

**ONTARIO
SUPERIOR COURT OF JUSTICE**

**ORLANDO IERACI, GIUSEPPE MELECA, FRANK TROIANO, CONCEZIO
BATTAGLINI, CARMELO COMMISSO, FRANCESCO GAGLIANO,
GIUSEPPE GAGLIANO, DAVID MEADOWS, GIUSEPPE COMMISSO, JOHN
KOLOVOS, BORDEN KENT, GABRIEL DIVITTORIO, 747304 ONTARIO
LIMITED, RITA BENNETT, MAGGIORINO TORRESAN, MARCO
BATTAGLINI, DAVE BATTAGLINI, LEO BATTAGLINI, VINCENZO
MINNELLA, DINO MINNELLA, FERRUCCIO AGOSTINO, TONY MINNELLA,
VITO MINNELLA, ROCCO MINNELLA, ANNA M. MINNELLA and JOHN
PETROSINO**

Applicants

- and -

**VINCENZO POLSINELLI, RODOLFO GRANATA, GARA HOLDINGS,
NAJEEB WAHAB, P.O.S.E. INVESTMENTS, 910911 ONTARIO INC., 910912
ONTARIO INC., 910913 ONTARIO INC. and TERRY HOPKINS**

Respondents

FIRST REPORT OF THE RECEIVER AND MANAGER

May 31, 2012

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I. Introduction

1. By Order of the Honourable Justice Thompson dated April 2, 2012 (the “Initial Order”), Deloitte & Touche Inc. was appointed receiver and manager (the “Receiver”), without security, over all of the current and future assets, undertakings and properties of P.O.S.E. Investments. (“POSE” or the “Company”) pursuant to section 101 of the *Courts of Justice Act*. A copy of the Initial Order is attached hereto as Exhibit “A”.
2. The Company operated as a partnership of individuals and held real property through 910912 Ontario Inc. and 910913 Ontario Inc.
3. The real properties held by 910912 Ontario Inc. in trust for POSE are located in the Municipality of Meaford (formerly the Township of Sydenham) (PIN #'s: 37098-0150 (LT), 37098-0125(LT) and 37098-0128(LT)) (the “Meaford Properties”) and more particularly described in Schedule “A” of the Initial Order.
4. The real property held by 910913 Ontario Inc. in trust for POSE is located in the Community of Pefferlaw, in the Town of Georgina (formerly the Township of Georgina) (PIN #: 03538-0148 (LT)) (the “Georgina Property”) and more particularly described in Schedule “B” of the Initial Order.
5. As set out in this report and subsequent reports, the Meaford Properties and Georgina Property will be referred to as the “Real Properties”.
6. The Receiver considers it advisable to inform this Court as to the status of the matters since the appointment of the Receiver; to seek approval of its activities to date; and to seek the approval with respect to the recommendations set out in this, the Receiver’s first report (the “First Report”).

II. Summary of recommendations

7. Based on matters set out in this First Report, and subject to the advice and directions of this Court, the Receiver recommends the following and seeks from this Court an Order:
 - i) Approving the activities carried out by the Receiver since its appointment on April 2, 2012; and
 - ii) Approving the engagement of CBRE Limited to list and market the Real Properties;

III. Background to Receivership

8. POSE is and has been operating as a partnership of individual investors and Unitholders since 1990.
9. Based on our discussion with Unitholder representatives and review of the documentation available and due to the ongoing dispute regarding governance and lack of resources, it is apparent that the receivership was necessary to facilitate a court-officer to selling the Real Properties and distributing the proceeds on a fair and equitable basis.
10. The Meaford Properties consists of 3 parcels of land. One parcel, located at 423020 Harbour Dr. includes on the site, 9 land parcels located on the waterfront which have been leased to cottage owners. A second property located at 370504 Concession B, houses an old stone farm house and an empty metal barn/shed that is not habitable. The third property, located on Concession BF E Pt. Lot 6, is vacant land.
11. The Georgina property, located at 30237 Highway 48 consists of raw land and has 2 zonings on the property as estate residential and the balance is zoned as open space according to a 2011 Opinion of Value.
12. In December 2011, the Company conveyed a small parcel of land in the Georgina property by way of a severance for nominal consideration to an arm's length party. We have been advised that this transaction was necessary to complete the original purchase transaction with the original vendor.

IV. Receiver's activities to date

Possession and control

13. Attended at the Meaford and Georgina properties to view and inspect the Real Properties, identify risks and any noteworthy features for its administration.
14. The Receiver attended the office of legal counsel to the Applicants and has obtained certain information related to the Company, including certain books and records.
15. Through the review of the books and records of the Company, the Receiver contacted the last known address of the Company (P.O. Box 790 Station Main, Aurora, ON L4G 4J9) and arranged to retrieve the books and records from an individual named Edmund Daniel who works for the Polsinelli family, who was part of the Company's current management committee.

Insurance

16. The Receiver obtained \$2,000,000 comprehensive insurance coverage through a broker at a cost of \$3,618.00 per annum. To date, we have not paid the invoice; however, if the Receiver does not obtain funding from a Receiver's Certificate in the next 30 days then the Receiver will fund the cost from its own resources.

Bank account

17. Contacted the Company's bank, Scotiabank and recovered funds totalling \$2,090.72 and obtained 24 months of bank statements. The Receiver is currently reviewing the appropriateness of payments and will provide further information on our next report.

Property taxes

18. Contacted the Municipality of Meaford and Town of Georgina to notify them of the Interim Order to ensure that they were aware of the stay of proceedings in place and requested an accounting of the outstanding tax balance for the Real Properties.
19. The Municipality of Meaford provided a statement of account for all the Meaford Properties, indicating that a total of \$54,536.41 in property taxes, penalties and interest remaining outstanding as at April 27, 2012. A copy of the statement of account is attached hereto as Exhibit "C".
20. The Town of Georgina provided a statement \$12,307.62 in property taxes, penalties and interest remaining outstanding as at May 7, 2012. A copy of the statement of account is attached hereto as Exhibit "D".

Notices to creditors and Unitholders

21. On April 9, 2012, the Notice and Statement of the Receiver ("Receivership Notice") was issued in accordance with sections 245(1) and 246(1) of the BIA. A copy of the Receivership Notice is attached hereto as Exhibit "B".
22. On April 25, 2012, the Receivership Notice and a cover letter were provided by ordinary mail to the last address of the current Unitholders. In addition, the Receiver created a webpage to facilitate communication with the Unitholders.
23. Responded to telephone inquiries from Unitholders.
24. Reviewed the Company's books and records with a view to understanding availability of source documents and accounting records that could be utilized in a court-approved procedure to determine the potential claim amounts for the Unitholders.

Other matters

25. Contacted the Canada Revenue Agency and completed authorization form to facilitate tax compliance and reporting matters.
26. Contacted the accountant who was engaged to prepare tax returns to determine if there were any books and records in their possession.
27. Obtained the Applicants' legal counsel to obtain a complete set of documents that were submitted in the previous litigation matter.
28. To the best of our knowledge, POSE did not have any employees.
29. Redirected the mail for POSE to the Receiver's office.
30. Obtained quotes from contractors who could attend the Meaford properties and remove house contents and debris on the property and board the windows and secure the farmhouse to prevent damage from unauthorized access. It is our view, which is supported by conversations with the prospective agents that this is necessary to present the property to prospective purchasers.
31. The Receiver has signed a work order to complete this work for \$4,705.58, including HST.

V. Receiver's cash receipts and disbursements

32. Until the sales of the Real Properties are finalized, receipts and disbursements are expected to be minimal. As such, the Receiver will defer reporting of Receipts and Disbursements until the next court report for review and approval by the Court.
33. The Receiver intends to borrow up to \$100,000 by way of 1st mortgage on the property and issuance of a Receiver's Certificate in that amount, as authorized by the Court in the Initial Order.

VI. Listing proposals

34. The Receiver initially requested proposals from 4 Realtors to be submitted no later than May 2, 2012 to act as agent of the Receiver and listing of the property. As the details of the land leases on the Meaford properties were not known to the Receiver nor to the potential agents, the Receiver provided the agents an opportunity to resubmit their bids by May 16, 2012.
35. A list of the companies who submitted a proposal to list the Real Properties is attached hereto as Exhibit "E".

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36. A copy of the Proposals from CBRE Limited and Colliers International deleting any reference to the opinion of value of the properties is attached hereto as Exhibit “F” and Exhibit “G”, respectively.
37. The Receiver recommends that this Court approve the Receiver’s acceptance of the proposals submitted by CBRE Limited (the “CBRE Proposal”) for both the Meaford Properties and the Georgina Property for the following reasons:
- a) The Receiver believes that the broker is qualified to act as broker of record for the property;
 - b) The Receiver believes that the broker has knowledge of the area and sufficient resources to market the properties to a wide range of purchasers;
 - c) The proposed sales process and marketing of the properties are reasonable in the circumstances;
 - d) The CBRE Proposal is for six months, which is preferable to a longer term proposal offered by other agents.
 - e) CBRE has been more responsive and submitted their proposals on a timely bases;
 - f) The Receiver believes that CBRE will be aggressive in the marketing and selling of the Real Properties; and
 - g) The Receiver has had favourable experiences with the proposed realty firm of CBRE on other matters.

VII. Claims bar process

38. Given the fact that there are currently no funds in this administration, the presentation and approval of the claims bar process will be deferred until funds are on-hand by the Receiver. Upon approval by the Court of the sale of the Real Properties, the Receiver will submit the Claims process to the Court and request approval to the process at that time.

VIII. Conclusion

39. The Receiver respectfully requests that this Court grant an Order which provides for the following:
- a) approving the conduct and activities of the Receiver since its appointment on April 2, 2012; and
 - b) approving the listing agent, CBRE Limited as recommended by the Receiver;

All of the foregoing is respectfully submitted to this Court as of this 31st day of May, 2012.

Deloitte & Touche Inc.

In its capacity as Court-appointed Receiver
and Manager of P.O.S.E. Investments
and not in its personal capacity

A handwritten signature in blue ink, appearing to read "Biehler".

Per:

Robert Biehler, CA•CIRP
Senior Vice-President

EXHIBIT A – INITIAL ORDER

EXHIBIT B – RECEIVERSHIP NOTICE

**EXHIBIT C – STATEMENT OF ACCOUNTS – MUNICIPALITY OF
MEAFORD**

EXHIBIT D – STATEMENT OF ACCOUNT – TOWN OF GEORGINA

**EXHIBIT E – LIST OF PARTIES WHO SUBMITTED PROPOSALS
TO LIST THE REAL PROPERTIES**

**EXHIBIT F – REAL ESTATE PROPOSAL – CBRE LIMITED –
REDACTED**

**EXHIBIT G – REAL ESTATE PROPOSAL - COLLIERS
INTERNATIONAL-REDACTED**
