courtyard Developments Phase 3A Estimate

Courtyard Developments estimated the total cost of Phase 3A of the Project at $30,998,445[8] of which $1,710,568 related to site work for a total building construction cost of $29,287,877.

In order to assess the accuracy of Courtyard Developments' construction cost estimate we validated the building construction cost estimate against published industry standard cost information (RS Means Building Construction Cost Data 2014) as detailed in Table 4 below.

[4] Total Direct Construction Costs plus Total General Construction Conditions as per Appendix A ($7,978,589 + $820,122 = $8,798,711)
[5] Total Direct Construction Costs plus Total General Construction Conditions as per Appendix A ($5,311,323 + $255,749 = $5,567,072)
[6] Roads and Utilities total as per Appendix A
[7] Based on a weighted average
[8] Excluding Development Management and Engineering costs and contingency

**Table 4: Comparison of Courtyard Developments estimate to industry standard cost information**[9]

| Estimate based on industry standard cost information | | Courtyard Developments estimate updated to 2014 values | |
|---|---|---|---|
| Apartment A and Immanuel House Gross Building Area | 149,865 $ft^2$ | Courtyard Developments building cost estimate (2013) | $29,287,877 |
| RS Means multiplier for Ottawa region | 1.075 | RS Means multiplier to update estimate to 2014 costs | 1.007 |
| RS Means cost/$ft^2$ for an assisted living building | $176/$ft^2$ | | |
| **Comparable estimate based on industry cost information** | **$28,354,000** | **Updated Courtyard Developments estimate** | **$29,493,000** |

As such, Courtyard Developments' estimate for the total construction costs of Phase 3A aligns with industry published data for similar developments and the difference (approximately 4%) is in the range we would expect when comparing square foot costs against a detailed estimate[10].

## Assessment of cost to complete

Based on the above, the Courtyard Developments' estimate of the total construction cost appears reasonable. However, the methodology used to calculate the cost to complete does not reflect the actual construction progress on site and understates the cost to complete.

To arrive at a more realistic assessment of the cost to complete, we have applied the percentages complete observed on site to the estimated total construction costs as detailed in Appendix A and summarized in Table 5 below. In addition, the assessment has been updated to 2014 costs and allowances included for contingency, risk premiums and additional items we consider will be required to complete the Phase 3A works.

**Table 5: Assessment of cost to complete Phase 3A**

| Description | Cost |
|---|---|
| Base cost to complete (see Appendix A) | $ 18,135,000 |
| Adjustment to 2014 costs (0.7 % as per RS Means) | 126,945 |
| Storm water management pond allowance | $150,000 |
| Foundation waterproofing and drainage board replacement allowance at Immanuel House | $100,000 |
| Water engineering to expand the usage - additional distribution pump plus storage and pressure tanks required | $100,000 |
| Design and construct a 150 metre long water line from the pump house to well #3 | $200,000 |
| Sub-total cost to complete | $18,811,945 |
| 10% construction contingency | $1,881,195 |
| 10% Risk premium | $1,881,195 |
| **Approximate total cost to complete**[11] | **$22,574,000** |

[9] Totals rounded to the nearest thousand
[10] The Association for the Advancement of Cost Engineering (AACE) anticipates the expected best accuracy of a Class 4 feasibility estimate (comparable to the RS Means calculation used above) to be in the range of -15% to +20%.
[11] Adjusted to nearest thousand

Based on the above analysis, the costs to complete the Project are anticipated to be in the range of $20 to $24 million. This anticipated amount takes into account the actual progress on site and is based on the assumptions and exclusions listed below.

## Assumptions and exclusions

- Development Management, Engineering and Architectural fees are not included;
- Additional permitting fees and approvals are not included;
- Applicable taxes are not included;
- Fixtures and furnishings, fire extinguishers and the like are not included;
- We have included an allowance of $100,000 for additional water engineering to expand the existing water system to accommodate Phase 3A;
- We have included an allowance of $150,000 to cover the design and construction of a storm water management pond to accommodate Apartment A and Immanuel House;
- We have included an allowance of $200,000 to design and construct a 150 meter long water line from the pump house to well #3 to accommodate the extra demand of Phase 3A;
- We have included $100,000 for the replacement of foundation waterproofing and drainage board on Immanuel House;
- We have assumed a construction contingency of 10% will be required to complete Phase 3A;
- We have assumed a 10% risk premium to standard rates will be required due to the requirement for new contractors to complete part finished work and make good existing defects; and
- We assumed that the estimate from Courtyard Developments was current in 2013.

## Areas of risk and concern

Due to the nature and history of the Project we identified some areas of concern based on our site observations. Following are our key observations but it should be noted that this list is not exhaustive and there may be additional areas of concern not listed below:

- Construction stopped almost one year ago on Apartment A and almost two years ago on Immanuel House and as such it is likely unforeseen conditions will arise during the course of construction. There is a risk these unforeseen conditions will exceed the 10% risk premium included above;
- Obtaining warranties from new contractors and subcontractors may be challenging;
- Matching existing finishes on the exterior of building such as brick veneer, roofing shingles etc., may be challenging; and
- Some areas of Apartment A are not weather tight and therefore mold formation may be a concern.

## Scope of review

The following documentation/information was provided to us for this review:

- Phase 3A drawings;
- Cash flow for Apartment A, as of August 31, 2013;
- Courtyard Developments' distribution of costs, as of October 31, 2013;
- ICPM's Project Value Review Report dated August 16, 2012; and
- ICPM's Elemental Cost Analysis Letter dated August 23, 2012.

Deloitte collected the following documentation/information during previous site visits:

- Inventory list of all equipment on site;
- Photos of the site, apartment units, equipment, and materials; and
- Videos capturing the site condition and construction status.

# Restrictions and qualifications

This Report is not intended for circulation or publication, nor is it to be reproduced for any purpose other than as described herein, without our prior express written permission in each specific instance. We do not assume any responsibility for losses incurred by any party as a result of circulation, publication, or reproduction of this Report contrary to the provisions of this paragraph.

Our work does not constitute an audit as defined by the Canadian Institute of Chartered Accountants. Consequently, said work, and the resulting Report, does not constitute an auditor's opinion. Further, our work cannot be used to provide assurance that it revealed all errors, omissions, or irregularities.

This Report has been based on information, documents and explanations that have been provided to us and therefore the validity of our conclusions rely on the integrity of such information. Our scope of review is listed above. We were not under any obligation or agreement to investigate the accuracy of any third-party information, nor have we performed any investigative procedures to independently verify the accuracy of any third-party information unless otherwise detailed above.

Should any of the information provided to us not be factual or correct, or should we be asked to consider different information or assumptions, our conclusions as set out in this Report could be significantly different.

We reserve the right, but will be under no obligation, to review this Report, and if we consider it necessary, to revise this Report in light of any information which becomes known to us after the date of this Report.

In preparing this Report, we have made certain assumptions as described throughout this report. Should any of these assumptions prove inappropriate, our calculations and analyses, as expressed in this report could change, perhaps materially. We caution the reader in this regard.

# Appendix A –
# Analysis of Courtyard Developments cost of work complete

## APPENDIX A

| HYDE PARK RICHMOND - PHASE 3A | COURTYARD DEVELOPMENT ESTIMATE | | | COURTYARD DEVELOPMENT ACTUAL COSTS AS OF OCTOBER 2013 | | | | | COURTYARD DEVELOPMENT COST TO COMPLETE | | | | | DELOITTE ASSESSMENT ESTIMATED COMPLETION TO DATE | | | | | DELOITTE ASSESSMENT ESTIMATED WORK REMAINING | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | TOTAL BUDGET | APARTMENT A | IMMANUEL HOUSE | APARTMENT A | | IMMANUEL HOUSE | | TOTAL | APARTMENT A | | IMMANUEL HOUSE | | TOTAL | APARTMENT A | | IMMANUEL HOUSE | | TOTAL | APARTMENT A | | IMMANUEL HOUSE | | TOTAL |
| | | | | % | $ | % | $ | $ | % | $ | % | $ | $ | % | $ | % | $ | $ | % | $ | % | $ | $ |
| **ROADS AND UTILITIES** | | | | | | | | | | | | | | | | | | | | | | | |
| 00305 - Elect.-Secndry Trans. To Meter | 23,450 | 4,190 | 19,260 | 100% | 4,190 | 100% | 19,260 | 23,450 | 0% | - | 0% | - | - | 100% | 4,190 | 100% | 19,260 | 23,450 | 0% | - | 0% | - | - |
| 00310 - Transformer Incl. Primary | 191,232 | 19,188 | 172,044 | 100% | 19,188 | 100% | 172,044 | 191,232 | 0% | - | 0% | - | - | 100% | 19,188 | 100% | 172,044 | 191,232 | 0% | - | 0% | - | - |
| 00315 - Clear & Grub Site | 2,245 | 404 | 1,841 | 100% | 404 | 100% | 1,841 | 2,245 | 0% | - | 0% | - | - | 100% | 404 | 100% | 1,841 | 2,245 | 0% | - | 0% | - | - |
| 00320 - Site Fill | 58,695 | 10,259 | 48,436 | 100% | 10,259 | 100% | 48,436 | 58,695 | 0% | - | 0% | - | - | 100% | 10,259 | 100% | 48,436 | 58,695 | 0% | - | 0% | - | - |
| 00325 - Curb & Ashphalt | 150,768 | 1,056 | 149,712 | 100% | 1,056 | 6% | 9,712 | 10,768 | 0% | - | 94% | 140,000 | 140,000 | 0% | - | 0% | - | - | 100% | 1,056 | 100% | 149,712 | 150,768 |
| 00330 - Ashphalt Topcoat | 103 | - | 103 | 0% | - | 100% | 103 | 103 | 0% | | 0% | - | - | 0% | - | 0% | - | - | 100% | - | 100% | 103 | 103 |
| 00335 - Landscaping | 207,835 | 2,734 | 205,101 | 100% | 2,734 | 8% | 16,101 | 18,835 | 0% | - | 92% | 189,000 | 189,000 | 0% | - | 0% | - | - | 100% | 2,734 | 100% | 205,101 | 207,835 |
| 00340 - Granular 'B' | 22,831 | 4,109 | 18,721 | 100% | 4,109 | 100% | 18,721 | 22,831 | 0% | - | 0% | - | - | 0% | - | 0% | - | - | 100% | 4,109 | 100% | 18,721 | 22,831 |
| 00345 - Retaining Wall | 35,695 | - | 35,695 | 0% | - | 2% | 695 | 695 | | | 98% | 35,000 | 35,000 | 0% | - | 0% | - | - | 100% | - | 100% | 35,695 | 35,695 |
| 00350 - Storm & Sanitary | 936,613 | 1,037 | 935,576 | 100% | 1,037 | 93% | 866,613 | 867,650 | 0% | - | 7% | 68,963 | 68,963 | 100% | 1,037 | 93% | 870,086 | 871,123 | 0% | - | 7% | 65,490 | 65,490 |
| 00355 - Fire Supply | 4,687 | - | 4,687 | 0% | - | 100% | 4,687 | 4,687 | | | 0% | - | - | 0% | - | 0% | - | - | 100% | - | 100% | 4,687 | 4,687 |
| 00360 - Water Lines | 134 | 24 | 110 | 100% | 24 | 100% | 110 | 134 | 0% | | 0% | - | - | 0% | - | 0% | - | - | 100% | 24 | 100% | 110 | 134 |
| 00365 - Utility Excavation | 75,000 | - | 75,000 | 0% | - | 0% | 50 | 50 | | | 100% | 74,950 | 74,950 | 20% | - | 20% | 15,000 | 15,000 | 80% | - | 80% | 60,000 | 60,000 |
| 00370 - Fence | 1,278 | - | 1,278 | 0% | - | 100% | 1,278 | 1,278 | | | 0% | 0 | 0 | 0% | - | 0% | - | - | 100% | - | 100% | 1,278 | 1,278 |
| 00375 - Entrance | 1 | - | 1 | 0% | - | 100% | 1 | 1 | | | 0% | 0 | 0 | 0% | - | 0% | - | - | 100% | - | 100% | 1 | 1 |
| **TOTAL ROADS AND UTILITIES** | **1,710,568** | **43,002** | **1,667,566** | | **43,002** | | **1,159,651** | **1,202,653** | | **0** | | **507,914** | **507,914** | | **35,078** | | **1,126,667** | **1,161,745** | | **7,924** | | **540,899** | **548,822** |
| **GENERAL CONSTRUCTION CONDITIONS** | | | | | | | | | | | | | | | | | | | | | | | |
| 00400 - Building Permit | 144,141 | 56,910 | 87,231 | 100% | 56,910 | 100% | 87,231 | 144,141 | 0% | - | 0% | - | - | 100% | 56,910 | 100% | 87,231 | 144,141 | 0% | - | 0% | - | - |
| 00405 - Office Trailer | 18,510 | 2,161 | 16,349 | 100% | 2,161 | 45% | 7,391 | 9,552 | 0% | - | 55% | 8,958 | 8,958 | 70% | 1,513 | 30% | 4,905 | 6,417 | 30% | 648 | 70% | 11,444 | 12,093 |
| 00415 - Web Hosting | 5,467 | 989 | 4,478 | 100% | 989 | 100% | 4,478 | 5,467 | 0% | - | 0% | - | - | 70% | 692 | 30% | 1,343 | 2,035 | 30% | 297 | 70% | 3,135 | 3,431 |
| 00420 - Site Clean-Up & Inspection | 113,014 | 25,585 | 87,429 | 37% | 9,585 | 41% | 35,429 | 45,014 | 63% | 16,000 | 59% | 52,000 | 68,000 | 70% | 17,910 | 30% | 26,229 | 44,138 | 30% | 7,676 | 70% | 61,200 | 68,876 |
| 00425 - Superintendent | 594,785 | 73,498 | 521,287 | 76% | 55,920 | 82% | 427,537 | 483,457 | 24% | 17,578 | 18% | 93,750 | 111,328 | 70% | 51,449 | 30% | 156,386 | 207,835 | 30% | 22,049 | 70% | 364,901 | 386,950 |
| 00430 - Builders Risk Insurance | 202,170 | 98,527 | 103,643 | 84% | 82,527 | 54% | 55,643 | 138,170 | 16% | 16,000 | 46% | 48,000 | 64,000 | 70% | 68,969 | 30% | 31,093 | 100,062 | 30% | 29,558 | 70% | 72,550 | 102,108 |
| 00435 - Liability Insurance | 26,240 | 10,000 | 16,240 | 3% | 272 | 8% | 1,240 | 1,513 | 97% | 9,728 | 92% | 15,000 | 24,728 | 70% | 7,000 | 30% | 4,872 | 11,872 | 30% | 3,000 | 70% | 11,368 | 14,368 |
| 00450 - Financing | 6,150 | 1,107 | 5,043 | 100% | 1,107 | 100% | 5,043 | 6,150 | 0% | - | 0% | - | - | 70% | 775 | 30% | 1,513 | 2,288 | 30% | 332 | 70% | 3,530 | 3,862 |
| 00455 - Temp. Fence/Creek Protection | 15,067 | 1,772 | 13,295 | 100% | 1,772 | 25% | 3,295 | 5,068 | 0% | - | 75% | 10,000 | 10,000 | 100% | 1,772 | 100% | 13,295 | 15,067 | 0% | - | 0% | - | - |
| 00460 - Snow Removal | 70,004 | 10,000 | 60,004 | 50% | 5,000 | 67% | 40,004 | 45,004 | 50% | 5,000 | 33% | 20,000 | 25,000 | 50% | 5,000 | 50% | 30,002 | 35,002 | 50% | 5,000 | 50% | 30,002 | 35,002 |
| 00465 - Winter Protection | 115,912 | 12,000 | 103,912 | 71% | 8,509 | 21% | 21,374 | 29,883 | 29% | 3,491 | 79% | 82,538 | 86,029 | 70% | 8,400 | 30% | 31,174 | 39,574 | 30% | 3,600 | 70% | 72,738 | 76,338 |
| 00470 - Site Sanitary | 33,864 | 5,200 | 28,664 | 92% | 4,800 | 48% | 13,870 | 18,670 | 8% | 400 | 52% | 14,794 | 15,194 | 70% | 3,640 | 30% | 8,599 | 12,239 | 30% | 1,560 | 70% | 20,065 | 21,625 |
| 00475 - Small Tools | 46,649 | 5,000 | 41,649 | 95% | 4,740 | 89% | 36,992 | 41,732 | 5% | 260 | 11% | 4,657 | 4,917 | 50% | 2,500 | 50% | 20,825 | 23,325 | 50% | 2,500 | 50% | 20,825 | 23,325 |
| 00480 - Garbage Bins | 89,403 | 22,500 | 66,903 | 76% | 16,997 | 43% | 28,492 | 45,489 | 24% | 5,503 | 57% | 38,411 | 43,914 | 70% | 15,750 | 30% | 20,071 | 35,821 | 30% | 6,750 | 70% | 46,832 | 53,582 |
| 00485 - Safety | 62,000 | 6,000 | 56,000 | 74% | 4,460 | 85% | 47,775 | 52,235 | 26% | 1,540 | 15% | 8,225 | 9,765 | 70% | 4,200 | 30% | 16,800 | 21,000 | 30% | 1,800 | 70% | 39,200 | 41,000 |
| 00490 - Deficiencies | 4,301 | - | 4,301 | 0% | - | 100% | 4,301 | 4,301 | 100% | - | 0% | - | - | 0% | - | 0% | - | - | 100% | - | 100% | 4,301 | 4,301 |
| 00495 - Miscellaneous | 27 | - | 27 | 0% | - | 100% | 27 | 27 | 100% | - | 0% | - | - | 0% | - | 0% | - | - | 100% | - | 100% | 27 | 27 |
| **TOTAL GENERAL CONSTRUCTION CONDITIONS** | **1,547,703** | **331,249** | **1,216,454** | | **255,749** | | **820,122** | **1,075,871** | | **75,500** | | **396,332** | **471,832** | | **246,479** | | **454,337** | **700,816** | | **84,770** | | **762,117** | **846,887** |
| **DIRECT COST - CONSTRUCTION*** | | | | | | | | | | | | | | | | | | | | | | | |
| 03040 - Surveying | 15,505 | 3,000 | 12,505 | 100% | 3,000 | 48% | 6,005 | 9,005 | 0% | - | 52% | 6,500 | 6,500 | 100% | 3,000 | 48% | 6,002 | 9,002 | 0% | - | 52% | 6,503 | 6,503 |
| 03060 - Building Permit Unit | 81,550 | 21,550 | 60,000 | 100% | 21,550 | 100% | 60,000 | 81,550 | 0% | - | 0% | - | - | 100% | 21,550 | 100% | 60,000 | 81,550 | 0% | - | 0% | - | - |
| 03100 - Temporary Power | 203,739 | 30,000 | 173,739 | 96% | 28,745 | 77% | 133,759 | 162,504 | 4% | 1,255 | 23% | 39,980 | 41,235 | 70% | 21,000 | 30% | 52,122 | 73,122 | 30% | 9,000 | 70% | 121,617 | 130,617 |
| 03150 - Temporary Heat | 361,795 | 75,000 | 286,795 | 61% | 45,962 | 34% | 97,709 | 143,670 | 39% | 29,038 | 66% | 189,086 | 218,125 | 70% | 52,500 | 30% | 86,038 | 138,538 | 30% | 22,500 | 70% | 200,756 | 223,256 |
| 03200 - Final Clean-Up | 49,300 | 9,300 | 40,000 | 0% | - | 0% | - | - | 100% | 9,300 | 100% | 40,000 | 49,300 | 0% | - | 0% | - | - | 100% | 9,300 | 100% | 40,000 | 49,300 |
| 03210 - Inspections | 22,638 | 3,000 | 19,638 | 67% | 2,000 | 24% | 4,638 | 6,638 | 33% | 1,000 | 76% | 15,000 | 16,000 | 67% | 2,010 | 24% | 4,713 | 6,723 | 33% | 990 | 76% | 14,925 | 15,915 |
| 03250 - Hoisting | 20,280 | 900 | 19,380 | 100% | 900 | 100% | 19,380 | 20,280 | 0% | - | 0% | - | - | 0% | - | 30% | 5,814 | 5,814 | 100% | 900 | 70% | 13,566 | 14,466 |
| 03255 - Standard Foundations | 421,476 | - | 421,476 | 0% | - | 100% | 421,476 | 421,476 | 100% | - | 0% | - 0 | - 0 | 0% | - | 100% | 421,476 | 421,476 | 100% | - | 0% | - | - |
| 03260 - Piling | 587,932 | - | 587,932 | 0% | | 100% | 587,932 | 587,932 | 100% | - | 0% | - | - | 0% | - | 100% | 587,932 | 587,932 | 100% | - | 0% | - | - |
| 03270 - Suspended Slab | 6,066,712 | 853,536 | 5,213,176 | 96% | 822,036 | 87% | 4,523,713 | 5,345,749 | 4% | 31,500 | 13% | 689,463 | 720,963 | 96% | 819,395 | 75% | 3,909,882 | 4,729,277 | 4% | 34,141 | 25% | 1,303,294 | 1,337,435 |
| 03300 - Basementexcavation | 11,321 | - | 11,321 | 0% | - | 100% | 11,321 | 11,321 | 100% | - | 0% | - | - | 0% | - | 0% | - | - | 100% | - | 100% | 11,321 | 11,321 |
| 03360 - Utility Excav. & Backfill | 540 | - 0 | 540 | 0% | | 100% | 540 | 540 | 100% | - 0 | 0% | 0 | - | 0% | - | 100% | 540 | 540 | 100% | - 0 | 0% | - | - 0 |
| 03380 - Sump Pumps | 75 | - | 75 | 0% | | 100% | 75 | 75 | 100% | - | 0% | - 0 | - 0 | 0% | - | 100% | 75 | 75 | 100% | - | 0% | - | - |
| 03500 - Decks | 10,160 | 160 | 10,000 | 100% | 160 | 2% | 178 | 338 | 0% | - 0 | 98% | 9,822 | 9,822 | 100% | 160 | 2% | 200 | 360 | 0% | - | 98% | 9,800 | 9,800 |
| 03570 - Membrane Waterproofing | 145,304 | 44,800 | 100,504 | 100% | 44,800 | 60% | 60,424 | 105,224 | 0% | - | 40% | 40,080 | 40,080 | 75% | 33,600 | 0% | - | 33,600 | 25% | 11,200 | 100% | 100,504 | 111,704 |
| 04200 - Exterior Walls | 483 | 483 | - | 100% | 483 | 0% | - | 483 | 0% | - | 100% | - | - | 100% | 483 | 0% | - | 483 | 0% | - | 100% | - | - |
| 04210 - Masonry-Material | 1,153,130 | 327,480 | 825,650 | 46% | 151,755 | 0% | - | 151,755 | 54% | 175,725 | 100% | 825,650 | 1,001,375 | 75% | 245,610 | 0% | - | 245,610 | 25% | 81,870 | 100% | 825,650 | 907,520 |
| 05000 - Structural Steel | 755,588 | 159,970 | 595,618 | 63% | 100,105 | 4% | 23,562 | 123,667 | 37% | 59,865 | 96% | 572,056 | 631,921 | 90% | 143,973 | 4% | 23,825 | 167,798 | 10% | 15,997 | 96% | 571,793 | 587,790 |
| 06000 - Framing Material | 301,782 | 298,821 | 2,961 | 93% | 276,960 | 16% | 461 | 277,421 | 7% | 21,862 | 84% | 2,500 | 24,362 | 93% | 277,904 | 16% | 474 | 278,377 | 7% | 20,917 | 84% | 2,487 | 23,405 |
| 06050 - Framing Labour | 375,000 | 375,000 | - | 86% | 322,432 | 0% | - | 322,432 | 14% | 52,568 | 100% | - | 52,568 | 86% | 322,500 | 0% | - | 322,500 | 14% | 52,500 | 100% | - | 52,500 |
| 06100 - Roof Construction | 94 | 94 | - | 100% | 94 | 0% | - | 94 | 0% | - | 100% | - | - | 100% | 94 | 0% | - | 94 | 0% | - | 100% | - | - |
| 06200 - Interior Doors And Trim | 435,000 | 120,000 | 315,000 | 0% | 184 | 0% | - | 184 | 100% | 119,816 | 100% | 315,000 | 434,816 | 0% | - | 0% | - | - | 100% | 120,000 | 100% | 315,000 | 435,000 |
| 06250 - Fittings | 475,000 | 175,000 | 300,000 | 1% | 2,390 | 0% | - | 2,390 | 99% | 172,610 | 100% | 300,000 | 472,610 | 1% | 1,750 | 0% | - | 1,750 | 99% | 173,250 | 100% | 300,000 | 473,250 |
| 06300 - Stair Construction | 1,916 | 1,916 | - | 100% | 1,916 | 0% | - | 1,916 | 0% | - 0 | 100% | - | - 0 | 100% | 1,916 | 0% | - | 1,916 | 0% | - | 100% | - | - |
| 07200 - Roof Coverings | 459,346 | 54,336 | 405,010 | 96% | 51,910 | 2% | 9,010 | 60,920 | 4% | 2,426 | 98% | 396,000 | 398,426 | 85% | 46,186 | 0% | - | 46,186 | 15% | 8,150 | 100% | 405,010 | 413,160 |
| 07300 - Insulation | 16,241 | 16,241 | - | 38% | 6,241 | 0% | - | 6,241 | 62% | 10,000 | 100% | - | 10,000 | 90% | 14,616 | 0% | - | 14,616 | 10% | 1,624 | 100% | - | 1,624 |
| 07400 - Vinyl Siding | 295,000 | 90,000 | 205,000 | 0% | - | 0% | - | - | 100% | 90,000 | 100% | 205,000 | 295,000 | 0% | - | 0% | - | - | 100% | 90,000 | 100% | 205,000 | 295,000 |
| 07410 - Caulking_Exterior | 53,263 | 10,263 | 43,000 | 3% | 263 | 0% | - | 263 | 97% | 10,000 | 100% | 43,000 | 53,000 | 0% | - | 0% | - | - | 100% | 10,263 | 100% | 43,000 | 53,263 |
| 07450 - Eavestrough | 10,213 | 10,213 | - | 2% | 213 | 0% | - | 213 | 98% | 10,000 | 100% | - | 10,000 | 0% | - | 0% | - | - | 100% | 10,213 | 100% | - | 10,213 |
| 08600 - Exterior Windows | 734,747 | 106,753 | 627,994 | 93% | 99,309 | 29% | 180,213 | 279,522 | 7% | 7,444 | 71% | 447,781 | 455,224 | 93% | 99,280 | 0% | - | 99,280 | 7% | 7,473 | 100% | 627,994 | 635,467 |
| 08610 - Exterior Doors | 429,265 | 137,816 | 291,449 | 4% | 5,307 | 0% | 299 | 5,606 | 96% | 132,509 | 100% | 291,150 | 423,659 | 96% | 132,304 | 0% | - | 132,304 | 4% | 5,513 | 100% | 291,449 | 296,962 |
| 08700 - Basement Windows | 16 | 16 | - | 100% | 16 | 0% | - | 16 | 0% | 0 | 100% | - | 0 | 100% | 16 | 0% | - | 16 | 0% | - | 100% | - | - |
| 09200 - Drywall Labour | 2,296,202 | 342,240 | 1,953,962 | 46% | 157,850 | 9% | 167,217 | 325,066 | 54% | 184,390 | 91% | 1,786,745 | 1,971,136 | 46% | 157,430 | 9% | 175,857 | 333,287 | 54% | 184,810 | 91% | 1,778,105 | 1,962,915 |
| 09500 - Wall Finishes | 275,500 | 90,500 | 185,000 | 1% | 835 | 0% | - | 835 | 99% | 89,665 | 100% | 185,000 | 274,665 | 0% | - | 0% | - | - | 100% | 90,500 | 100% | 185,000 | 275,500 |
| 09600 - Floor Finishes | 700,150 | 200,150 | 500,000 | 1% | 1,540 | 0% | - | 1,540 | 99% | 198,610 | 100% | 500,000 | 698,610 | 1% | 2,001 | 0% | - | 2,001 | 99% | 198,148 | 100% | 500,000 | 698,148 |
| 11000 - Appliance Package | 157,500 | 105,000 | 52,500 | 0% | - | 0% | - | - | 100% | 105,000 | 100% | 52,500 | 157,500 | 0% | - | 0% | - | - | 100% | 105,000 | 100% | 52,500 | 157,500 |
| 11200 - Mirrors | 85,000 | 16,500 | 68,500 | 0% | 3 | 0% | - | 3 | 100% | 16,497 | 100% | 68,500 | 84,997 | 0% | - | 0% | - | - | 100% | 16,500 | 100% | 68,500 | 85,000 |
| 11300 - Caulking Interior | 150 | 150 | - | 100% | 150 | 0% | - | 150 | 0% | - | 100% | - | - | 100% | 150 | 0% | - | 150 | 0% | - | 100% | - | - |
| 14000 - Elevators And Lofts | 341,825 | 85,652 | 256,173 | 22% | 18,913 | 24% | 61,543 | 80,456 | 78% | 66,739 | 76% | 194,630 | 261,369 | 22% | 18,843 | 24% | 61,482 | 80,325 | 78% | 66,809 | 76% | 194,691 | 261,500 |
| 22000 - Plumbing Fixtures | 6,570,428 | 2,241,702 | 4,328,726 | 79% | 1,768,176 | 21% | 913,507 | 2,681,682 | 21% | 473,526 | 79% | 3,415,219 | 3,888,745 | 70% | 1,569,191 | 1% | 43,287 | 1,612,479 | 30% | 672,511 | 99% | 4,285,438 | 4,957,949 |
| 22100 - Domestic Water Distribution | 295 | 295 | - | 100% | 295 | 0% | - | 295 | 0% | - | 100% | - | - | 100% | 295 | 0% | - | 295 | 0% | - | 100% | - | - |
| 26000 - Electrical Service/Distribution | 3,648,714 | 1,590,628 | 2,058,086 | 86% | 1,374,833 | 34% | 695,628 | 2,070,460 | 14% | 215,795 | 66% | 1,362,458 | 1,578,254 | 86% | 1,367,940 | 10% | 205,809 | 1,573,749 | 14% | 222,688 | 90% | 1,852,277 | 2,074,965 |
| 40200 - Garages/Pool | 170,000 | - | 170,000 | 0% | - | 0% | - | - | | - | 100% | 170,000 | 170,000 | 0% | - | 0% | - | - | 100% | - | 100% | 170,000 | 170,000 |
| **TOTAL DIRECT COST CONSTRUCTION*** | **27,740,175** | **7,598,465** | **20,141,710** | | **5,311,323** | | **7,978,589** | **13,289,912** | | **2,287,141** | | **12,163,121** | **14,450,262** | | **5,355,698** | | **5,645,527** | **11,001,226** | | **2,242,766** | | **14,496,183** | **16,738,949** |
| * Excludes Contingency | | | | | | | | | | | | | | | | | | | | | | | |
| **TOTAL COST** | **30,998,445** | **7,972,715** | **23,025,730** | 70% | **5,610,074** | 43% | **9,958,362** | **15,568,436** | 30% | **2,362,641** | 57% | **13,067,367** | **15,430,009** | 71% | **5,637,255** | 31% | **7,226,531** | **12,863,787** | 29% | **2,335,460** | 69% | **15,799,199** | **18,134,659** |
| | | | | | | | | | | | | | | | | | | | | | | **Approximate cost to complete $** | **18,135,000** |

# Exhibit "C"

Letter from Gowlings to the City of Ottawa dated December 16, 2014

December 16, 2014

Michael Polowin
Direct 613-786-0158
Direct Fax 613-788-3485
michael.polowin@gowlings.com
File No. 01395006

**VIA COURIER AND EMAIL**

City of Ottawa
Legal Department
110 Laurier Avenue West
Ottawa, ON K1P 1J1

Attention: Timothy Marc, Solicitor

Dear Mr. Marc:

**Re: In the Matter of the Receivership of Hyde Park Residences Inc. (the "Debtor") and certain property of the Debtor located in Richmond, Ontario (the "Property")**
**City File: L0103-HYDE (LC)**

We are writing to you further to our letter to M. Rick O'Connor, dated April 28, 2014 with respect to the above matter. As you are aware, we represent Deloitte Restructuring Inc., the court appointed Receiver and Manager of the Debtor pursuant to a Court Order dated February 20, 2014 (the "Order"), a copy of which was enclosed in our previous correspondence.

From as early as late March of this year until now, we have had several discussions and exchanged various correspondence with you on the issues referred to in our original letter. Notwithstanding numerous assurances that we would be provided with a formal response on behalf of the City of Ottawa (the "City"), we have not to date received any reply.

Specifically, our interaction on this matter includes, but is not limited to:

March, 2014 – Michael Polowin initially calls Tim Marc;
April 9, 2014 – Michael Polowin calls Tim Marc and later receives an email from Tim Marc;
April 11, 2014 – Email and voice message follow up to Tim Marc;
April 16, 2014 – Email follow up to Tim Marc and reply from Tim Marc by email to set up a meeting with Michael Polowin;
April 17, 2014 – Email to Tim Marc;
April 21, 2014 – Meeting between Michael Polowin and Tim Marc;
April 28, 2014 – Gowlings' correspondence by way of formal letter to City of Ottawa and email to Tim Marc;
May 20, 2014 – Follow up email correspondence to Tim Marc;
May 21, 2014 – Reply from Tim Marc by way of email, indicating that a response to Gowlings' letter would follow;
June 26, 2014 – Follow up correspondence by way of email to Tim Marc;

July 9, 2014 – Brief meeting between Michael Polowin and Tim Marc;
July 31, 2014 – Email follow-up to Tim Marc;
August 8, 2014 - Email follow-up to Tim Marc;
August 12, 2014 - Email follow-up to Tim Marc;
August 15, 2014 - Email follow-up to Tim Marc;
November 24, 2014 - Email follow-up to Tim Marc;
November 24, 2014 – Email response from Tim Marc indicating a formal response would be forthcoming;
December 15, 2014 - Email follow-up to Tim Marc;
December 15, 2014 – Email response indicating a formal response by December 19, 2014 at the latest.

As you may recall, the Order prohibits enforcement proceedings against or in respect of the Debtor or the Property without written consent of the Receiver or leave of the court but that, notwithstanding the terms of the Order, the City transferred to the tax roll for the Property certain development charges that had originally been deferred.

We have advised you that, as part of the process of preserving and protecting both the Property and the interests of the existing life lease tenants currently occupying the Property, all of which are senior citizens, the Receiver was attempting to put the realty taxes associated with the developed portion of the Property into good standing. In light of the transfer to the tax roll of the deferred development charges and the continuing accrual of interest, the Receiver has been prevented from making payment in respect of the realty tax arrears.

We understand that the Receiver has also exchanged separate correspondence with the City and that the City has refused the Receiver's request to pay the outstanding realty taxes without those payments being allocated to the total amount owing to the City as a result of the transferred development charges. We also understand that the Receiver has been provided different amounts as to what the City claims is outstanding.

We reiterate our position as stated in our original correspondence that the Order prohibited the City from transferring the deferred development charges to the tax roll for the Property and that the City's actions are preventing the Receiver from fulfilling its court-appointed mandate. These actions are prejudicing not only the Debtor's creditors but also the life lease occupants who have an interest in the property taxes being maintained in good standing. To be clear, our client is not disputing that the deferred development charges may be owing; our client takes the position that the City did not have the right to transfer the deferred development charges to the tax roll as a means of enforcement in the face of the Order which provides for a stay of all other enforcement processes or mechanisms.

At the time of our initial correspondence, we had indicated to you that the matter is time sensitive and that the Receiver cannot delay the sale of the Property nor can it allow interest to continue to accrue on the realty tax arrears. We have requested on many occasions that the City confirm its position, however, it has failed to do so and the Receiver will now be compelled to seek an order gowlings

from the Court to have the deferred development charges removed from the tax roll and all arrears in respect of same reversed.

We also request that the City confirm exactly what it believes is outstanding as to the Property including a breakdown of the amounts into realty taxes, deferred development charges and all other associated interest and penalties.

We would appreciate receiving your written reply by December 19, 2014, failing which the Receiver will proceed with taking steps to obtain an order from the Court in respect of this matter.

Thank you for your time and attention.

Yours very truly,

Michael Polowin
Encls.

cc John Saunders



OTT_LAW\ 4868014\3

# Exhibit “D”

Letter from the City of Ottawa to Gowlings dated December 19, 2014

Legal Services
Services juridiques
File Number: L01 06 PERT 6143

December 19, 2014

GOWLINGS
Barristers & Solicitors
2600-160 Elgin Street
Ottawa, ON K1P 1C3

ATTENTION: Michael S Polowin

Dear Sir:

**Re: Hyde Park**

This letter is to respond to the Receiver's request for a detailed break-out of the amounts owing in respect of deferred development charges, annual real property taxes and interest in respect of the Hyde Park development and for the position of the City of Ottawa of Ottawa with respect to the recoverability of such amounts.

Attached to this letter as Document 1 is the break-out spoken to above. The interest includes that added as of the beginning of December, 2014.

The position of the City of Ottawa is that all of these amounts are recoverable, notwithstanding the order of 20 February 2014 In that regard, I note the contrasting language of three statutory provisions, the *Development Charges Act*, subsection 32(1), the *Municipal Act*, subsection 1(2.1), the *Municipal Act,* subsection 208(7) and the *Municipal Act*, section 441.1 (the first is cited because it is clearly relevant to the present instance, the second, third and fourth are cited as other examples of how the question of the adding of amounts owed are dealt with by legislation)

*Development Charges Act*, subsection 32 (1)

32(1) If a development charge or any part of it remains unpaid after it is payable, the amount unpaid shall be added to the tax roll and shall be collected in the same manner as taxes.

*Shaping our future together*
*Ensemble, formons notre avenir*

**Legal Services**
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*Municipal Act*, subsection 1(2.1)

1(2.1) If, under this or any other Act, an amount is given priority lien status, the amount may be added to the tax roll against the property in respect of which the amount was imposed or against any other property in respect of which the amount was authorized to be added by this or any other Act.

*Municipal Act*, subsection 208(7)

208(7) Charges levied under this section shall have priority lien status and shall be added to the tax roll..

*Municipal Act*, section 441.1

441.1 Upon the request of a municipality that has entered into a transfer agreement under Part X of the *Provincial Offences Act*, the treasurer of a local municipality may add any part of a fine for a commission of a provincial offence that is in default under section 69 of the *Provincial Offences Act* to the tax roll for any property in the local municipality for which all of the owners are responsible for paying the fine and collect it in the same manner as municipal taxes..

As can be read from the above provisions, there are at least two different approaches that are taken in legislation with respect to outstanding amounts to be recovered by a municipality. One approach is that the amounts may be added to the tax roll. In the second instance, the legislation provides that the amounts shall be added to the tax roll. It is the position of the City that from the moment the amount of development charges were not paid as provided for in the deferral agreement, they had the same status of annual real property taxes levied by the municipality and thus were required by legislation to be added to and collected through the means of the tax roll.

In the alternative, to the extent that formalities are required for the City in respect of the deferred development charges, the language of clause 12 of the order dated 20 February 2014 would permit such action to be taken.

Yours truly,

Timothy C. Marc
Senior Legal Counsel
TCM/le

# DOCUMENT 1

| | |
|---|---|
| Payment | \$(20,432.00) Jan/Feb PAP |
| Development Charges | |
| tax rolled (March, 2014) | \$673,164.61 |
| Other adjustments | \$ 19.20 |
| Taxes levied 2014 | \$110,288.77 |
| Total Interest 2014 | \$ 83,430.88 (includes December 1st Interest) |
| | \$846,471.46 |

Notes:

1. The interest rate is 1.25 per cent per month
2. The owner was on pre-authorized payments. The \$20,432 amount represents payments made in January and February, 2014.
3. The interim realty tax billing for 2015 was \$46,008.07and was due on March 20. The final realty tax billing was for a further \$64,280.70 and was due on June 20

# Exhibit "E"

Receiver's 2015 property management budget

**Receiver and Manager of Hyde Park Residences Inc.**
**2015 Budget**

| Budget Item | Hyde Park Budget 2014 | Receiver's Budget Jan 1 - Dec 31, 2015 | Notes and Explanations |
|---|---|---|---|
| **Revenue** | | | |
| Monthly Fees (92 Units) | $ 434,163 | $ 461,077 | 2015 amount based on list of 2014 monthly occupancy fees due from each resident (set by Hyde Park Residences Inc. ("**HP**")), plus an increase of 6.19% to cover expected inflation and the 2014 budget shortfall anticipated as at Dec 31, 2014. |
| Parking Revenue | 1,260 | 1,380 | |
| | $ 435,423 | $ 462,457 | |
| Transfer to Reserves: | | | |
| Reserve Transfer - Water | $ 25,312 | $ - | Receiver currently has no plans to transfer funds to the Water Plant Reserve since a substantial increase in monthly occupancy fees would be required. |
| Reserve Transfer - Building | 10,116 | 23,116 | 2015 amounts for townhouse reserve are based on 5% of total occupancy fees as per Life Lease Occupancy Agreement ("**LLOA**"). Two separate reserves (building and site) are not considered necessary. |
| Reserve Transfer - Site | 10,116 | | |
| Reserve - Immanuel House | 20,160 | - | Immanuel House reserve was a notional fund to finance a community centre. The mortgage payment was used by HP to reduce a mortage held by Courtyard Developments Inc. which appears to be fourth in priority on title. The Receiver does not plan to make any such transfers. |
| Mortgage Payment | 18,492 | - | |
| Total Transfers | $ 84,196 | $ 23,116 | |
| **Total Operating Revenue** | $ 351,227 | $ 439,341 | |
| **Expenses** | | | |
| Pump house | | | |
| Fuel - Gas | $ 1,800 | $ 1,126 | 2015 amounts are based on 2014 actual expenses plus 1.0% inflation (the approximate Canadian inflation rate for the 12 month period ending Oct. 31,2014). |
| Hydro | 3,500 | 3,299 | |
| Phone | 2,100 | 3,259 | |
| Maintenance and Repairs | 2,000 | 11,002 | 2015 amount is based on 2014 actual expenses plus 1.0% inflation plus additional repairs anticipated for 2015 |
| Security | 365 | 510 | 2015 amount is based on 2014 actual expenses plus 1.0% inflation. |
| Water Testing | 18,000 | 15,679 | |
| Insurance | 6,000 | 13,417 | 2015 amount is based on annual premums paid in Nov. 2014 for additional environmental impairment liability and commercial liability insurance coverage required by City, plus 1.0% inflation. (Note: Other insurance coverage for water plant is included in the insurance coverage for the townhouses) . |
| Maintenance | | | |
| Snow Removal | 40,000 | 43,801 | 2015 amount is based on 2014/2015 snow removal contract. |
| Lawn Maintenance | 20,000 | 18,392 | 2015 amount is based on 2014 actual expenses plus 1.0% inflation. |
| Additional Landscaping | 10,000 | 13,560 | 2015 amount represents additional landscaping repairs estimated to be required for 2015 |
| Maintenance and Repairs | 24,000 | 30,021 | 2015 amount is based on 2014 property maintenance technician payroll plus 1.0% inflation plus the repairs expected for 2015. |
| Insurance - Property | 18,000 | 19,985 | 2015 amount is based on 2014 premiums for insurance coverage on the the 92 townhomes plus 1.0% inflation. |
| General | | | |
| Professional Fees - Accounting | 3,000 | - | Receiver will not be engaging external accountant. |
| Bank Charges | 500 | 2,500 | 2015 amount is based on 2014 expected expenses. |
| Management Fees | 24,950 | 42,220 | 2015 amount is based on actual payroll of on-site property manager plus 50% of office utilities (for on-site office used by property manager) plus 1.0% inflation. |
| Property Taxes | 176,892 | 195,047 | 2015 amount is based on anticipated taxes for 2015 (i.e. 2014 actual amount plus increase of 2% based on advice from City). This does not include accrued interest which the Receiver is attempting to reverse. Note: The 2014 budget reflected a $15,084 credit related to 2013. |
| Resident Association Expenses | 120 | 400 | 2015 amount based on 2014 actual expenses. |
| Shortfall at December 31, 2014 | - | 25,125 | Anticipated budget shortfall for previous year at December 31, 2014 |
| **Total Expenses** | $ 351,227 | $ 439,341 | |
| **Excess of revenue over expenditures** | $ - | $ - | |

# Exhibit "F"

Receiver's calculation of Capital Reserve Fund required pursuant to Water System Agreement

# Exhibit "F"

## Receiver's Methodology to Calculate the Capital Reserve Fund Required Pursuant to the Water System Agreement

### Calculation Methodology

The Private Communal Water System and Private Communal Wastewater System Responsibility Agreement between Hyde Park and the City of Ottawa ("**City**") dated July 9, 2010 (the "**Water System Agreement**") requires Hyde Park to maintain a capital reserve fund to ensure that adequate funds are available to repair, maintain, replace, and update the water system infrastructure. Pursuant to the Water System Agreement, the amount of this reserve is to be determined annually by a calculation of the difference between the replacement cost for the installed infrastructure (adjusted for inflation) and the depreciated value of that same infrastructure.

More specifically, pursuant to section 5.2 of the Water System Agreement, "the said Capital Reserve Fund, as set out in Part B to Schedule "D" of this Agreement, shall be secured by cash deposit in an amount equal to one hundred percent (100%) of the difference between the calculated replacement cost for the installed infrastructure and the depreciated value of that same infrastructure for the Private Communal Water system and the Private Communal Wastewater System for the period of one (1) calendar year. The value of the Capital Reserve Fund will be calculated annually with due consideration of any capital improvements and replacements made over the course of the preceding year. Annual inflation for each year shall be calculated on the basis of the yearly average of the Consumer/Construction Price Index for the preceding year and the total inflation adjustment shall be equal to the sum of all inflationary adjustments to the date of the calculation".

On May 12, 2014, the City advised the Receiver that it was the City's position that the calculated annual inflation (referred to above) should be based on the Construction Price Index, and not the Consumer Price Index.

The following pages set out the process the Receiver followed to calculate the capital reserve fund required as at July 2014. The reserve was calculated as at July 2014 since the most recent Water System Agreement was signed in July 2010 (which appeared to be the last time the replacement values were assessed), and the reserve calculation was required to be updated annually from that date.

## Calculation Steps

The Receiver's calculation process is detailed below in Figures 1 to 7. Figure 1 provides an overview of the process as well as the information inputs required for the calculation of the capital reserve fund requirement. Figure 2 provides a brief overview of how the replacement values of the water system components (required for the reserve fund calculation) were adjusted for inflation each year.

**FIGURE 1:** Process Overview, Inputs and Calculations

| Inputs | Apply Calculations for Each Year | Determine the Outcome |
|---|---|---|
| • Replacement values for individual components of the water system as at February 5, 2008 (provided by the City)<br>• Installation dates, and life expectancies (in years) of the individual components (provided by the City).<br>• Total water system replacement value as at July 9, 2010 (per Schedule D of Water System Agreement dated July 9, 2010). Individual component values were not available.<br>• Published quarterly non-residential construction price index for Ottawa. | • Determine annual non-residential construction price index for Ottawa (from July 1 to June 30)<br>• Calculate inflation adjusted replacement value for each component<br>• Calculate residual life of each component based on installation date and life expectancy<br>• Calculate annual depreciation factor for each component using straight line depreciation method (which is used in the original February 2008 calculations provided by the City)<br>• Calculate depreciated value for each component | • Calculate the total capital reserve requirement at July 1st of each year using the formula provided in the Water System Agreement (i.e. the difference between the inflation adjusted replacement cost of the installed infrastructure and the depreciated value of that same infrastructure)<br>• Update the capital reserve requirement to July 2014 |

**FIGURE 2:** Overview - Calculating the Inflation Adjusted Replacement Values

| Replacement Values as at February 2008 | METHOD A<br>Estimate Replacement Values as at July 2010 | METHOD B<br>Calculate Subsequent Adjustments to Replacement Values |
|---|---|---|
| The replacement values for individual components of the water system infrastructure are stated in the February 5, 2008 detailed calculation provided by the City of Ottawa. | The total replacement value of the water system, as at July 2010, is stated in the Water System Agreement. The value had increased from Feb 5, 2008 and was therefore assumed to have been adjusted for inflation. The inflation adjusted replacement values of the individual components of the water system was not provided.<br><br>The Receiver estimated the inflation adjusted replacement values of the individual components as at July 2010 by assuming that the percentage value of each component of the total July 2010 replacement value was the same as the original percentage value of each component of the total February 2008 replacement value (which information was available). | The replacement values of the individual components were adjusted for inflation to July of each following year (to 2014) to reflect the non-residential construction price index increases year over year for Ottawa:<br>• July 1, 2010 to June 30, 2011<br>• July 1, 2011 to June 30,2012<br>• July 1, 2012 to June 30, 2013<br>• July 1, 2013 to June 30, 2014 |

Figure 3 details the key dates and the information available, or calculations made, at each date for determining the capital reserve fund. The last reserve calculation was completed (by the Receiver) as at July 2014, as shown in the figure below:

**FIGURE 3:** Critical Dates

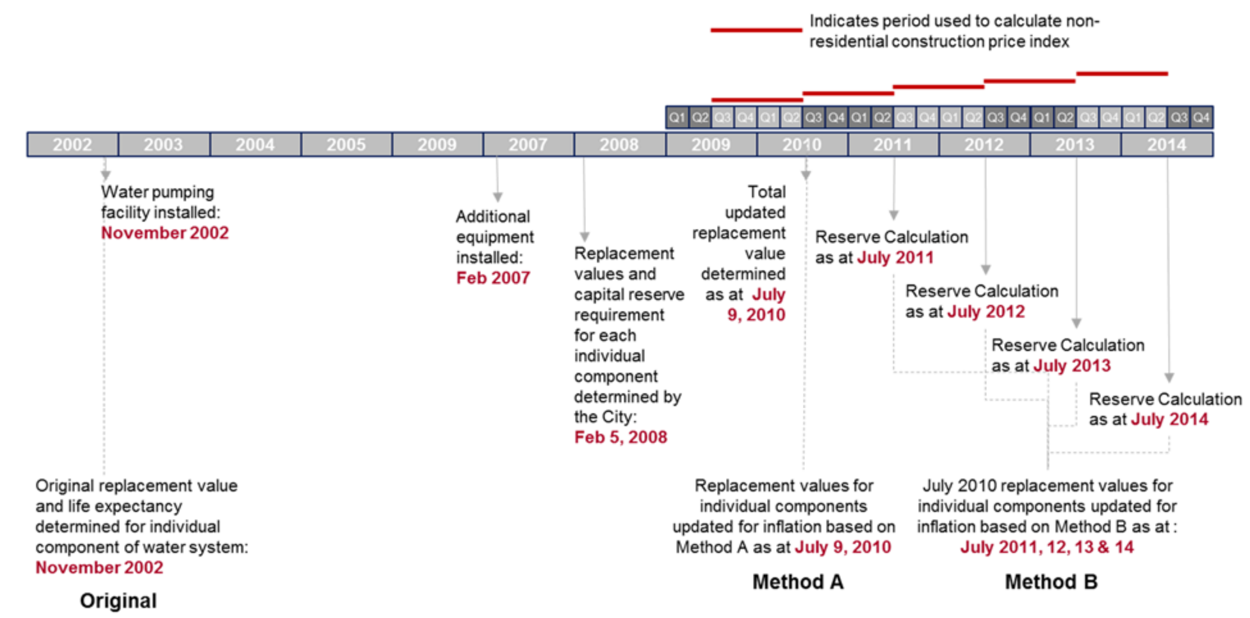


Figure 4 provides further details of the two separate processes used to calculate the capital reserve fund required as at July 2010 (referred to as Method A below), and then as at July in subsequent years (referred to as Method B below). The three sections in Figure 4 are explained in further detail in Figures 5, 6 and 7 on the following pages.

**FIGURE 4:** Process Flow - Calculating Inflation Adjusted Replacement Values and the Capital Reserve Requirement

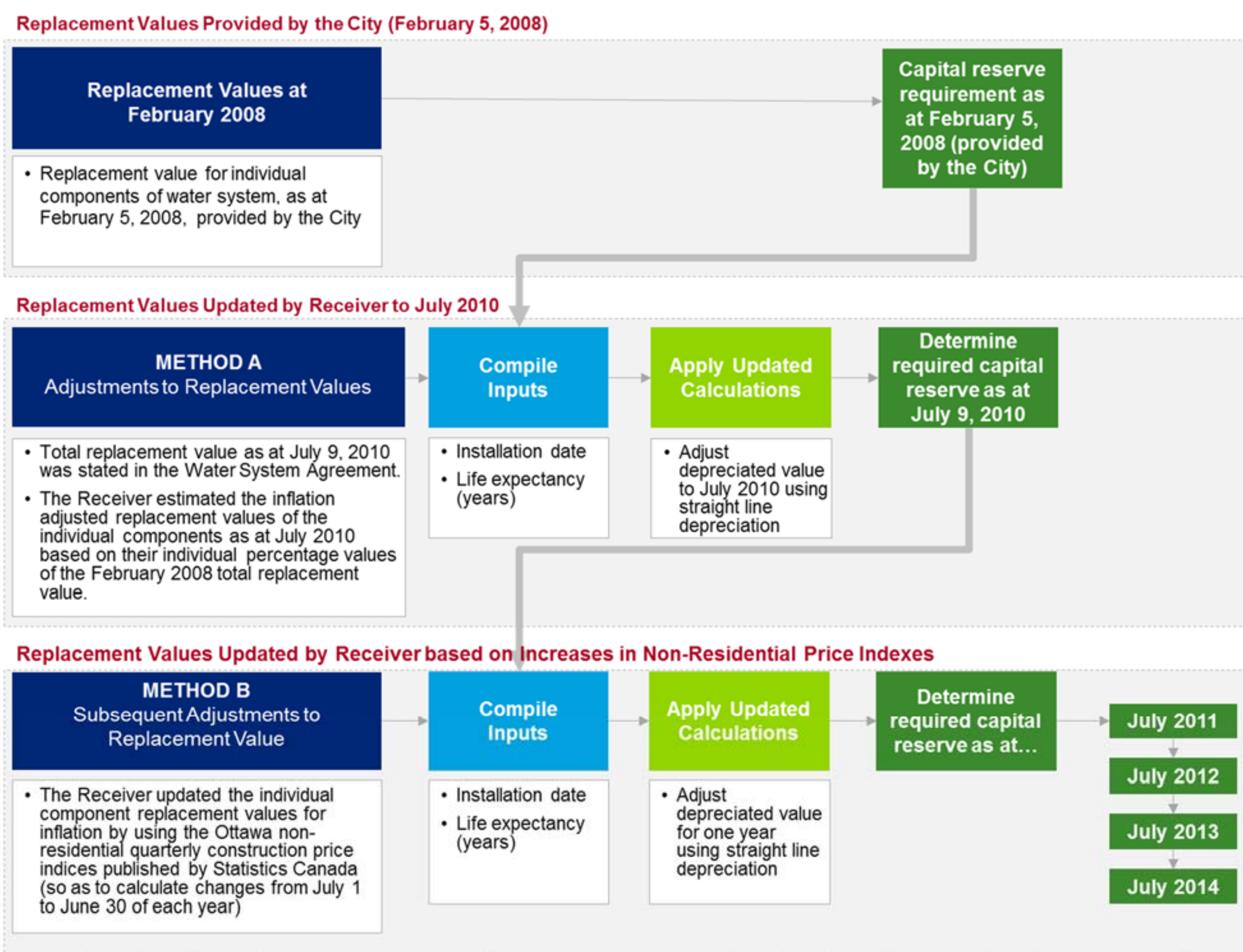
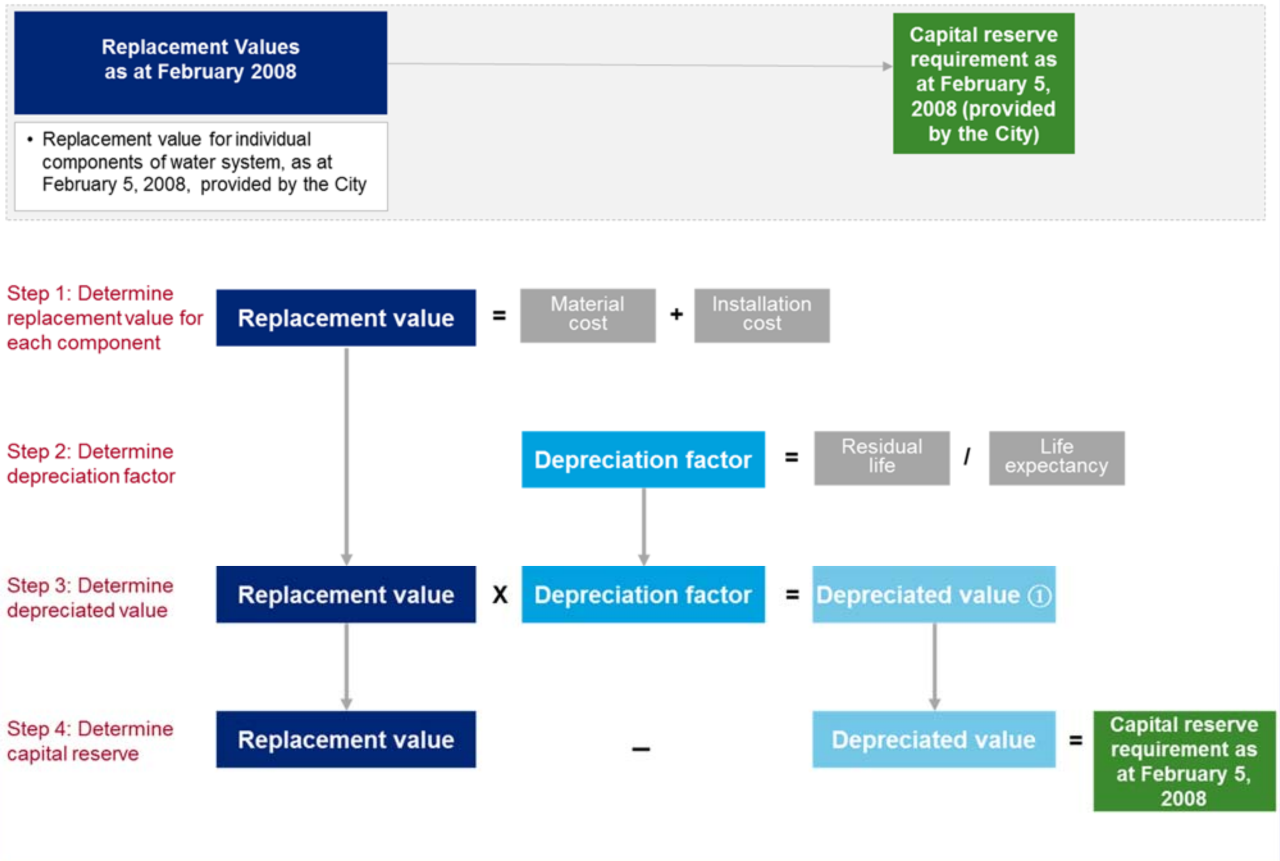


Figure 5 shows the calculations used by the City to determine, as at February 5, 2008, the replacement values and depreciated values of each water system component, and then the capital reserve requirement.

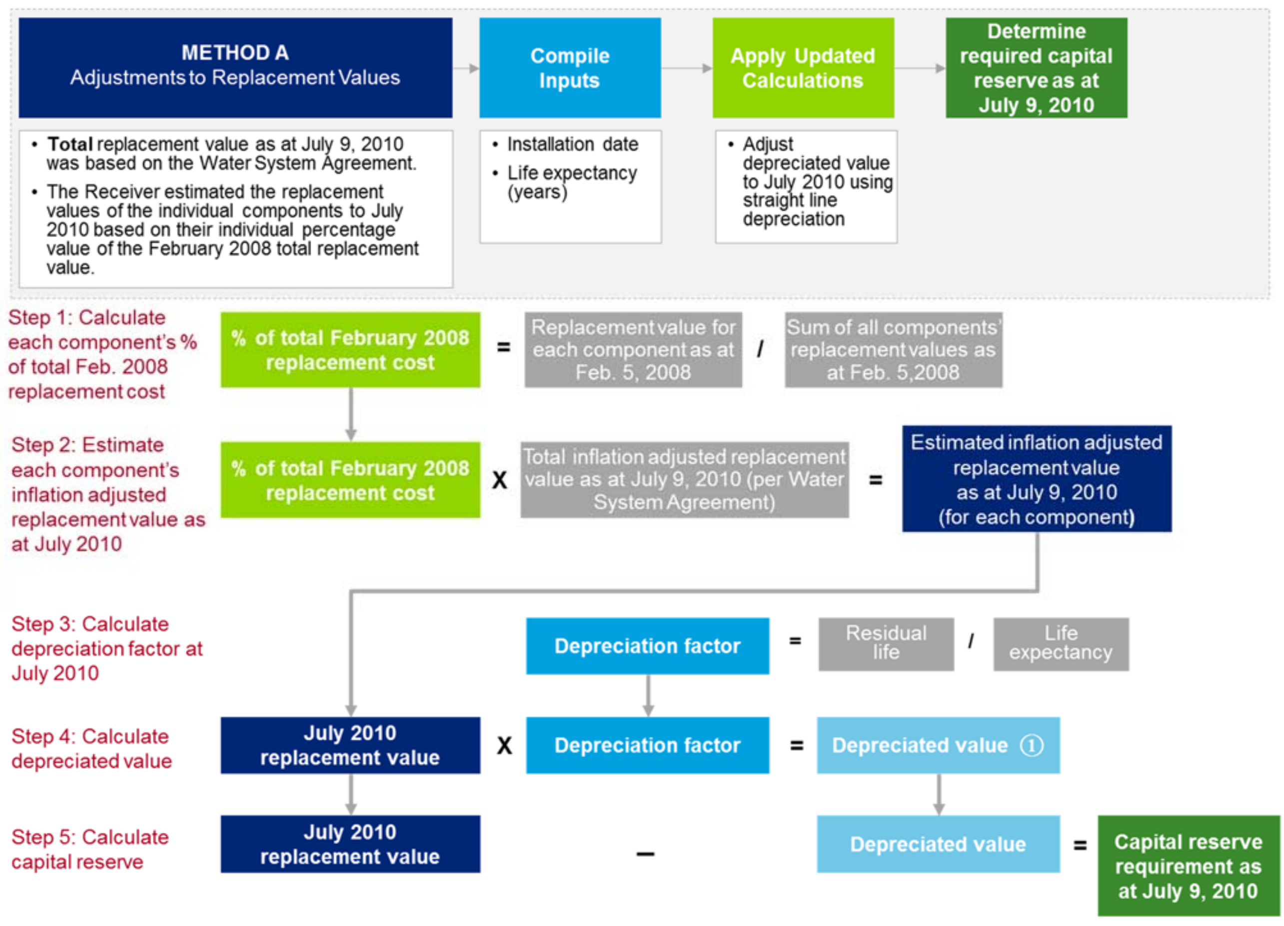
**FIGURE 5:** City's Methodology to Calculate Capital Reserve Requirement as at February 5, 2008




① Note: This is not the true depreciated value of the water system infrastructure, since the February 2008 replacement values (and not the original costs incurred in 2002 and 2007) are being depreciated. The original costs were not available. Thus, the capital reserve requirement calculated each year is probably understated assuming that replacement values are higher than the original costs. Using original costs (if available) would probably result in a lower depreciated value being deducted from the inflation adjusted replacement value, resulting is a higher capital reserve requirement.

Figure 6 shows the calculations used by the Receiver to first estimate the inflation adjusted replacement values of the water system's individual components as at July 2010 (based on the total replacement value stated in the July 9, 2010 Water System Agreement), and then to calculate the capital reserve requirement at the same date.

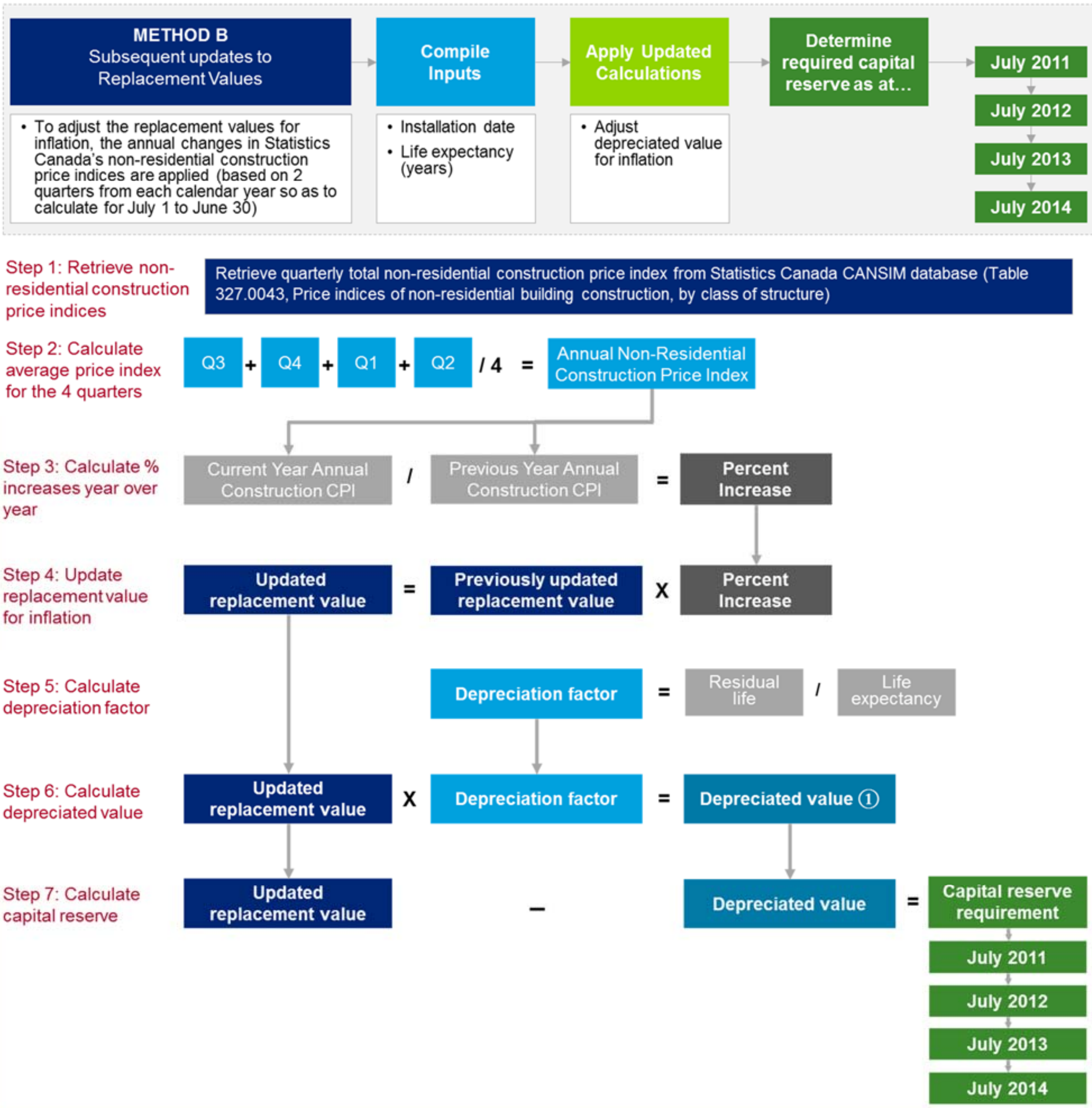
**FIGURE 6:** Receiver's Methodology to Estimate Replacement Values of Individual Components as at July 2010




① Note: This is not the true depreciated value of the water system infrastructure, since the February 2008 replacement values (and not the original costs incurred in 2002 and 2007) are being depreciated. The original costs were not available. Thus, the capital reserve requirement calculated each year is probably understated assuming that replacement values are higher than the original costs. Using original costs (if available) would probably result in a lower depreciated value being deducted from the inflation adjusted replacement value, resulting is a higher capital reserve requirement.

Figure 7 shows the calculations used by the Receiver to (1) update the replacement values of the water system's individual components for inflation, and then (2) calculate the capital reserve requirement, as at July 2001, 2012, 2013, and 2014.

**FIGURE 7:** Receiver's Methodology to Update Replacement Values and Calculate Reserve Requirement Annually




① Note: This is not the true depreciated value of the water system infrastructure, since the February 2008 replacement values (and not the original costs incurred in 2002 and 2007) are being depreciated. The original costs were not available. Thus, the capital reserve requirement calculated each year is probably understated assuming that replacement values are higher than the original costs. Using original costs (if available) would probably result in a lower depreciated value being deducted from the inflation adjusted replacement value, resulting is a higher capital reserve requirement.

# Calculation Details

Table 1 below provides a summary of the Receiver's calculation, by year, of the capital reserve fund requirement. Tables 2 and 3 (on the following pages) have been provided to show an example of the Receiver's detailed calculations for one year (i.e. to July 2014) that support the figures in Table 1.

## Table 1

### Summary of Reserve Fund Requirement Calculations

***Annual Inflation Increase (July 1 to June 30)***

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|
| Annual increase in non-residention construction price index (in Ottawa) based on average of published quarterly indices | 4.4% | 4.5% | 0.9% | 0.2% |

***Summary of Calculated Replacement Values (inflation adjusted), Depreciated Values, and Capital Reserve Requirements***

| | July 2010 | July 2011 | July 2012 | July 2013 | July 2014 |
|---|---|---|---|---|---|
| **Water Facilities** | | | | | |
| Water Facilities Replacement Value | $386,832.00 | $403,726.19 | $421,905.11 | $425,759.30 | $426,722.85 |
| Water Facilities Depreciated Value | $185,913.78 | $178,809.35 | $171,704.93 | $164,600.50 | $157,496.07 |
| Water Facilities Reserve | $200,918.22 | $224,916.84 | $250,200.18 | $261,158.80 | $269,226.77 |
| **Water Distribution System** | | | | | |
| Water Dist System Replacement Value | $495,700.00 | $517,348.80 | $540,643.91 | $545,582.80 | $546,817.52 |
| Water Dist. System Depreciated Value | $406,293.33 | $400,477.33 | $394,661.33 | $388,845.33 | $383,029.33 |
| Water Distribution System Reserve | $89,406.67 | $116,871.47 | $112,572.17 | $156,737.46 | $163,788.19 |
| **Water Facilities and Water Distribution System Reserve Combined** | **$290,324.89** | **$341,788.31** | **$362,772.35** | **$417,896.26** | **$433,014.96** |

Table 2

**RECEIVER'S CALCULATION OF CAPITAL RESERVE FUND, AS AT JULY 2014, FOR WATER SYSTEMS FACILITIES**
**(REQUIRED PURSUANT TO WATER SYSTEM AGREEMENT)**

| Water System Facilities | Previous Year's Replacement Values Updated for Inflation to July 2014 ① | Life Expectancy (years) | Date Installed (m-yr) | Residual Life as at July 2014 (rounded to nearest month) | Depreciation Factor (Straight Line) | Depreciated Value ② | Required Capital Reserve Amount as at July 2014 |
|---|---|---|---|---|---|---|---|
| CIVIL, STRUCTURAL & ARCHITECTURAL | | | | | | | |
| 1. Demolition | $3,022.07 | **75** | **Nov-02** | 63 | 0.85 | $1,429.06 | $1,593.00 |
| 2. Concrete | $26,272.30 | **75** | **Nov-02** | 63 | 0.85 | $12,423.56 | $13,848.75 |
| 3. Masonry | $3,562.10 | **75** | **Nov-02** | 63 | 0.85 | $1,684.44 | $1,877.67 |
| 4. Miscellaneous Metals | $8,476.09 | **75** | **Nov-02** | 63 | 0.85 | $4,008.14 | $4,467.95 |
| 5. Thermal & Moisture Protection | $17,091.66 | **75** | **Nov-02** | 63 | 0.85 | $8,082.24 | $9,009.41 |
| 6. Doors & Windows | $6,366.01 | **75** | **Nov-02** | 63 | 0.85 | $3,010.34 | $3,355.67 |
| 7. Finishes | $0.00 | | | | | $0.00 | |
| 8. Specialties | $13,411.53 | **75** | **Nov-02** | 63 | 0.85 | $6,342.00 | $7,069.53 |
| MECHANICAL & PROCESS | | | | | | | |
| 1. Pumps | | | | | | | |
| 1.1 Well Pumps | $19,670.25 | **15** | **Nov-02** | 3 | 0.23 | $2,508.00 | $17,162.25 |
| 1.2 Distribution Pumps | $21,458.46 | **15** | **Nov-02** | 3 | 0.23 | $2,736.00 | $18,722.46 |
| 1.3 Chemical Pumps | $20,027.89 | **15** | **Nov-02** | 3 | 0.23 | $2,553.60 | $17,474.29 |
| 2. Screens | $0.00 | | | | | $0.00 | |
| 3. Above-ground Piping | $5,364.61 | **75** | **Nov-02** | 63 | 0.85 | $2,536.80 | $2,827.81 |
| 4. Above-ground Valves & Actuators | $5,364.61 | **75** | **Nov-02** | 63 | 0.85 | $2,536.80 | $2,827.81 |
| 5. Gates | $0.00 | | | | | $0.00 | |
| 6. Water Meters | $21,458.46 | **25** | **Nov-02** | 13 | 0.54 | $6,441.60 | $15,016.86 |
| 7. Building HVAC | $21,458.46 | **25** | **Nov-02** | 13 | 0.54 | $6,441.60 | $15,016.86 |
| 8. Standby Power Generators | $71,528.18 | **75** | **Nov-02** | 63 | 0.85 | $33,824.00 | $37,704.18 |
| ELECTRICAL | | | | | | | |
| 1. Underground Raceways (Ductbanks) | $7,152.82 | **25** | **Nov-02** | 13 | 0.54 | $2,147.20 | $5,005.62 |
| 2. Above-ground raceways (Conduits) | $10,729.23 | **25** | **Nov-02** | 13 | 0.54 | $3,220.80 | $7,508.43 |
| 3. Wires, cables and Devices | $44,705.12 | **25** | **Nov-02** | 13 | 0.54 | $13,420.00 | $31,285.12 |
| 4. VFD's | $0.00 | | | | | $0.00 | |
| 5. MCC's | $0.00 | | | | | $0.00 | |
| 6. Motors | $0.00 | | | | | $0.00 | |
| 7. Transformers and Switches | $3,576.41 | **25** | **Nov-02** | 13 | 0.54 | $1,073.60 | $2,502.81 |
| 8. Lighting | $8,941.02 | **25** | **Nov-02** | 13 | 0.54 | $2,684.00 | $6,257.02 |
| 9. Electric Heat | $4,828.15 | **25** | **Nov-02** | 13 | 0.54 | $1,449.36 | $3,378.79 |
| 10. Heat Tracing | $0.00 | | | | | $0.00 | |
| INSTRUMENTATION | | | | | | | |
| 1. PLC's & RPU's | $0.00 | | | | | $0.00 | |
| 2. Instruments | $0.00 | | | | | $0.00 | |
| 3. Controllers and Diallers | $17,882.05 | **25** | **Nov-02** | 13 | 0.54 | $5,368.00 | $12,514.05 |
| MISCELLANEOUS | | | | | | | |
| 1. Well Casing | $28,611.27 | **75** | **Nov-02** | 63 | 0.85 | $13,529.60 | $15,081.67 |
| 2. Water Storage | $35,764.09 | **75** | **Feb-07** | 68 | 0.90 | $18,045.33 | $17,718.76 |
| | $426,722.85 | | | | | $157,496.07 | $269,226.77 |

**Notes**

① Receiver's calclations for previous years are not shown here. Inflation increase from July 1, 2013 to June 30, 2014 was obtained from http://inflationdata.com/inflation/Inflation_Calculators/Cumulative_Inflation_Calculator.aspx

**Table 3**

**RECEIVER'S CALCULATION OF CAPITAL RESERVE FUND, AS AT JULY 2014, FOR WATER DISTRIBUTION SYSTEM (REQUIRED PURSUANT TO WATER SYSTEM AGREEMENT)**

| Water Distribution System | Previous Year's Replacement Values Updated for Inflation to July 2014 ① | Life Expectancy (years) | Date Installed (m-yr) | Residual Life as at July 2014 (rounded to nearest month) | Depreciation Factor | Depreciated Value | Required Capital Reserve Amount as at July 2014 |
|---|---|---|---|---|---|---|---|
| DISTRIBUTION SYSTEM EQUIPMENT | | | | | | | |
| Valves and Actuators | | | | | | | |
| | $19,054.62 | **75** | **Nov-02** | 64 | 0.85 | $12,970.67 | $6,083.96 |
| | $9,527.31 | **75** | **Feb-07** | 68 | 0.91 | $6,890.67 | $2,636.64 |
| DISTRIBUTION SYSTEM PIPING | | | | | | | |
| PVC Pipe | | | | | | | |
| | $273,784.84 | **75** | **Nov-02** | 64 | 0.85 | $186,368.00 | $87,416.84 |
| | $244,450.75 | **75** | **Feb-07** | 68 | 0.91 | $176,800.00 | $67,650.75 |
| | $546,818 | | | | | $383,029 | $163,788 |

**Notes**

① Receiver's calclations for previous years are not shown here. Inflation increase from July 1, 2013 to June 30, 2014
http://inflationdata.com/inflation/Inflation_Calculators/Cumulative_Inflation_Calculator.aspx

# Exhibit "G"

Receiver's Interim Statements of Receipts and Disbursements

In the Matter of the Receivership of Hyde Park Residences Inc.
Of the Town of Dunrobin, in the City of Ottawa, in the Province of Ontario
Receiver and Manager's Interim Statement of Receipts and Disbursements

As at December 31, 2014

**General Account**

| | | | |
|---|---|---|---|
| **Receipts** | | | |
| Cash in bank (as at April 15, 2014) | | $ 13 | |
| Interest Income | | 306 | |
| Loan Advance: Frontenac Management Investment Corporation | | 750,000 | *Note 1* |
| HST refund | | 77,901 | |
| | Total Receipts | $ 828,220 | |
| **Disbursements** | | | |
| Advertising | | $ 2,962 | |
| Appraisal fees | | 17,850 | |
| Change locks | | 275 | |
| Consulting services | | 2,451 | |
| Engineering services | | 2,500 | |
| Equipment rental | | 703 | |
| Insurance | | 72,032 | |
| Insurance consulting services | | 1,500 | |
| Legal fees | | 64,103 | |
| Official Receiver fees | | 70 | |
| Propane (for heating) | | 4,380 | |
| Scaffolding rental (to hold up part of building) | | 155,427 | |
| Security | | 1,107 | |
| Snow removal | | 2,074 | |
| Telephone | | 2,637 | |
| Utilities | | 4,225 | |
| Wages and benefits of temporary employee | | 29,817 | *Note 2* |
| Receiver's fees and costs | | 304,883 | |
| HST paid for all disbursements | | 76,251 | |
| Repairs and maintenance expenses | | 1,868 | |
| Miscellaneous expenses | | 3,555 | |
| | Total Disbursements | $ 750,671 | |
| **Net receipts over disbursements** | | $ 77,549 | |

***Notes***

1 Loan advances are from Frontenac and bear an interest rate of 9.5% per annum. The amounts advanced are in accordance with Appointment Order dated February 20, 2014 and shall be secured by the applicant's security. The Order permits the Receiver to obtain a loan to an amount not to exceed $750,000 without court approval.

2 This amount represents the wages of the Project's current maintenance technician that relate directly to the maintenance and monitoring of Apartment A and Immanuel House. These wages were originally paid through the Property Management Account. The General Account reimburses the Property Management Account for these costs.

In the Matter of the Receivership of Hyde Park Residences Inc.
Of the Town of Dunrobin, in the City of Ottawa, in the Province of Ontario
Receiver and Manager's Interim Statement of Receipts and Disbursements

As at December 31, 2014

**Property Management Account**

| | | | |
|---|---|---|---|
| ***Receipts*** | | | |
| Cash in bank (as at April 15, 2014) | $ | 8 | |
| Interest Income | | 99 | |
| Monthly occupancy charges received from residents | | 362,895 | *Note 1* |
| Total Receipts | $ | 363,002 | |
| ***Disbursements*** | | | |
| Insurance (Townhome and Pump house) | | 49,136 | |
| Landscaping services | | 23,207 | |
| Property taxes | | 66,685 | |
| Residents Association expenses | | 329 | |
| Repair and maintenance | | 10,782 | |
| Security | | 397 | |
| Snow removal | | 28,032 | |
| Sum pump services | | 6,690 | |
| Telephone | | 3,028 | |
| Utilities | | 4,350 | |
| Wages and benefits of temporary employees | | 50,570 | *Note 2* |
| Water system operator | | 16,763 | |
| | $ | 259,967 | |
| Total HST paid | | 7,375 | |
| | $ | 267,342 | |
| Transfer to Receiver's Reserve Account | | 16,413 | *Note 3* |
| Total Disbursements | $ | 283,755 | *Note 4* |
| **Net receipts over disbursements** | $ | 79,248 | |

***<u>Notes</u>***

1 Occupancy charges represents amounts collected from residents of Property for the period from February 21 to December 31, 2014.

2 The Receiver retained, as temporary employees, the Project’s current maintenance technician and the Project’s current client service manager to respond to all resident inquiries and property management issues. The maintenance technician also inspects and helps to monitor the Water Plant every day. The cost of the related payroll and benefits have been paid out of the Receiver's Property Management Account; however, wages of the maintenance technician that directly relate to the upkeep and maintenance of Apartment A and Immanuel House will be reimbursed from the Receiver's General Account.

3 The amount represents of 5% of occupancy charges transferred from the Receiver's Property Management Account to its Reserve Account in accordance with the life lease occupancy agreements.

4 All professional fees of the Receiver have been charged to the Receiver's General Account at this time.

In the Matter of the Receivership of Hyde Park Residences Inc.
Of the Town of Dunrobin, in the City of Ottawa, in the Province of Ontario
Receiver and Manager's Interim Statement of Receipts and Disbursements

As at December 31, 2014

**Reserve Account**

**Receipts**

| | | | |
|---|---|---|---|
| Cash in bank (as at April 15, 2014) | $ | 30,979 | |
| Advances from Receiver's Property Management Account | | 16,413 | *Note 1* |
| Special Assessment | | 44,000 | |
| Interest Income | | 54 | |
| Total Receipts | $ | 91,445 | *Note 2* |

**Disbursements**

| | | | |
|---|---|---|---|
| Roof replacement - Block of 5 units | $ | 35,282 | |
| Total Disbursements | $ | 35,282 | |

| | | | |
|---|---|---|---|
| **Net receipts over disbursements** | $ | 56,163 | |

***Notes***

1. This amount represents of 5% of monthly occupancy charges transferred to the Receiver's Reserve Account from the Receiver's Property Management Account in accordance with the life lease occupancy agreements.
2. These receipts do not include the following additional reserve funds:

   i) $112,863.43 (as at September 26, 2014) that is currently being held in a trust account with BMO. The Trustee for these funds is BMO Trust Company pursuant to a Trust Agreement with Hyde Park dated July 10, 2003. This trust represents the capital reserve fund for the Water Plant as required by the City pursuant to the Water System Agreement. The Receiver requested BMO to freeze this account but is not able to have these funds transferred to the Receiver's trust account without approval from the Ontario Ministry of the Environment and/or the City

# Exhibit “H”

Receiver’s Statutory Interim Report and Statement of Accounts

Deloitte.

Deloitte Restructuring Inc.
1600 - 100 Queen Street
Ottawa ON K1P 5T8
Canada
Tel: (613) 236-2442
Fax: (613) 563-2244
www.deloitte.ca

**Court No.: 33-165410**
**Estate No.: 33-165410**

**IN THE MATTER OF THE RECEIVERSHIP OF**
**HYDE PARK RESIDENCES INC**
**Of the City of Ottawa, In the Province of Ontario**

**RECEIVER'S INTERIM REPORT AND STATEMENT OF ACCOUNTS**
(Subsection 246(2) of the Act)

The Receiver gives notice and declares that:

1. Deloitte Restructuring Inc. was appointed Receiver and Manager ("Receiver") of the property and undertaking of Hyde Park Residences Inc. ("Hyde Park") pursuant to an Order of the Ontario Superior Court of Justice dated February 20, 2014. Hyde Park was the owner and developer of a partially completed retirement housing community in the village of Richmond, Ontario (the "Project")

2. The Receiver took possession and control of the Project on February 21, 2014, which included the following assets (as described in the books and records of Hyde Park at that time):

| Asset | | Book Value |
|---|---|---|
| Cash and investments: | | |
| Reserve account | $ | 40,148 |
| General account | | 148, 061 |
| Property Management account | | 20,941 |
| BMO Harris Private Banking account – Reserve | | 112,861 |
| Deposits with City of Ottawa | | 635,420 |
| Accounts Receivable | | 76,726 |
| Work in Process | | 28,722,536 |
| Fixed Assets: | | |
| Building | | 13,415,161 |
| Pump house | | 396,917 |
| Infrastructure, Roads, and Utilities | | 3,136,693 |
| Real Property | | 899,529 |

3. Further information on the above noted assets was provided in the Receiver's first report to the Court dated April 7, 2014.

4. The Receiver realized $31,000 from Hyde Park's bank accounts; however, $30,979 of this amount represents a reserve for major repairs and capital replacement for ninety-two (92) townhouses and their common areas and facilities.

5. The Receiver is still in the process of realizing on the other assets noted above through a formal tender sale. It is not yet know when a sale of the assets will be complete.

6. Enclosed, as Appendices A to C, are the Receiver's Interim Statements of Receipts and Disbursements, for the period from February 21, 2014 to July 31, 2014, for the following three (3) trust accounts it is operating for this receivership:

   a) A 'Property Management Account' to record all receipts and disbursements relating to the ninety-two (92) townhouses and the water plant (which provides clean water for the residents);

   b) A 'Reserve Account' to record all receipts and disbursements relating to reserve funds; and

   c) A 'General Account' to record all receipts and disbursements relating to all other receivership matters excluding those that relate to property management or reserve funds.

7. The contact person for the Receiver is:

Maxime Meunier
100 Queen Street, Suite 1600
Ottawa, Ontario K1P 5T8
Phone No.: (613) 751-5263
Facsimile No.: (613) 563-2244

Dated at Ottawa, Ontario this 11th day of August, 2014.

**DELOITTE RESTRUCTURING INC.**
In its capacity as Receiver and Manager of Hyde Park Residences Inc.
and not in its personal capacity

Per:

John Saunders, CPA, CA, CIRP, Trustee
Vice-President

**Appendix "A"**

In the Matter of the Receivership of Hyde Park Residences Inc.
Of the Town of Dunrobin, in the City of Ottawa, in the Province of Ontario
Receiver's Interim Statement of Receipts and Disbursements
(Subsection 246(2) of the Act)

As at July 31, 2014

**Property Management Account**

| | | | |
|---|---|---|---|
| ***Receipts*** | | | |
| Cash in bank | | $ 8 | |
| Interest Income | | 25 | |
| Monthly occupancy charges received from residents | | 183,164 | *Note 1* |
| | Total Receipts | 183,197 | |
| ***Disbursements*** | | | |
| Insurance (for Townhouses and Pump House) | | 19,737 | |
| Landscaping services | | 6,380 | |
| Property taxes | | 66,685 | |
| Residents Association expenses | | 329 | |
| Repairs and maintenance | | 750 | |
| Security | | 209 | |
| Snow removal | | 14,095 | |
| Sum pump services | | 6,256 | |
| Telephone | | 1,513 | |
| Utilities | | 2,216 | |
| Wages and benefits of temporary employees | | 24,303 | *Note 2* |
| Water system operator | | 6,101 | |
| | | 148,574 | |
| Total HST paid | | 4,524 | |
| | | 153,098 | |
| Transfer to Receiver's Reserve Account | | 9,158 | *Note 3* |
| | Total Disbursements | 162,256 | *Note 4* |
| **Net receipts over disbursements** | | $ 20,941 | |

***Notes***

1 Occupancy charges represents amounts collected from residents of Property for the period from February 21 to July 31, 2014.

2 The Receiver retained, as temporary employees, the Project's current maintenance technician and the Project's current client service manager to respond to all resident inquiries and property management issues. The maintenance technician also inspects and helps to monitor the Water Plant every day. The cost of the related payroll and benefits have been paid out of the Receiver's Property Management Account; however, wages of the maintenance technician that directly relate to the upkeep and maintenance of Apartment A and Immanuel House are reimbursed from the Receiver's General Account.

3 The amount represents of 5% of occupancy charges transferred from the Receiver's Property Management Account to its Reserve Account in accordance with the life lease occupancy agreements.

4 All professional fees of the Receiver have been charged to the Receiver's General Account at this time.

**Appendix "B"**

In the Matter of the Receivership of Hyde Park Residences Inc.
Of the Town of Dunrobin, in the City of Ottawa, in the Province of Ontario
Receiver's Interim Statement of Receipts and Disbursements
(Subsection 246(2) of the Act)

As at July 31, 2014

**Reserve Account**

**Receipts**

| | | | |
|---|---|---|---|
| Cash in bank | $ | 30,979 | |
| Advances from Receiver's Property Management Account | | 9,158 | *Note 1* |
| Interest Income | | 11 | |
| Total Receipts | | 40,148 | *Note 2* |

**Disbursements**

| | | |
|---|---|---|
| | | - |
| Total Disbursements | | - |

| | | |
|---|---|---|
| **Net receipts over disbursements** | $ | 40,148 |

***Notes***

1 This amount represents of 5% of monthly occupancy charges transferred to the Receiver's Reserve Account from the Receiver's Property Management Account in accordance with the life lease occupancy agreements.

2 These receipts do not include the following additional reserve funds:

i) $112,860.67 (as at June 30, 2014) that is currently being held in a trust account with BMO Trust Company ("BMO"). BMO is the Trustee for these funds pursuant to a Trust Agreement with Hyde Park dated July 10, 2003. This trust represents the capital reserve fund for the Water Plant as required by the City of Ottawa pursuant to the Water System Agreement. The Receiver requested BMO to freeze this account but is not able to have these funds transferred to the Receiver's trust account without approval from the Ontario Ministry of the Environment and/or the City of Ottawa.

**Appendix "C"**

In the Matter of the Receivership of Hyde Park Residences Inc.
Of the Town of Dunrobin, in the City of Ottawa, in the Province of Ontario
Receiver's Interim Statement of Receipts and Disbursements
(Subsection 246(2) of the Act)

As at July 31, 2014

**General Account**

| | | | |
|---|---|---|---|
| **Receipts** | | | |
| Cash in bank | | $ 13 | |
| Interest Income | | 149 | |
| Loan Advance: Frontenac Management Investment Corporation | | 700,000 | *Note 1* |
| HST refund | | 64,251 | |
| | Total Receipts | 764,413 | |
| **Disbursements** | | | |
| Advertising | | 2,962 | |
| Appraisal fees | | 17,850 | |
| Change locks | | 275 | |
| Consulting services | | 2,451 | |
| Engineering services | | 2,500 | |
| Equipment rental | | 703 | |
| Insurance | | 44,331 | |
| Insurance consulting services | | 1,500 | |
| Legal fees | | 64,103 | |
| Official Receiver fees | | 70 | |
| Propane (for heating) | | 4,380 | |
| Scaffolding rental (to hold up part of building) | | 78,909 | |
| Security | | 722 | |
| Snow removal | | 860 | |
| Telephone | | 1,251 | |
| Utilities | | 3,591 | |
| Wages and benefits of temporary employee | | 13,454 | *Note 2* |
| Receiver's fees and costs | | 304,883 | |
| HST paid for all disbursements | | 67,410 | |
| Miscellaneous expenses | | 4,147 | |
| | Total Disbursements | 616,353 | |
| **Net receipts over disbursements** | | $ 148,061 | |

***Notes***

1 Loan advances are from Frontenac Management Investment Corporation and bear an interest rate of 9.5% per annum. The amounts advanced are in accordance with the Court Order dated February 20, 2014 and shall be secured by the applicant's security. The Order permits the Receiver to obtain a loan to an amount not to exceed $750,000 without court approval.

2 This amount represents the wages of the Project's current maintenance technician that relate directly to the maintenance and monitoring of Apartment A and Immanuel House. These wages were originally paid through the Property Management Account. The General Account reimburses the Property Management Account for these costs.

# Exhibit "I"

Receiver's Estimated Borrowing Requirements to May 31, 2015

**Hyde Park Receivership**
**Estimate of Additional Borrowing Required by the Receiver to Fund Activities to May 31, 2015**

| Description | | Amount | Comments |
|---|---|---|---|
| **Opening Balance as at January 1, 2015** | **$** | **77,549** | Balance of funds in trust account as at December 31, 2014 |
| **Less:** | | | |
| Monthly expenses related to construction site (excluding insuance) | $ | 127,500 | Monthly expenses related to the construction site are estimated at $25,500 per month. |
| Insurance | | 36,000 | The insurance coverage for Immanuel House and Apartment A expire at the end of January 2015. We estimate that renewing for 4 additional months will cost approximately $9,000 per month. |
| Legal fees: | | | |
| Outstanding | | 116,846 | Billed to November 30, 2014, but not paid (Excluding HST which is recoverable) |
| Estimate to May 31, 2015 | | 70,000 | Estimate based on previous fees per month |
| Receiver's fees: | | | |
| Outstanding | | 319,529 | Billed to December 31, 2015, but not paid (excluding HST which is recoverable) |
| Estimate to May 31, 2015 | | 132,300 | Estimate based on previous fees per month |
| Total estimated costs to May 31, 2015 | $ | 802,175 | |
| Plus Contingency (10% of total costs) | | 80,217 | |
| Total estimated costs plus contingency | $ | 882,392 | |
| **Shortfall in funds at May 31, 2015** | **$** | **(804,844)** | Proposed amount to be borrowed by the Receiver |
| Round to | **$** | **800,000** | |