

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

**FIRST NATIONAL FINANCIAL GP CORPORATION**

Applicant

and

**GOLDEN DRAGON HO 10 INC. and GOLDEN DRAGON HO 11 INC.**

Respondents

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**SECOND SUPPLEMENTAL REPORT TO  
SEVENTH REPORT OF THE RECEIVER & MANAGER**

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**DATED OCTOBER 8, 2019**

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## **PURPOSE OF SECOND SUPPLEMENTAL REPORT**

1. This second supplemental report to the Receiver's Seventh Report dated September 27, 2019 is being filed to:
  - (a) address the immediate financial implications to the Debtors' estates if the Receiver's sale approval motion presently returnable on Friday, October 11, 2019 is adjourned or dismissed;
  - (b) address the purported concern raised in the Affidavit of Chi Van Ho, sworn October 3, 2019, that Property was not listed for sale by the Receiver on the MLS service; and
  - (c) report to the Court regarding a revised Late Offer which DW received from Mr. Diegel at 7:01 pm on Friday, October 4, 2019.
2. Capitalized terms used herein have the meanings ascribed to them in the Seventh Report.

## **INCREASED INSURANCE PREMIUMS**

3. The policy of insurance which the Receiver arranged originally for the Property expired on September 22, 2019. Prior to the expiry of the policy, the insurer, Burns & Wilcox, advised that it would not be renewing the policy, notwithstanding that no claim was made by the Receiver in the 2 years Burns & Wilcox provided coverage. The Receiver advised Burns & Wilcox of the pending sale of the Property and requested a 1 month extension. The request was declined. Rhodes & Williams, the broker who had arranged coverage with Burns & Wilcox, was unable to obtain alternate coverage. The Receiver then contacted Firstbrooke, Cassie & Anderson, who manage Deloitte Restructuring Inc.'s insolvency insurance program, to obtain quotes from other insurers. The best that Firstbrooke, Cassie & Anderson could do was to arrange coverage with Chubb Insurance for \$22,101 per month, a fourfold increase over what the Receiver was paying Burns & Wilcox. The Receiver was left with no option but to proceed with Chubb Insurance. The first month of coverage with Chubb

expires on October 22, 2019 at which point a second payment of \$22,101 will be due to cover a second month of coverage if the Transaction is not completed.

#### **MLS LISTING**

4. The marketing process described in the Sixth Report, which was approved in the Expanded Powers Order, did not contemplate that the Property would be listed on the MLS service. The Receiver notes that Mr. Diegel was present in Court on behalf of the Debtors when the Expanded Powers Order was granted and did not suggest that the proposed marketing process should include listing the Property on MLS. At no point thereafter was any such suggestion made by Mr. Diegel or Mr. Ho until Mr. Ho's Affidavit of October 3, 2019 was delivered.
5. After reviewing Mr. Ho's Affidavit of October 3, 2019, the Receiver considered the issue with CBRE. CBRE confirmed that when the marketing process was being developed, it did not recommend marketing the Property through MLS because MLS is not a suitable means to attract buyers of multi-residential apartment buildings of a size such as the Property, as qualified buyers for properties over \$10 million do not source deals on MLS.
6. CBRE further confirmed to the Receiver that it has previously marketed a property on Blake Street, in Ottawa, and another property on Cobourg Street, in Ottawa, on behalf of Mr. Ho and neither of those properties were listed for sale on MLS.

#### **REVISED LATE OFFER**

7. At 7:01 pm on Friday, October 4, 2019, DW received a revised offer to purchase the Property from Mr. Diegel (the "**Revised Late Offer**"). The Revised Late Offer is substantially in the same form of the Late Offer. The buyer named under the Late Offer is Abad Hamam in trust for a company to be incorporated, without personal liability. The commercial terms are, however, different. The purchase price offered is \$15,000,000, as compared to \$16,500,000 under the Late Offer. The deposit is \$100,000, as compared to \$50,000 under the Late Offer. The closing date is November 15, 2019, as compared to December 2, 2019 under the Late Offer.

8. The Revised Late Offer is conditional upon the buyer obtaining approval from FN and Liahona to their existing mortgages over the Property being assumed. At 5:06 pm on Tuesday, October 8, 2019, the Receiver was informed by FN's counsel that FN was not prepared to consider an application from the buyer to assume FN's mortgages over the Property.

All of which is respectfully submitted at Ottawa, Ontario this 9<sup>th</sup> day of October, 2019.

**DELOITTE RESTRUCTURING INC.,**  
solely in its capacity as the Court-  
appointed Receiver and Manager of  
certain real property of Golden Dragon Ho  
10 Inc. and Golden Dragon Ho 11 Inc., and  
without personal or corporate liability

*Deloitte Restructuring Inc.*

Paul Casey, CPA, CA, FCIRP, LIT  
*Senior Vice-President*

John Saunders, CPA, CA, CIRP, LIT  
*Senior Vice-President*