

DISTRICT OF: NOVA SCOTIA
DIVISION NO: 01 – HALIFAX
COURT NO: 494188
ESTATE NO: 51-126277

**FOURTH REPORT OF DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS RECEIVER OF CIVIC HOMES LIMITED**

NOVEMBER 8, 2021

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INTRODUCTION AND PURPOSE OF THIS REPORT

1. On April 30, 2020, Deloitte Restructuring Inc. ("**Deloitte**") was appointed Receiver and Manager (in such capacity, the "**Receiver**") without security, of all of the assets, undertakings and properties of Civic Homes Limited ("**Civic**") acquired for, or used in relation to a business carried on by Civic pursuant to an order (the "**Appointment Order**") of the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**").
2. On June 26, 2020, the Receiver filed its first report (the "**First Report**") with the Court which, amongst other things, outlined the Receiver's plans to market the assets of Civic for sale (the "**SISP**").
3. On July 6, 2020, the Court issued an order (the "**Sale Process Order**") authorizing the Receiver to complete the SISP as outlined in the First Report.
4. On October 1, 2020, the Receiver filed its second report (the "**Second Report**") with the Court which, amongst other things, sought a number of orders from the Court resulting from the SISP. In addition to the Second Report, the Receiver also provided the Court with a confidential supplement (the "**Confidential Supplement**").
5. On October 13, 2020, the Court granted the following orders:
 - a) approving the sale of Civic's asset to Loon Lake Developments Limited ("**Loon Lake**") (the "**Sale Approval and Vesting Order**");
 - b) approving that certain aspects of the SISP remain confidential (the "**Sealing Order**"); and
 - c) granting the Receiver the power to assign Civic into bankruptcy (the "**Bankruptcy Order**").
6. On February 18, 2021, the Receiver filed its third report (the "**Third Report**") with the Court which, amongst other things, sought the following orders:
 - a) an order authorizing the Receiver to distribute funds to Royal Bank of Canada ("**RBC**"), Dexter Construction Company Limited ("**Dexter**") and Loon Lake (the "**Distribution Order**");
 - b) an order approving the activities, fees and costs of the Receiver and its independent legal counsel (the "**Professional Fee Order**"); and
 - c) an order discharging the Receiver subject to certain conditions (the "**Discharge Order**").
7. On February 23, 2021, Mr. Mohsen Teimouri ("**Mr. Teimouri**"), the former principal of Civic, filed an objection to the Receiver's Distribution Order relating to the proposed distribution to Loon Lake (the "**Disputed Claim**").
8. On February 26, 2021, the Court granted the Distribution Order less the Disputed Claim. The Disputed Claim was set over until June 22, 2021 and the Professional Fee Order and Discharge Order were adjourned.
9. On or about March 1, 2021, the Receiver distributed funds to RBC and Dexter as authorized by the Court.

10. On April 9, 2021, counsel for Loon Lake filed documents with the Court supporting its claim to the Disputed Claim on the basis that Mr. Teimouri's objection was barred by *res judicata* and should be considered an abuse of process.
11. On June 28, 2021, the Court granted an order (the "**Objection Order**") that concluded the Disputed Claim was not barred by *res judicata* nor considered an abuse of process.
12. The purpose of this fourth report (the "**Fourth Report**") is to provide information to the Court with respect to:
 - a) the Receiver's activities and its administration of the estate since the filing of the Third Report;
 - b) an update on the administration of the Civic bankruptcy estate;
 - c) the Receiver's request that the Court issue an order authorizing the Receiver to pay the Disputed Claim (\$50,000) into Court (the "**Final Distribution Order**");
 - d) the Receiver's request for a Professional Fee Order approving the activities and fees and costs of the Receiver and its independent legal counsel as described in the Fourth Report; and
 - e) the Receiver's request for a Discharge Order discharging the Receiver (the "**Discharge Order**").
13. The Appointment Order, together with related Court documents and other materials relevant to the Receivership, are posted on the Receiver's case website at <https://www.insolvencies.deloitte.ca/en-ca/Pages/Civic-Homes-Limited>.

TERMS OF REFERENCE

14. In preparing this Fourth Report, Deloitte has been provided with, and has relied upon, unaudited, draft and/or internal financial information, Civic's books and records, and information from third-party sources (collectively, the "**Information**"). Except as described in this Fourth Report:
 - a) Deloitte has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, Deloitte has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Audit Standards ("**CAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CAS in respect of the Information.
 - b) Deloitte has prepared this Fourth Report in its capacity as Receiver solely to support the Court's approval of the Receiver's activities to date, the Final Distribution Order, the Professional Fees Order and the Discharge Order. Parties using the Fourth Report other than for the purposes outlined herein are cautioned that it may not be appropriate for their purposes.
15. Unless otherwise stated, all dollar amounts contained in this Fourth Report are expressed in Canadian Dollars.

ACTIVITIES OF THE RECEIVER

16. Since filing the Third Report, the Receiver's activities included, but were not limited to:
 - a) working with Cox & Palmer to distribute funds to RBC and Dexter;
 - b) preparing for and attending the Court hearing held on June 22, 2021 related to the Disputed Claim; and
 - c) preparing and filing an interim report pursuant to section 246(2) of the *Bankruptcy and Insolvency Act* (the "**BIA**") with the Office of the Superintendent of Bankruptcy.
17. A summary of estate receipts and disbursements (the "**R&D**") as of November 3, 2021 is enclosed as **Appendix A**.
18. As contained within the R&D, the Receiver has realized the following significant cash receipts during the Civic receivership:
 - a) proceeds from the sale of the assets of Civic, including refundable deposits, of \$3,830,593.93;
 - b) borrowings from RBC via Receiver's Certificates of \$50,000;
 - c) collection of rental income from tenants of \$44,150; and
 - d) the collection of HST refunds of \$23,174.41.
19. The significant disbursements contained within the R&D include:
 - a) distributions to secured creditors RBC and Dexter of \$1,979,595.34 and \$600,000 respectively;
 - b) repayment of deposits to unsuccessful bidders of \$916,352.05;
 - c) professional fees and disbursements paid to the Receiver of \$107,675.78 and Cox & Palmer of \$63,576.89 for the administration of the estate;
 - d) property taxes payable to the Halifax Regional Municipality of \$44,963.53;
 - e) the payment of HST of \$26,132.70; and
 - f) insurance premiums of \$21,816.
20. As of the date of the Fourth Report, the Receiver is holding approximately \$172,254.76 in trust.

BANKRUPTCY OF CIVIC

21. In the Objection Order discussed herein, the Court outlined the following process to administer the Disputed Claim:
 - a) Deloitte, in its capacity as Licensed Insolvency Trustee (the "**Trustee**") of Civic shall admit or disallow the proof of claim filed by Mr. Teimouri in the bankruptcy estate on or before July 9, 2021;
 - b) If Mr. Teimouri's proof of claim was admitted, Mr. Teimouri was to make a motion pursuant to section 38 (the "**Section 38 Motion**") of the BIA on or before July 23, 2021.
 - c) Mr. Teimouri shall commence the action authorized by the Section 38 Motion against Loon Lake within ten days of the issuance of the order resulting from the Section 38 Motion.
 - d) Following the commencement of the Section 38 Motion, the Receiver would have leave to schedule a hearing seeking:
 - i. authorization to pay the Disputed Claim into Court; and
 - ii. approval of the Professional Fees Order and the Discharge Order.
22. As at the date of the Fourth Report, the Receiver respectfully advises the Court of the following relating to the Objection Order:
 - a) on July 12, 2021 the Trustee admitted a portion of Mr. Teimouri's claim;
 - b) on July 22, 2021 Mr. Teimouri made the Section 38 Motion, to which the Trustee consented;
 - c) on September 3, 2021 the Court granted an order authorizing Mr. Teimouri to take proceedings against Loon Lake (the "**Loon Lake Proceedings**"); and
 - d) on September 17, 2021, Mr. Teimouri commenced the Loon Lake Proceedings.
23. In addition, the time to appeal the Trustee's determination with respect to Mr. Teimouri's claim has expired and no appeal has been filed with the Court.
24. With all steps outlined within the Objection Order completed, the Receiver is now seeking authorization to pay the Disputed Claim into Court as discussed further herein.
25. On April 14, 2021, the Trustee sent notices pursuant to section 149 of the BIA to all known creditors of Civic. In this notice, the Trustee advised creditors of its intention to declare a dividend in the estate and advised that for proofs of claim to be considered they must be filed on or before May 15, 2021, or within such further time as the Court may allow.
26. If the Court sees fit to grant the Final Distribution Order, the Trustee plans to make an interim distribution to the unsecured creditors (the "**Interim Distribution**"). Depending on the outcome of the litigation related to the Disputed Claim, the Interim Distribution may be the only distribution from the bankruptcy estate.

FINAL DISTRIBUTION

27. As part of the Objection Order the Court granted leave to the Receiver to seek an order to pay the Disputed Claim into Court.

28. Based on the magnitude of funds held in trust, the Receiver is projecting to have surplus funds over and above the Disputed Claim, outstanding professional fees, and anticipated harmonized sales tax refunds that are either filed or to be filed. As such, as part of the Final Distribution Order, the Receiver therefore requests approval from the Court to transfer these funds to the bankruptcy estate. A summary outlining the funds to be transferred to the bankruptcy estate (the "**Final Distribution Summary**") is enclosed as **Appendix B**.
29. Given the information presented and discussed herein, the Receiver requests that the Court grant the Final Distribution Order as outlined and enclosed with the Receiver's motion materials.

PROFESSIONAL FEES

30. The Receiver, and its independent legal counsel, Cox & Palmer, have maintained detailed records of their professional time and costs since the issuance of the Appointment Order.
31. The total fees of the Receiver for the period April 30, 2020 to November 4, 2021 total \$120,143.50, together with expenses and disbursements of \$5,894.61 and HST of \$18,905.71 for a total of \$144,943.82. Included in the fees up to November 4, 2021, the Receiver has accrued \$5,336.20 inclusive of HST to conclude the administration of the receivership estate. Further information regarding the fees and disbursements of the Receiver are contained with the Foran Affidavit which has been filed separately with the Court.
32. The total fees of Cox & Palmer, in its capacity as independent legal counsel to the Receiver during the period April 30, 2020 to June 25, 2021, total \$62,642.90 together with expenses and disbursements of \$933.99 and HST of \$9,465.93 for a total of \$73,042.82. In addition to the fees up to and including June 25, 2021, the Receiver has accrued \$10,000 inclusive of HST to conclude the administration of the receivership estate. Further information regarding the fees and disbursements of the independent legal counsel are contained with the MacDonald Affidavit which has been filed separately with the Court.
33. The Receiver respectfully submits that the Receiver's fees and disbursements, together with the fees and disbursements of Cox & Palmer, as set out in the Foran Affidavit and MacDonald Affidavit, together with the estimated remaining fees, are reasonable in the circumstances and have been or will be validly incurred in accordance with the provisions of the Appointment Order.

RECEIVER'S DISCHARGE

34. The Receiver's remaining activities and duties will include:
 - a) the filing and collection of harmonized sales tax returns;
 - b) the payment of all outstanding invoices of Deloitte and Cox & Palmer;
 - c) completing the disbursements contained within the Final Distribution Order, if the Court sees fit to grant it;
 - d) the filing of the Receiver's final report pursuant to section 246(3) of the BIA; and
 - e) the filing of the Receiver's Discharge Certificate (collectively, the "**Remaining Activities**").
35. To the best of the Receiver's knowledge and belief, all duties of the Receiver as outlined in the Appointment Order have been or will be completed and the Receiver respectfully requests that this Court grant an Order discharging the Receiver, subject to the Receiver completing the Remaining Activities.

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COURT NO: 494188
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CONCLUSION

36. The Fourth Report has been prepared to provide this Court with information regarding the Receiver's activities since the Third Report, and in support of the relief requested herein.
37. Based on the foregoing, the Receiver requests the Court grant an order in the form submitted by its counsel.

All of which is respectively submitted on November 8, 2021.

DELOITTE RESTRUCTURING INC.

Acting in its capacity as
Court Appointed Receiver of Civic Homes Limited
and not in its personal capacity

Per:



James Foran
Senior Vice President



Kurt MacLeod, MBA, CIRP, LIT
Vice President

FOURTH REPORT OF DELOITTE RESTRUCTURING INC.
COURT NO: 494188
ESTATE NO.: 51-126277
NOVEMBER 8, 2021

APPENDIX A
RECEIPTS AND DISBURSEMENTS

District of: Nova Scotia
Division No: 01
Court No: 494188
Estate No: 51-126277

In the matter of the receivership of
Civic Homes Limited
the city of Dartmouth, in the Province of Nova Scotia

Form 12
Interim Statement of Receipts and Disbursement
for the period from April 30, 2020 to November 3, 2021

RECEIPTS

Sale of real property	2,334,241.88	
Deposits received	1,496,352.05	
Receiver's borrowings	50,000.00	
Rental income	44,150.00	
HST refund	23,174.41	
Sale of vehicle	7,500.00	
Cost award	1,500.00	
HST collected	1,125.00	
	<u>1,125.00</u>	3,958,043.34

TOTAL RECEIPTS

3,958,043.34

DISBURSEMENTS

Payment to secured creditor - Royal Bank of Canada	1,979,595.34	
Deposits returned - sale process	916,352.05	
Payment to secured creditor - Dexter Construction Company Limited	600,000.00	
Receiver's fees and disbursements	107,675.78	
Legal fees	63,576.89	
Property taxes	44,963.53	
HST paid	26,132.70	
Insurance	21,816.00	
Transfer to third party account (bankruptcy)	15,000.00	
Application fee - Halifax Regional Municipality	5,000.00	
Utilities	2,411.14	
Repairs and maintenance	1,043.15	
Advertising	960.00	
Bailiff fees	500.00	
Security deposit returned	425.00	
Appraisal fee	250.00	
Filing fee	70.00	
Bank charges	17.00	
		3,785,788.58

TOTAL DISBURSEMENTS

3,785,788.58

AMOUNT RETAINED IN TRUST ACCOUNT

172,254.76

DELOITTE RESTRUCTURING INC.

Acting in its capacity as
Court Appointed Receiver of Civic Homes Limited
and not in its personal capacity

Per: 

Kurt MacLeod
Vice President

Dated this 3rd day of November, 2021

FOURTH REPORT OF DELOITTE RESTRUCTURING INC.
COURT NO: 494188
ESTATE NO.: 51-126277
NOVEMBER 8, 2021

APPENDIX B
FINAL DISTRIBUTION SUMMARY

FOURTH REPORT OF DELOITTE RESTRUCTURING INC.
COURT NO: 494188
ESTATE NO.: 51-126277
NOVEMBER 8, 2021

Civic Homes Limited - in Receivership
Final Distribution Summary
Prepared by Deloitte Restructuring Inc. ("Deloitte") - Court appointed Receiver
Prepared on November 3, 2021

Funds held in trust	A	172,254.76
Adjustments		
Outstanding invoice of Deloitte (including accrual)		(21,116.68)
Professional fee accrual of Cox and Palmer		(10,000.00)
Excise taxes recoverable		<u>5,891.99</u>
Total adjustments	B	<u>(25,224.69)</u>
Funds estimated to be available for distribution	A+B	<u>147,030.07</u>
Secured creditor claims		
Disputed Claim paid into Court		<u>(50,000.00)</u>
	C	<u>(50,000.00)</u>
Estimated surplus to be transferred to bankruptcy estate	A+B+C	<u><u>97,030.07</u></u>