

CITATION: RHH Rental Properties Ltd. et al., 2026 ONSC 3032
COURT FILE NO.: BK-25-3236991-0035
DATE: 2026/05/22

SUPERIOR COURT OF JUSTICE – ONTARIO

RE: IN THE MATTER OF THE BANKRUPTCY OF RHH Rental Properties Ltd.

BEFORE: Justice A. K. Mitchell

COUNSEL: J. Levine and R. Rothstein, for Deloitte Restructuring Inc., as Trustee in Bankruptcy for RHH Rental Properties Ltd., applicant

T. Ambachtsheer and M. Mohamed, representatives for Deloitte Restructuring Inc.

M. Poliak, for 1000931276 Ontario Inc.

K. Wu, for Equiton Real Estate Development Fund Limited Partnership

A. Kauffman and J. Chung, for 2599894 Ontario Inc., 2599900 Ontario Inc. and related entities

HEARD: May 22, 2026 via video conference

ENDORSEMENT

Overview

[1] Deloitte Restructuring Inc. (“Deloitte”), as Trustee in Bankruptcy for RHH Rental Properties Ltd. (the “Trustee”) brings this application seeking:

- (a) a “super-priority” charge in the maximum amount of \$1MM over the assets of RHH Rental Properties Ltd. (“RHH”) to secure payment of its fees and the fees of its lawyers (both past and future);
- (b) approval of a share purchase transaction (the “Transaction”) between the Trustee and LaBelle Stratford Inc. (the “Purchaser”) with respect to the shares formerly held by RHH in LaBelle/RHP Stratford Inc. (now vested in the Trustee) (the “Shares”);
- (c) upon closing of the Transaction, vesting of the Shares in the Purchaser free and clear of all claims and encumbrances; and

- (d) a stay of all proceedings against RHH by its secured creditors for a period of six months subject to a further order of the court or the exercise of discretion by the Trustee lifting such stay.
- [2] This application was originally returnable May 20, 2026; however, at the direction of the court was adjourned to today for hearing.
- [3] Until just prior to the return of the application today, the requested relief was opposed by the secured creditor(s), 2599894 Ontario Inc., 2599900 Ontario Inc. and related entities (“JD Development Group”).
- [4] By the time the application was argued, the requested relief was unopposed. Specifically, JD Development Group was able to negotiate a “carve out” of its collateral from the Trustee’s requested Administration Charge and, as an unaffected secured creditor, was content to allow the relief to issue should the court see fit to grant the relief.
- [5] Of the six (6) parties who filed a secured claim in the bankrupt estate, only 1000931276 Ontario Inc. (“1000”), JD Development Group, and Equiton Real Estate Development Fund Limited Partnership (“Equiton”) attended on the return of the application.
- [6] Although properly served, neither CRA nor the Office of the Superintendent in Bankruptcy (OSB”) attended on the return of the application. I was advised Canada Revenue Agency (“CRA”) and OSB take no position on the application.

Background

- [7] The relevant facts are not in dispute and are detailed in the First Report of the Trustee dated May 13, 2026, as supplemented by the Supplemental Report of the Trustee dated May 22, 2026 (together, the “Report”).
- [8] At all materials times, RHH carried on the business of developing real estate in Ontario and the United States.
- [9] Scott Reid is the principal of RHH. Mr. Reid is bankrupt.
- [10] In Spring 2025, RHH became unable to satisfy its obligations to creditors as they came due and, in particular, became unable to satisfy its tax obligations owed to CRA.
- [11] Being insolvent, RHH made a voluntary assignment in bankruptcy on June 18, 2025. BDO Canada Limited (“BDO”) was appointed trustee of the bankrupt estate of RHH.
- [12] At the first meeting of creditors of RHH held July 7, 2025, BDO was replaced by Deloitte as trustee of RHH’s bankrupt estate.
- [13] Prior to accepting the appointment, Deloitte received a \$25,000 retainer deposit for its fees from a secured creditor.

- [14] The Statement of Affairs of RHH disclosed the following:
- (i) assets totaling \$26,271,783 (including the value of the Shares);
 - (ii) unsecured liabilities totaling \$92,107,888; and
 - (iii) secured liabilities totaling \$2,039,637.
- [15] Proofs of Claims filed in the estate indicate far greater liabilities than declared by RHH in its Statement of Affairs. Claims received by the Trustee include:
- (a) 127 unsecured claims totaling \$99,378,489; and
 - (b) 6 secured claims totaling \$17,932,963.
- [16] Since their appointment in July 2025, the Trustee and its counsel have incurred fees totaling \$237,983 and \$285,321, respectively (\$523,304 in total). In addition to the \$25,000 retainer, the balance of BDO's retainer in the amount of \$37,125 was transferred to the Trustee. For reasons unknown, the Trustee and its counsel have not applied these funds to satisfy a portion of their outstanding accounts. Their respective accounts remain unpaid.
- [17] In paragraph 14 of the Report, the Trustee detailed their activities to date which the Trustee submits support the quantum of fees expended to date and support the granting of a "super-priority" administration charge.
- [18] Of note is that none of the Trustee's activities included a review and assessment of the validity of the six (6) proofs of secured claim, filed.
- [19] As reported by the Trustee, RHH's assets consist of the following:
- (a) the Shares valued in excess of \$1MM;
 - (b) a (unvalued) partnership interest in Vaughan St. Limited Partnership ("Vaughan"), owner of development lands located in Guelph, Ontario. The lands are secured by a loan in favour of Libro Credit Union Limited in an undisclosed amount. BDO is court-appointed receiver. The Report is silent with respect to the status of the receivership and the extent, if any, of anticipated proceeds available for distribution to Vaughan equity holders, including RHH;
 - (c) a partnership interest in Horizon Developments Limited Partnership ("Horizon"), owner of development lands located in London, Ontario, and valued, once developed, in the amount of \$4.26 MM. The lands are secured by a \$2.8 MM loan in favour of ADJ Holdings Inc. The lands were recently sold by BDO in its capacity as court-appointed receiver. The Report is silent with respect to the extent, if any, of proceeds available for distribution to Horizon equity holders, including RHH;

- (d) RHH and its wholly owned subsidiary, RHP USA, L.P. (“RHP USA”), hold bonds issued by Demeter Investment Holdings, a Cayman Islands’ company (“Demeter”), maturing January 30, 2027, having a face value of \$15.2 MM (the “Bonds”). The Trustee reported that Demeter was subject to a margin call in late 2025 and is no longer able to make interest payments to RHH on the Bonds; and
 - (e) a loan receivable in the amount of \$135,000 owing by Mr. Reid’s sister.
- [20] The majority of RHH’s unsecured liabilities represents loans received by RHH from retail investors for purposes of land development. Of approximately \$110 million of original investment loans:
- (a) \$27.5MM was repaid to investors;
 - (b) \$32.2MM was invested by RHH through RHP USA in a failed US development(s);
 - (c) \$300,000 was invested in LaBelle-RHP;
 - (d) \$7.7MM was invested in the Vaughan development;
 - (e) \$7.1MM was invested in the Horizon development; and
 - (f) \$20MM was used to purchase the Demeter bonds.
- [21] By my math, approximately \$15.2 MM remains unaccounted for. The Trustee believes that RHH misappropriated a portion of the investment loans and, should the administrative charge be granted, intends to investigate the dealings of RHH pre-bankruptcy and attempt to “trace” the investment loans. The Trustee believes these efforts will lead to a recovery for the benefit of all creditors of the bankrupt estate.
- [22] The Trustee presently holds receipts totaling \$208,264 comprised primarily of a semi-annual interest payment in the amount of \$207,176 received from Demeter in July 2025. As noted above, no further interest payments are expected to be paid by Demeter with respect to the Bonds. To my knowledge, the interest payment was received by the Trustee with no efforts expended by the Trustee and/or its counsel to recover same.
- [23] The Shares represent a 25% (minority) interest in LaBelle/RHP Stratford Inc. (“LaBelle-RHP”). The Purchaser holds the remaining 75% interest. LaBelle-RHP owns a fully built, fully occupied, 52-unit apartment building in Stratford, Ontario.
- [24] Prior to bankruptcy, the Purchaser and RHH negotiated the key terms of the Transaction. At the fourth meeting of creditors conducted on April 8, 2026, the Transaction was approved by the inspectors of the estate, and the Trustee was authorized to enter into a share purchase agreement with the Purchaser. The agreement was executed by the parties on May 11, 2026.

[25] Pursuant to their respective secured claims as filed, 1000 and Equiton each purport to hold an all-encompassing (personal property) security interest in the assets of RHH, including the sale proceeds from the sale of the Shares once the Transaction is completed.

Analysis

Approval of Transaction; Vesting Order and Sealing Order

[26] But for the terms and conditions of the Share Purchase Agreement as negotiated by the Trustee, the Trustee does not require court approval in order to complete the Transaction. The *Bankruptcy and Insolvency Act* (the “BIA”) invests the Trustee with all necessary powers, subject to inspector approval, to complete the sale of a bankrupt’s assets without involving the court.

[27] The Trustee explained that, out of an abundance of caution and anticipating potential opposition to the sale by one or more of the unsecured creditors, they seek the court’s approval of the Transaction together with a vesting order. Such an approach was endorsed in *Re Fantasy Construction Ltd.*¹ I am satisfied that I have the jurisdiction to provide such approval and to grant such vesting order.

[28] I have reviewed Confidential Appendices 1² and 2³ and am satisfied that the purchase price for the Shares is fair and reasonable notwithstanding the lack of formal sale process and hereby approve the Transaction and grant a vesting order. Such approval and vesting order is unopposed by RHH’s creditors.

[29] To preserve the integrity of the sale process and to maintain the value of the Shares should the Transaction not close as contemplated, the Confidential Appendices are hereby sealed pending completion of the Transaction.

[30] I have signed the Approval and Vesting Order in the draft form provided by the Trustee.

Administration Charge and Stay Order

[31] The requested charge is extraordinary relief. The legislative scheme of distribution set forth in s. 136(1) of the *BIA* exempts from its application the rights of secured creditors holding valid secured claims. In my view, to alter the scheme of priorities and vault the payment of the costs of administration ahead of the payment of secured claims, requires a finding that exceptional circumstances exist.

[32] Based on the reasoning in *Re Creative Wealth Media Finance Corp.*⁴, I am satisfied that the court has the ability, through the exercise of its inherent jurisdiction, to grant the Trustee a first-ranking charge on the bankrupt’s assets for payment of its fees should the

¹ 2006 ABQB 357 at para. 10.

² Unredacted Share Purchase Agreement dated May 11, 2026.

³ Appraisal of Avison Young and Appraisal of Cushman Wakefield.

⁴ 2025 ONSC 4326 (“*Creative Wealth*”).

circumstances warrant same. Again – those circumstances must be exceptional, and, in my view, the Trustee must establish a clear nexus between its past efforts and existing or anticipated receipts *and* a clear nexus between its proposed future efforts and a defined, identifiable asset sought to be recovered/realized for the benefit of the secured creditors.

- [33] As earlier indicated in these reasons, the six (6) creditors with filed proofs of secured claim are “unopposed” or “take no position” with respect to the Trustee’s request for a “super-priority” administration charge for its fees, including its past fees totaling in excess of a half million dollars.
- [34] However, in the absence of the express consent of those secured creditors holding all-encompassing security interests over the assets of RHH, including all receipts (for example, proceeds from the sale of the Shares), I find that the manner of administration of this bankrupt estate does not warrant the court’s exercise of its inherent jurisdiction to grant such a charge. The court’s inherent jurisdiction is not to be exercised simply because no secured creditor opposes the granting of a priority charge.
- [35] Unlike the facts in *Creative Wealth*, the Trustee cannot point to specific receipts of the estate which were generated from their efforts. I am not satisfied that the Trustee’s efforts to date have benefited the secured creditors as a whole.
- [36] While it does appear that 1000, who advances a first-ranking security interest in the Shares, may ultimately receive the benefit of the Trustee’s efforts insofar as they relate to negotiating and completing the Transaction, curiously, 1000 does not agree to indemnify the Trustee for those efforts. Instead, 1000 “takes no position” on the granting of the super-priority charge which will, if granted, rank ahead of the claims of *all* secured creditors.
- [37] In the circumstances of this bankruptcy, I am not prepared to exercise my inherent jurisdiction and grant the Trustee a first-ranking security interest for their past and future fees in the absence of the express consent of the secured creditors purporting to hold a general security interest in the assets of RHH. The Trustee advises that such creditors include only 1000 and Equiton.
- [38] Accordingly, the relief sought relating to a first-ranking administration charge and a 6-month stay of the proceedings by secured creditors, is adjourned to be spoken to on May 26, 2026, at 1:30 p.m. via Zoom. In the interim, it is expected that the Trustee will obtain the formal consent of 1000 and Equiton to such relief.



Justice A.K. Mitchell