

Province of Ontario
Division No. 08 - Waterloo
Court No. 35-3236991
Estate No. 35-3236991

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF
RHH RENTAL PROPERTIES LTD.
OF THE CITY OF GUELPH
IN THE PROVINCE OF ONTARIO.

TRUSTEE'S PRELIMINARY REPORT

PURPOSE OF MEETING

Section 102(5) of the *Bankruptcy and Insolvency Act* (the “BIA”) sets out specifically, the purpose of the first meeting of creditors:

- (a) to consider the affairs of the bankrupt;
- (b) to affirm the appointment of the Trustee (as defined below) or substitute another in place thereof;
- (c) to appoint inspectors; and
- (d) to give such directions to the Trustee as the creditors may see fit with reference to the administration of the estate.

The purpose of this preliminary report is to inform all interested parties about the Trustee's preliminary administration and findings. Readers are cautioned that the Trustee has relied upon third parties for information in the preparation of this report and that such information may be incomplete and inaccurate. The Trustee's review of this information as part of the preparation of this report does not constitute an audit, nor has the Trustee extensively verified any of the information provided to it, unless otherwise noted. Therefore, the contents of this report should be considered “for general information purposes only”.

SECTION A - BACKGROUND

RHH Rental Properties Ltd. (“RHP” or the “Company”)

On June 18, 2025 (the “Date of Bankruptcy”), RHP filed a voluntary assignment in bankruptcy and BDO Canada Limited (“BDO”) was appointed as the trustee of the estate (the “Trustee”). The appointment is subject to affirmation by the creditors of the Trustee's appointment or the substitution of another trustee by the creditors at the first meeting of creditors.

RHP is a privately held company that operated as a real estate developer from a leased premises at 1515 Gordon Street in Guelph, Ontario (the “RHP Premises”). The directors and officers of RHP are Scott O. Reid (“Mr. Reid”), Melissa MacGregor (“Ms. MacGregor”), Todd Neil (“Mr. Neill”), and Shelly Reid (Mr. Reid's spouse, “Ms. Reid”). RHP had ten (10) employees in June 2024 but only had three (3) employees at the Date of Bankruptcy which are also directors and officers.

RHP, is the primary real estate development company in a group of companies which, through its ownership interests in various corporations and partnerships, developed several real estate projects in Ontario. RHP was also the primary vehicle for sourcing investor funds, primarily through promissory notes, to develop various real estate projects in Ontario and the United States of America (“USA”) through its USA entity/partner (Pentagon Holdings LLC (“Pentagon”) which is operated by Mr. Blake Seeberger (“Mr. Seeberger”)).

The Company provided an organizational chart identifying RHP’s various ownership interests attached hereto as **Appendix “A”**.

Two (2) companies related to RHP are also subject to insolvency proceedings further detailed below.

Sherwood Forest Square Ltd. (“Sherwood”)

Sherwood was placed into receivership by an order of the Ontario Superior Court of Justice (the “Court”) on May 20, 2025, pursuant to an application by two (2) of its secured creditors. BDO was appointed as receiver and manager (the “**Sherwood Receiver**”) over the assets of Sherwood.

Sherwood is a real estate development company, which initially began construction of The W London (as defined below) in late 2018. In late 2019, we understand that The W London development property was transferred from Sherwood into a limited partnership (SF Square LP) structure for financial, legal and tax efficiency reasons. Sherwood is owned 100% by RHP and operated out of the RHP Premises.

SF Square GP Corp. (“Square GP”)

Square GP is 100% owned by Sherwood. Square GP is the general partner of the limited partnership, SF Square LP (the “**Square LP**” and collectively with Square GP, the “**Partnership**”). The Partnership’s primary asset was a student residence municipally described as 130, 140, 160, 170, 180, and 190 Sherwood Forest Square in London, Ontario and colloquially known as ‘The W’ (“**The W London**” or the “**SF Property**”) the sale of which closed on May 9, 2025.

Most of the Square GP and Square LP investors are also investors in RHP. The respective companies (including Sherwood) are effectively controlled and were funded by RHP.

On May 30, 2025, Square GP commenced bankruptcy proceedings by filing an assignment in bankruptcy with BDO appointed as licensed insolvency trustee (the “**Square Trustee**”) by the official receiver. BDO’s appointment was affirmed by the creditors at the first meeting of creditors in that proceeding on June 20, 2025. Square GP also operated out of the RHP Premises.

Reid’s Heritage Homes Ltd. (“RHH”) and RHP’s Relationship

The Trustee understands that the shareholders of Reid’s Heritage Homes Ltd. originally set up RHP (which was incorporated in 2008) to hold rental assets. RHH had primarily been focused on home building for sale and RHP was intended to develop a rental property portfolio. Historically (pre-2018) the Trustee understands the common shares of RHP were held as follows:

34 Holdings Inc. (“ 34Co ”)	-	10 common shares;
CSBM Holdings Inc. (“ CSBM ”)	-	75 common shares; and
Blevins Developments Ltd. (“ BDL ”)	-	15 common shares.

In the spring of 2018, we understand that Mr. Reid approached the shareholders of RHH to acquire RHP. The shareholders agreed to enter into a transaction whereby all operational control and future growth of RHP would accrue to 34Co, a corporation owned and controlled by Mr. Reid.

34Co did not have the cash available to acquire the common shares held by CSBM and BDL. As such, a transaction was structured (June 2018) whereby the common shares of RHP held by CSBM and BDL would be converted into Class A special shares (the “**Special Shares**”). The intention of these shares was to capture CSBM and BDLs’ share of the value of RHP as at June 30, 2018, and we understand that the Special Shares:

1. Contained no right to vote or otherwise control RHP; and
2. Carried a redemption value equal to the value of property transferred in exchange for such shares at a dividend rate of 2% of the outstanding redemption amount.

Special Shares were used in lieu of a promissory note as the timing for payment of the value was unknown and by using Special Shares, any gains would be deferred until the redemption of the Special Shares (tax freeze transaction). Upon completion of that transaction, 34Co was the sole owner of voting shares in the capital of RHP.

As the intention was that 34Co would have full operational control of RHP, no shareholders agreement was entered into to provide any additional rights to BDL and CSBM. The Trustee understands that it was intended for these Special Shares to be redeemed over time thereby satisfying the purchase price for RHP.

On November 2021, 29 Special Shares held by CSBM were redeemed (~\$546k, inclusive of dividends). To the Trustee’s knowledge no further redemptions have been made since that date and currently CSBM holds 46 Special Shares and BDL holds 15 Special Shares.

The Trustee understands the only two (2) projects which were continued to completion after disconnecting the RHH/RHP relationship (i.e. beyond 2018) were the Vantage (condo in Guelph) and Madison Lane (condo in Bowmanville).

Additional interactions and/or transactions (loans, etc.) between RHP and RHH/other related parties are still being examined by the Trustee.

SECTION B - CAUSES OF INSOLVENCY

RHP was unable to meet its financial obligations as they generally became due as it was under increasing financial pressure from multiple co-mingled investors and Canada Revenue Agency (“CRA”), had certain of its entities subject to insolvency proceedings (i.e. Square GP and Sherwood), and was subject to a \$7.5 million demand from the Square Trustee for amounts owing from RHP to that Partnership.

As a result, RHP had no access to liquidity, and was unable to meet its obligations both currently due and accruing due. Accordingly, the directors sought to preserve value by filing the assignment in bankruptcy.

We understand the CRA issued demands for repayment regarding the approximately \$1 million in outstanding source deductions owed by the Company in early 2024 and formally garnished the RHP’s bank account(s) on September 26, 2024.

SECTION C - ASSETS

The following table details the values of RHP’s assets as disclosed in its Statement of Affairs (the “SOA”):

Asset Category	Value
Account receivable	\$1
Machinery and equipment	1

Vehicles	61,243
Securities	38,248
Other Property	26,172,290
Total	\$26,271,783

a) Accounts Receivable

Accounts receivable represent approximately \$2.0 million recorded on the Company's books and records. The Trustee is in the process of reviewing the accounts receivable but understands these balances primarily relate to amounts owing from entities related to RHP (management fees, etc.). As the ultimate collection of the accounts receivable are uncertain, the estimated receipts to the estate cannot be estimated as at the date of this report.

b) Machinery and Equipment

Machinery and Equipment had a net book value of approximately \$0.1 million per RHP's books and records and primarily consist of office equipment and leasehold improvements. The Trustee is currently soliciting liquidation proposals from a number of auctioneers and will proceed to realize on same with the authorization of the inspectors.

c) Vehicles

Vehicles represent two (2) vehicles leased by the Company. The Trustee is in the process of reviewing the lessor's security but anticipates returning the vehicles to the lessors with no equity value accruing to the estate.

d) Securities

The Trustee understands that the Company holds a \$38,248 guaranteed investment certificate (the "GIC") which was utilized as security for an ongoing project. The Trustee is investigating what may be outstanding to arrange for the release of this security and, subject to same, intends to pursue realization of the GIC for the benefit of the estate.

e) Other Property

The other property held by RHP consists of the following:

Asset Category	Book Value	Estimated Realizable Value
Investment in Bonds	\$22,950,000	\$22,950,000
Investment Other	2,249,631	1
Net Intercompany Loan	65,957,929	3,000,000
Investments in Subsidiary	2,505,367	1
Prepays	489,997	1
Owed from Family Member	135,000	135,000
HST Refund	87,285	87,285
Land Held	164,558	1
Accrued Revenue	235,639	1
Total	\$94,775,406	\$26,172,290

A) Investment in Bonds (\$23 million) - we understand that the Company and its USA partner Pentagon acquired Demeter Investment Holdings ("Demeter") bond(s) in June of 2022

(the “**Bonds**”), as a way to gain additional access to construction financing (Bonds to be used as collateral) for development projects in USA and Ontario. Per the subscription agreement, Demeter is a company incorporated (January 30th, 2018) under the laws of the Cayman Islands, whose registered office is at c/o Maples Corporate Services Limited. We understand the Bonds are traded on the Vienna stock exchange however they are essentially illiquid (don’t trade) and mature in January 2027.

Bond Issuer: Demeter Investment Holdings

Bond: 2% EUROPEAN MEDIUM TERM BDS 30/01/27 USD10000 6

We understand that the Company lent funds to Pentagon to buy their portion of the Bonds (~\$8 million, the “**Pentagon Bond Portion**”) and in early 2025 the Pentagon Bond Portion was assigned to RHP, so as of date of this Report there is ~23 million in Bonds owed by RHP.

The Trustee has initiated contact with Demeter and/or its broker to understand how the Bonds can be monetized and repatriated back to the estate.

- B) Investment Other (\$2.3 million)** - we understand that this primarily represents a \$1.7 million investment (the “**JD Investment**”) in JD Euroway Inc. (or its affiliates JD Euroway Capital Partners and Bancorp & Trust, together “**JD Euroway**”) made in 2023 in connection with bond or investment product. Recent news with regards to JD Euroway is as follows:

*JD Euroway Bancorp & Trust, a Delaware-incorporated trust based in Montréal, Québec, was placed into bankruptcy on May 28, 2025, on application by Brothers International (UK) Limited, owed approximately \$1.1 million. The company, together with related entity JD Euroway Capital Partners LLC, marketed itself as a bank notwithstanding that it was not authorized to carry on business as a bank in Canada. Brothers International alleges that it assigned assets in the form of a gold certificate valued at 10 million metric tons of gold to JD Euroway Bancorp & Trust pursuant to a contract to monetize the gold certificate. Although the gold certificate was later returned to Brothers International, despite numerous requests, JD Euroway Bancorp & Trust never transferred the proceeds related to the monetization of the gold certificate to Brothers International. JD Euroway Capital Partners and the companies’ principal, Fritzgerald Zéphir (“**Mr. Zéphir**”), have also been placed into bankruptcy, with appeals scheduled to be heard in July. KPMG is the bankruptcy trustee.*

We understand that the Company filed a claim in the JD Euroway bankruptcy proceedings, however it is unlikely any amounts will be recovered. The Trustee intends to inquire with KPMG about potential next steps and inform them about the Dubai operations as well.

We understand that when Mr. Reid found out about the failed JD Euroway opportunity/litigation re: the same, he approached Mr. Zéphir about other recovery options or transfers of the JD Investment to another entity/operation run by Mr. Zéphir. This became the Dubai funding solution that Mr. Reid outlined to the RHP investors as a way to repay the Company’s stakeholders. In order to set up this potential Dubai funding, Mr. Reid had to set up a Dubai entity, RHP Project Management Co. LLC (January 8, 2024, “**DubaiCo**”) under his wife’s name. Per Mr. Reid, Mr. Zéphir didn’t want any connection to JD Euroway and thus wanted to use Ms. Reid’s name as the principal of DubaiCo. The costs funded for RHP to set up the structuring of DubaiCo was approximately \$663k.

Similar to the JD Investment, the Trustee is of the opinion that no Dubai funding was actually available to RHP and/or its stakeholders, and that Mr. Zéphir simply moved his investment scheme, which was closed down in Canada, offshore.

- C) **Net Intercompany Loans (\$66 million)** - the majority of investor funds and loans were used to fund RHP's many real estate developments (mostly through GP/LP ownership structures). The Trustee has completed a preliminary review of these related entities and believes that there may be ~\$3 million in funds available to pay RHP and/or the respective related entities' stakeholders as follows:
- a. **Horizen Developments GP Corp. (including the LP, "Horizen")** - which is the owner of vacant land (zoned) at 520 Sarnia Road in London, Ontario. As per Horizen's trial balance as at June 2025, approximately \$10.5 million was funded by RHP, and respective investors/lender(s) to purchase and develop this property (the "**Horizen Property**"). ADJ Holdings Inc. ("**ADJ**"), is Horizen's only secured creditor pursuant to the *Personal Property Security Act* (the "**PPSA**") with a principal amount outstanding of ~\$2.8 million. The Trustee has been in discussions with ADJ to bankrupt Horizen and put the Horizen Property for sale to monetize this asset. Two (2) realtor firms were approached to bid on the property sale, and they estimate this property to be valued at between \$4-\$5 million based on the current market conditions and the property's stage of development. The Trustee plans to assign Horizon into bankruptcy to affect this asset monetization. ADJ has agreed to provide a fee guarantee to BDO to cover the portion of its fees and costs to act as the trustee on this estate. The Trustee will seek approval of RHP inspector's re: the same;
 - b. **Vaughan St. GP Corp. (including the LP, "Vaughan St.")** - which is the owner of vacant land (zoned) at 3 Vaughan St. in Guelph, Ontario. As per Vaughan St.'s trial balance as at June 2025, approximately \$13 million was funded by RHP, and respective investors/lender(s) to purchase and develop this property (the "**Vaughan Ste. Property**"). Libro Credit Union Limited ("**Libro**") is one of Vaughan St.'s secured creditors pursuant to the *Personal Property Security Act* (the "**PPSA**") with a principal amount outstanding of ~\$3.1 million. Additionally, per the PPSA we note a \$553k charge for unpaid architect fees due to Martin Simmon Sweers Architects Inc. The Trustee has been in discussions with Libro, through its counsel, to bankrupt Vaughan St. and put the Vaughan St. Property for sale to monetize this asset. The same two (2) realtor firms were also approached to bid on this property sale, and we are waiting on their proposal re: the same (we are assuming based on the Company's previous sales efforts that this land is also valued at ~\$5 million based on the current market conditions and the property's stage of development). The Trustee plans to assign Vaughan St. into bankruptcy to affect this asset monetization. Libro has agreed to provide a fee guarantee to BDO to cover the portion of its fees and costs to act as the trustee on this estate. The Trustee will seek approval of RHP inspector's re: the same;
 - c. **Labelle/RHP Stratford Inc. ("Labelle Stratford")** - the Trustee has taken over the Company's negotiation to sell its 40% stake in Labelle Stratford to the entity's 60% controlling shareholder (share sale). The Trustee will seek approval of RHP inspector's re: the same;
 - d. **45 Agnes GP/LP** - the Trustee is still assessing this entity and will reach out to the development's partner to talk about next steps over the coming days; and
 - e. **Pentagon (\$32 million)** - the Trustee is still assessing RHP's USA operations and interactions with its partner Pentagon. Requests have been made of Mr. Seeberger to work with the Trustee and its consultants (Mr. Neill and Ms. MacGregor) to get a detailed sources and uses of funds
- D) **Owed From Family Member (\$135k)** - the Trustee understands that the Company made a loan to Mr. Reid's sister in the amount of \$135k. The Trustee has issued a repayment letter to Mr. Reid's sister to advance its collection efforts.

As the other property primarily consists of ownership interests and intercompany loans to companies related to RHP, many of which are continuing to operate and are subject to various ownership and/or loan agreements, the Trustee is unable to estimate the net realizations to the estate at the date of this report.

f) Books and Records

The Trustee has taken possession of the Company's books and records.

g) Property of the bankrupt not divisible among creditors by virtue of section 67(1) of the BIA

The Trustee is not aware of any such property at this time.

SECTION D - CONSERVATORY AND PROTECTIVE MEASURES

a) Conservatory and protective measures

On the Date of Bankruptcy, the Trustee attended and secured the RHP Premises and has arranged to occupy same for a period of time to facilitate administration of the estate. In addition, the Trustee undertook an IT back-up of available records that could be found on the RHP server.

b) Carrying on business

The Trustee did not carry on RHP's business.

SECTION E - LEGAL PROCEEDINGS

The Trustee is not aware of any active legal proceedings against the Company and no legal proceedings have been commenced by the Trustee. We understand that a judgement against RHP and Mr. Reid personally was obtained and secured by Equiton Real Estate Development Fund Limited Partnership ("Equiton") in the amount of \$3 million.

SECTION F - PROVABLE CLAIMS

A summary of the claims filed to date compared to the SOA is set out below:

Type	Per Statement of Affairs	Number of Claims Filed	Per Proof of Claim
Secured	\$2,039,637	13	\$2,821,814
Preferred	-	-	-
Unsecured	94,357,888	182	59,381,123
Total	\$96,397,525	195	\$62,202,937

SECTION G - SECURED CREDITORS

The Trustee conducted a search under the PPSA and confirmed registration of security interests by the following thirteen (13) parties:

a) PPSA registrations

1. MCAP Financial Corporation;
2. Canadian Imperial Bank of Commerce;
3. Computershare Trust Company of Canada;
4. Kingsett Mortgage Corporation;
5. GM Financial Canada Leasing Ltd.;

6. Versabank;
 7. LIBRO Credit Union Limited;
 8. ADJ Holdings Inc.
 9. 1000931276 Ontario Inc.
 10. 2599894 Ontario Inc.
 11. Equiton Real Estate Development Fund Limited Partnership;
 12. Derek Konkle and Erin Kim Konkle;
 13. Konkle Electric Limited.
- (collectively the “PPSA Registered Parties”)

To date, the Trustee has not received claims from all of the PPSA Registered Parties and accordingly has not had the opportunity to confirm the basis upon which security was granted, the consideration received by RHP, and the enforceability of such claims. The Trustee may utilize section 128 of the BIA, as necessary, to require filing of a claim by the PPSA Registered Parties within 30-days’ notice.

In addition, the Trustee has been made aware of the following:

b) Contingent Creditors

1. By virtue of its appointment as Square Trustee, the Trustee is aware of fifteen (15) creditors that are creditors of RHP and were granted security over the assets of Square LP by its general partner, Square GP. Based on claims filed to date in RHP’s proceedings, the Trustee understands other creditors of RHP may also have been granted security interests or guarantees in companies related to RHP (collectively the “**Contingent Creditors**”). The Trustee intends to further investigate the basis upon which security was granted to the Contingent Creditors, the consideration received by RHP or the related entities, and the enforceability of such claims.

In addition, federal legislation establishes the following priority claims:

c) Priority Claims

1. Canada Revenue Agency (“**CRA**”) enjoys a super-priority for its deemed trust claim (being monies withheld from employee’ wages for income tax, employment insurance premiums, and Canada Pension Plan premiums but not remitted) (the “**Deemed Trust Claims**”). Based on the books and records of the Company, there is an approximate \$0.9 million debt owing to CRA. The Trustee will assist with CRA’s audit of accounts to determine what Deemed Trust Claims exist, if any.
2. Employees enjoy a super-priority over current assets (cash, accounts receivable and inventory), up to a maximum of \$2,000 per individual, for unpaid wages, salaries, commissions or compensation for services rendered during the period beginning six (6) months before the date of the initial bankruptcy event. As the employees of RHP as at the Date of Bankruptcy were also officers and directors, no such super-priority exists. The Trustee is in the process of investigating what, if any, amounts owing to former employees may exist.

SECTION H - ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

As at the date of this report, the Trustee is unable to form a position as to what, if any, of the PPSA Registered Parties will have a valid secured claim against the estate. In addition, CRA's Deemed Trust Claims will be subject to audit verification. Notwithstanding, given the estimated realizations in the estate, it is believed that a distribution to the unsecured creditors will occur, however, the Trustee is unable to estimate the quantum of the distribution. Any distribution will depend on any additional priority or security interests identified, the proven claims of unsecured creditors, and/or the ultimate realizations in the estate.

Subject to confirmation of any additional priority or security interests being identified, the Trustee does not anticipate drawing on the third-party deposit to cover the costs of administration.

To assist with realizations efforts, the Trustee has engaged Ms. MacGregor and Mr. Neill, as consultants (the "**Consultants**") on a term and task basis to assist with the administration of the estate. Absent the Consultants, the Trustee would have limited, if any, knowledge of the Company's books and records, its operations and/or trying to ascertain where the investor/loans funds have gone. The Trustee believes that the cost benefit of engaging the Consultants versus the professional time associated with reviewing source documentation and/or trying to recreate analysis, is in the best interests of the estate.

SECTION I - REVIEWABLE TRANSACTIONS AND PREFERENCES

The Trustee is aware of the following categories of transactions, which, subject to further direction from the estate inspectors, it intends to further review:

1. Consideration received from the Contingent Creditors, whether such claim rests first in RHP, and any consideration received by the Contingent Creditors from entities related to RHP; and
2. The basis upon which security was granted, the consideration received by RHP, and the enforceability of the claims of the PPSA Registered Parties, if any.

SECTION J - CONFLICT OF INTEREST AND DEPOSITS

The Trustee has reviewed its role as Sherwood Receiver and Square Trustee and confirms that full disclosure was made pursuant to subsection 13.3(2) of the BIA. The Trustee is not aware of any secured claims by RHP against Sherwood or the Partnership and therefore does not believe section 13.4 of the BIA is engaged. Based on this, the Trustee has determined that no conflict of interest exists.

Dated at Toronto, Ontario this 7th day of July, 2025.

BDO CANADA LIMITED

In its capacity as Trustee of the Estate

RHH Rental Properties Ltd.

and not in its personal capacity

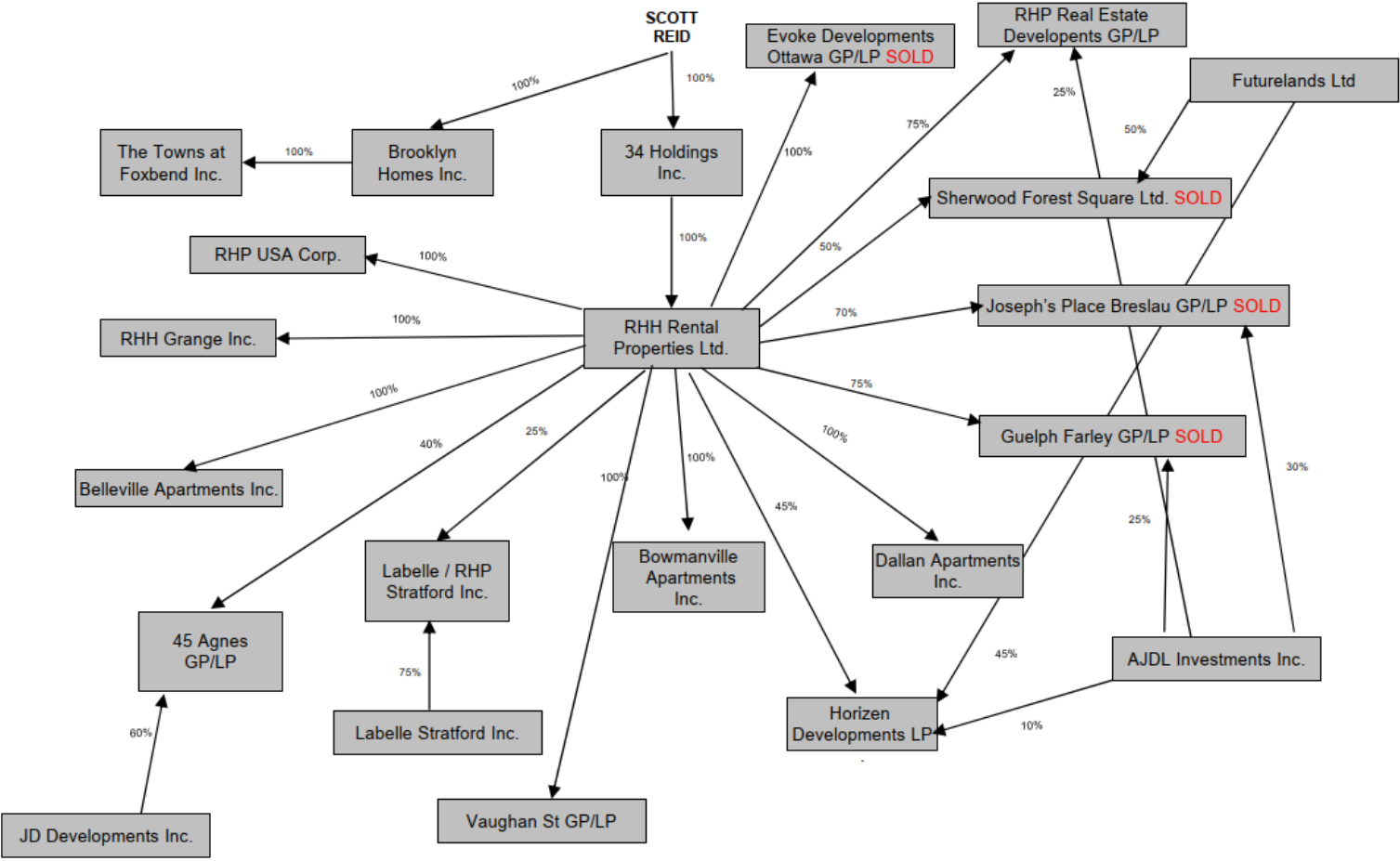
Per:



Clark Lonergan, CA, CPA, CIRP, LIT
Senior Vice-President

Appendix A - RHP Organizational Chart

RHP ORGANIZATION CHART



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IN THE MATTER OF THE BANKRUPTCY OF
RHH RENTAL PROPERTIES LTD.
OF THE CITY OF GUELPH
IN THE PROVINCE OF ONTARIO

TRUSTEE'S PRELIMINARY REPORT

BDO CANADA LIMITED
Trustee
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