

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N:

PEOPLES TRUST COMPANY

Applicant

- and -

ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY

Respondent

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended and under Section 101 of the
Courts of Justice Act, R.S.O. 1990, c. C.43**

MOTION RECORD - VOLUME II
(Returnable February 28, 2013)

February 25, 2013

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Court File No. CV-11-9399-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]**

BETWEEN:

PEOPLES TRUST COMPANY

Applicant

- and -

ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY

Respondent

**THIRD REPORT TO THE COURT OF THE RECEIVER
(dated February 19, 2013)**

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INTRODUCTION

1. Pursuant to an Order (the “**Appointment Order**”) of Justice Campbell of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated September 27, 2011 (the “**Appointment Date**”), Deloitte & Touche Inc. (“**Deloitte**”) was appointed as receiver and manager (the “**Receiver**”) of all of the current and future assets, undertakings and properties of Rose of Sharon (Ontario) Retirement Community (“**Rose**”). A copy of the Amended and Restated Appointment Order is attached hereto as **Appendix “A”**.
2. Rose’s principal asset is a 12 storey building located at 15-17 Maplewood Avenue, Toronto, Ontario (the “**Property**”) which is comprised of a 60 bed long-term care facility located on floors 4 through 6 (the “**Nursing Home**”) and 90 life-lease units located on floors 2, 3 and 7 through 12 (the “**Life-Lease Residence**”).
3. On December 23, 2011, Justice Wilton-Siegel granted an Order (the “**December 23 Order**”) approving (i) the Receiver’s activities from the Appointment Date to December 8, 2011, including the Receiver’s pre-receivership activities; (ii) the Receiver entering into a Management Agreement with Assured Care Consulting Inc. (“**ACC**”) for the management of the Nursing Home; (iii) the Receiver entering into a Property Management Agreement with Sterling Silver Development Corporation, through its division Sterling Karamar Property Management (“**Sterling**”), for the provision of management services for the Property other than the operations of the Nursing Home; and (iv) the fees and disbursements of the Receiver and those of its counsel. In support of the December 23 Order, the Receiver submitted its First Report to the Court dated December 12, 2011 (the “**First Report**”). A copy of the First Report, without appendices, is attached hereto as **Appendix “B”**.
4. On December 27, 2012, Justice Brown granted an Order (the “**December 27 Order**”) that (i) lifted the stay of proceedings provided for in the Appointment Order to enable Trisura Guarantee Insurance Company (“**Trisura**”) to continue with a Construction Lien Action (as defined in the December 27 Order) commenced by Mikal-Calladan Construction Inc.;

(ii) set the Construction Lien Action down for trial in accordance with Section 37(1)2 of the *Construction Lien Act*; (iii) set aside the noting of default of Rose in the Construction Lien Action; (iv) set aside the Default Judgement dated September 29, 2011 against Rose in the Construction Lien Action; (v) ordered that the issues of liabilities, timeliness and quantum in the Construction Lien Action be determined in a Reference before a Master; (vi) ordered that the issues of the priority of the construction lien vis-à-vis any other encumbrance shall be determined by a Judge of the Commercial List in these receivership proceedings; and (vii) ordered that Trisura pay costs to the Receiver in the amount of \$4,000. In support of the December 27 Order, the Receiver submitted its Second Report to the Court dated December 14, 2012 (the “**Second Report**”). A copy of the Second Report, without appendices, is attached hereto as **Appendix “C”**. A copy of the December 27 Order is attached hereto as **Appendix “D”**.

5. In the First Report, the Receiver outlined the history and status of the Property, including the Life-Lease Residence. In that report, the Receiver advised the Court that it required further time to accumulate and analyze information on the Life-Lease Residence, including obtaining documents from purchasers of Life-Lease Residence units (“**Life-Lease Units**”), before it would be in a position to make decisions in respect of the Property and, in particular, formulate a plan to deal with the Property, and provide the Court with its recommendations thereon.
6. While the Receiver had intended to report this information to the Court by the end of February 2012, in view of: (i) the amount of information received, (ii) the lack of quality of that information in many instances which necessitated follow-up by the Receiver, (iii) the complexity of the issues relating to the Life-Lease Residence which required the Receiver’s and its counsel’s further consideration, and (iv) time required by Rose’s first secured creditor to consider its position, it has taken the Receiver additional time to file this report with the Court.
7. As is set out in this Third Report to the Court (the “**Third Report**”), the Receiver has now completed a detailed analysis of the Life-Lease Residence including obtaining

information regarding substantially all of the units therein from the purchasers of the Life-Lease Units or other stakeholders. The Receiver has also obtained an appraisal of the Property and has reviewed proposals the Receiver sought from real estate brokerages and real estate advisory firms.

8. The First Report and this Third Report set out the various interests, and effectively claims, that different parties have to the Life-Lease Units, including the first secured creditor, subsequent mortgagees/secured creditors, purchasers of the Life-Lease Units or lenders to purchasers of the Life-Lease Units. In order to proceed with its administration of the receivership, the Receiver is of the view that it is now necessary to establish which party/parties has/have the primary interest(s) in all of the Life-Lease Units. As set out later herein, the Receiver is seeking the direction of the Court in that regard.
9. Peoples Trust Company (“**Peoples**”) has advised the Receiver that it will be making an application to the Court for an Order declaring that, *inter alia*, Peoples’ security over the assets of Rose has priority over the interests of all parties in the Property including the 90 Life-Lease Units.
10. The purpose of this Third Report is to provide the Court with an update on the Receiver’s activities to December 31, 2012 and, in particular, to:
 - a) provide the Court with more detailed information concerning the Life-Lease Residence including information on individual Life-Lease Units;
 - b) provide the Receiver’s position on interests in 27 of the 90 Life-Lease Units (the Arm’s Length Units as defined below) and the 1 Arm’s Length – Abandoned Unit (as defined below) and to seek the advice and direction of this Court with respect to determining any and all claims by holders of these 27 Arm’s Length Units and 1 Arm’s Length – Abandoned Unit (collectively, the “**Arm’s Length Unit Holders**”) against their 28 Life-Lease Units and the Property and/or the proceeds of sale of their 28 Life Lease-Units, as well as any claims of any tenants of these 28 Arm’s Length Units (the “**Arm’s Length Tenants**”) and specifically

determining (i) the quantum and classification of any amount advanced or paid by or on behalf of these Arm's Length Unit Holders and Arm's Length Tenants (collectively, the "**Arm's Length Claimants**") to Rose, whether by way of secured loan, unsecured loan, gift, deposit or otherwise and whether evidenced by promissory note, loan agreement, or other contract of debt or obligation (the "**Arm's Length Claims**") and (ii) whether or not the Arm's Length Claims are subordinate in priority to the first mortgage registered against title to the Property (the "**Construction Mortgage**") held by Peoples;

- c) seek an order appointing representative counsel for the Arm's Length Claimants with respect to the Arm's Length Claims, and with respect to the issue of the priority between the Construction Mortgage and the Arm's Length Claims;
- d) provide the Receiver's position on priority regarding interests in the remaining 62 Life-Lease Units (the Remaining Units as described below), and to seek the advice and direction of the Court with respect to priority regarding the interests in the 62 Life-Lease Units;
- e) provide the Court with the results of the Building Audit Report obtained by the Receiver;
- f) provide the Court with the status of the conversion of the Nursing Home and Life-Lease Units to condominiums;
- g) seek the Court's direction to Korean (Canada) Credit Union ("**KCU**") to pay to the Receiver an amount equal to the funds that were to the account of Rose as at the Appointment Date;
- h) seek an increase in the limit of the Receiver's borrowings from \$500,000 to \$1,500,000;

- i) seek the Court's approval of the Second Report and this Third Report and the actions and activities of the Receiver from December 9, 2011 to December 31, 2012;
 - j) seek the Court's approval of the Receiver's Interim Statement of Receipts and Disbursements for the period September 27, 2011 to December 31, 2012;
 - k) seek the Court's approval of the Receiver's fees incurred for the period November 16, 2011 to December 31, 2012; and
 - l) seek the Court's approval of the fees of Gowling Lafleur Henderson LLP ("**Gowlings**") and Blaney McMurtry LLP ("**Blaneys**") as detailed more fully herein.
11. Capitalized terms not defined in this Third Report are as defined in the Appointment Order, the First Report or the Second Report. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

12. In preparing this Third Report, the Receiver has relied upon records of Rose and audited and unaudited financial information prepared and/or provided by Rose, its accountant, ACC and Sterling. In addition, the Receiver has relied upon information provided by purchasers of Life-Lease Units ("**Unit-holders**"), or parties claiming to have a direct or indirect financial interest in Life-Lease Units.
13. In particular, the information reviewed by the Receiver has included:

- a) books and records of Rose, including information contained in Rose's computer records;

- b) documents provided directly to the Receiver by Unit-holders, pursuant to correspondence to those Unit-holders by the Receiver;
 - c) meeting(s) with individuals who requested to meet with the Receiver including Mr. Vern Heinrichs of Vace Investments Inc. (“**Vace**”) (see paragraphs 128 to 140) and Mr. Leon Hui of IWOK Corporation (See paragraph 52 as well as 80 and 81); and
 - d) documents provided by Mr. John Yoon, the former CEO of Rose.
14. The Receiver has compared certain information contained in Rose’s records to information that has been provided by Unit-holders. While the Receiver has reviewed certain information for reasonableness, the Receiver has not performed an audit or other verification of information that is contained in Rose’s records or that has been provided to the Receiver and expresses no opinion thereon.
15. The Receiver has sought the advice of Gowlings, counsel to the Applicant, for general legal matters that have arisen in respect of the receivership. Where the Receiver has required independent legal advice, the Receiver has sought the counsel of Blaneys.

RECEIVER’S OBSERVATIONS

16. The Rose of Sharon project (the “**Project**”) was conceived with good intentions, namely, the creation of a “community” where older members of Korean heritage could live with other Korean community members and, if health issues arose, be provided with access to a nursing home in the same building.
17. Notwithstanding those good intentions, the development and construction of the Project has been fraught with numerous issues that eventually led to these receivership proceedings.
18. Since its inception, the Project has been set back by delays of one form or another. From the initial approval for bed licences in 1990, to the Property being purchased six years

later in 1996, to construction commencing ten years after that in 2006 and to construction only being completed in 2010, the Project has been beset by numerous setbacks and delays.

19. While certain of those issues will be addressed in this Third Report, it appears to the Receiver that once the decision was made to proceed with construction of the Project, the stakeholders in the Project, be it Rose's Board of Directors, those involved with the design and physical construction of the Project, or other parties having a financial stake in the success of Rose, proceeded to ensure that the Project would be completed, regardless of issues they may have knowingly or unknowingly created and the disputes that arose along the way.
20. In particular, the Project was under-capitalized when construction commenced, in that Rose's records indicate that there was only approximately \$300,000 donated to support construction of the Project. This lack of equity in the Project became exacerbated when members of the Korean community do not appear to have supported the Project through the purchase of Life-Lease Units. Further, it appears that when Rose and other financial stakeholders realized that the proceeds from Peoples' construction loan (the "**Construction Loan**") and the deposits from sales of the Life-Lease Units would not be sufficient to complete construction of the Project, decisions were made to obtain funds and settle Rose's "liabilities" in a manner that was, and continues to be, detrimental (and misleading) to Peoples and, in turn, subsequent mortgagees.
21. The result is that, as of the Appointment Date, Rose was faced with a number of significant and complex financial and construction related issues. Many of these issues would ultimately have required the assistance of the Court to address, whether through a receivership proceeding or litigation.
22. In order to better convey the complexities of Rose, in this Third Report, the Receiver provides in detail, among other things, a history of the construction of the Project, the Project's financing, the current condition of the building and of the Property, and the

present status of the Life-Lease Residence, including information on the various stakeholders in Rose and the Life-Lease Units.

SCHEDULES PREPARED BY THE RECEIVER TO ASSIST THE COURT

23. As previously set out, there are 90 Units in the Life-Lease Residence. Throughout this Third Report, the Receiver makes reference to the Life-Lease Residence as a whole, as well as to individual units therein.
24. Attached as **Appendix “E”** is a detailed schedule, prepared by the Receiver, that sets out the status of the 90 units comprising the Life-Lease Residence as at December 31, 2012. Included in the schedule is, among other things, information on the Unit-holders of the Life-Lease Units, the purchase/selling prices of the Life-Lease Units and amounts advanced by Unit-holders. Appendix “E” has been prepared based on the Receiver’s review of Rose’s books and records, the documents submitted to the Receiver by Unit-holders and the Receiver’s discussions with Mr. John Yoon.
25. The Receiver points out that there are two “unit number” references on the schedule, namely “unit number” and “old unit number”. The reason for there being two numbers is that in 2010, Rose was required to revise the unit identification numbers to conform to the fire code. In this Third Report, all references to “unit numbers” are the current unit numbers unless otherwise indicated.
26. The Receiver also points out that there are four different Life-Lease Units which may be subject to the interests of more than one party so that the total number of units in Appendix “E” is 94 instead of 90 (see paragraph 146 below).
27. As set out later in this Third Report, the Receiver has grouped the Life-Lease Units listed in Appendix “E” into the following categories:
 - 27 units purchased by arm’s length purchasers (representing purchasers of Korean heritage) (the “**Arm’s Length Units**”);

- 1 unit previously purchased by an arm's length purchaser which purchase appears to have been abandoned by the purchaser (the "**Arm's Length – Abandoned Unit**")
- 16 units purchased by former members of Rose's board of directors and/or their spouses (the "**Director Units**");
- 2 units purchased by Mugungwha Homes ("**Mugungwha**") (the "**Mugungwha Units**"), a "non-profit registered charity with particular emphasis on helping senior citizens of the Korean-Canadian community". The president of Mugungwha is Mrs. Moon Yoon, the wife of Mr. John Yoon;
- 18 units purchased by non-arm's length purchasers (i.e. investors) representing purchasers who appear to have purchased units for investment or for purposes other than personal occupation ("**Non-Arm's Length Units**");
- 16 units that have been released back to Rose and are vacant (the "**Released Units**");
- 6 units occupied by Unimac Group Ltd. (the "**Unimac Units**");
- 3 units held by Turfpro Investments Inc./William Campbell ("**Turfpro**") (the "**Turfpro RTOA Units**") that were obtained in exchange for various loans;
- 4 units for which options to purchase were provided to Turfpro in exchange for various loans (the "**Turfpro Option Units**"); and
- 1 unsold and vacant unit (the "**Unsold Unit**").

Additional information on these units is set out in Paragraphs 118 to 167 of this Third Report.

28. In addition, since Rose's inception, a number of parties have been given mortgages over the Property. Over time, the amounts of the mortgages, as well as their respective priorities as against the Property, have changed.
29. Attached as **Appendix "F"** is a schedule prepared by the Receiver identifying the four current mortgagees of Rose, and the respective ranking and priority of their five mortgages at different points in time. As set out in Appendix "F", the Peoples Construction Mortgage with a face value of \$17,300,162.50 has been the first ranking mortgage since it was registered on title on May 18, 2007. It currently ranks ahead of:
- a) a second mortgage for \$700,000.00 held by Morrison Financial Services ("MFS") registered on title on November 14, 2008 (and which was originally held by IWOK Corporation ("IWOK") until it was transferred to MFS on December 30, 2011;
 - b) a third mortgage for \$100,000.00 held by Turfpro registered on title on May 14, 1999 (and which was originally a first mortgage held by Mikal Construction Inc. that was transferred to Turfpro on January 19, 2006);
 - c) a fourth mortgage for \$590,000.00 held by Turfpro registered on title as a second mortgage on August 2, 2002; and
 - d) a fifth mortgage for \$150,000.00 held by IWOK registered on title on January 19, 2006 (and which was originally a third mortgage held by Mijo Holdings Inc. and transferred to Unimac Group Ltd. on May 18, 2007, and subsequently transferred to IWOK on March 2, 2010).

RECEIVER'S ANALYSIS OF THE LIFE-LEASE RESIDENCE

30. To better understand the issues faced by Rose which are currently being addressed by the Receiver, the Receiver believes that it is necessary to provide the Court with the following information:

- i) The history of the Project up to the appointment of the Receiver;
 - ii) Rose's financing for the Project;
 - iii) The Right To Occupy Agreements (each an "RTOA") and Amended Right To Occupy Agreements (each an "Amended RTOA") Rose entered into with Unit-holders; and
 - iv) Sales of Life-Lease Units by Rose up to the Appointment Date.
31. Following its discussion of the above, this Third Report will set out the Receiver's present understanding of the status of the 90 Life-Lease Units as is reflected in Appendix "E".

i) The history of the Project up to the appointment of the Receiver

Rose's Inception

32. Rose is a not-for-profit Ontario corporation that was incorporated by Letters Patent on April 7, 1993. The objects for which Rose was incorporated were to a) "provide and operate residential accommodation for senior citizens of low and modest income, the majority of who are members of the Korean Community", and b) "provide and operate a Nursing Home licensed under the *Nursing Home Act*, R.S.O. 1980 c.320 as amended, or any successor of that Act, for senior citizens of low and modest income, the majority of who are members of the Korean Community."
33. The Letters Patent were subsequently amended in 1994 and 1997. The amendments in 1997 amended the objects for which the corporation was incorporated "a) to provide and operate non-profit residential accommodation and incidental facilities thereto for senior citizens and disabled persons mainly of the Korean-Canadian Community; b) to provide and operate a nursing home licensed under the *Nursing Home Act*, R.S.O. 1990, c.N.7; and c) to utilize all excess funds obtained from operations and donations for charitable purposes, namely the alleviation of poverty, education and cultural programs for the Korean-Canadian community in general and the residents of the residential

accommodation and nursing home operated by the Corporation in particular.” A copy of the Letters Patent and amendments thereto are attached hereto as **Appendix “G”**.

34. Rose was initially granted a licence for 50 beds by the Ministry of Health and Long-Term Care (the “**MOHLTC**”) in 1990. However, the development of a long-term care facility stalled until 1996 when Rose purchased the land that forms part of the Property and the concept of a combination Life-Lease and long-term care facility was conceived. The Receiver understands that the Life-Lease concept was adopted by Rose with the intention of maintaining a predominately Korean cultural base in the building. To that end, Rose received approval from the MOHLTC for a Capital Services Grant in the amount of approximately \$2.4 million, representing 50% of the “total net-shareable cost” of the long-term care facility. In 2003, Rose was granted a licence for a further 10 beds from the MOHLTC bringing the total number of bed licences to 60. On April 29, 2003, Rose entered into a Development Agreement with the MOHLTC for a 60-bed Class “A” long-term care home.
35. Rose’s concept for the Property was to construct a residential community around the Nursing Home that would provide a continuum of care for independent Korean seniors. Attached as **Appendix “H”** is an information package prepared by Rose and used in its marketing activities (the “**Rose Information Package**”). It describes the Project as catering to seniors “seeking an independent lifestyle and those seeking care ... with special design features and on-site services ... where residents can live with a sense of safety and security”. The Project was advertised to include a number of amenities, including a lobby lounge, café, library, chapel/meeting room, fitness centre, and party room. In addition, according to the Rose Information Package, Life-Lease residents would have the option of purchasing additional personal care or support services such as meal preparation, housekeeping services and medication support.
36. The Rose Information Package described a Life-Lease apartment as follows:

“A life lease apartment provides a purchaser with the right to occupy their suite for the remainder of their life... Through a monthly maintenance fee, owners of life lease suites help maintain the common areas, similar to the operation of a condominium”.

37. To finance construction of the Project, Rose obtained construction financing from Peoples by way of a commitment letter dated March 17, 2005. The terms and conditions of the financing from Peoples are discussed later in this Third Report.

Construction Contract

38. In the fall of 2005, Rose obtained fixed price quotations from three general contractors for the construction of the Project. Attached hereto as **Appendix “I”** is a copy of the minutes of the Rose Board Meeting convened on November 5, 2005 which indicate that Rose’s Board resolved to enter into a lump sum contract with Unimac Group Ltd./ Mikal-Calladan Construction Inc. (collectively, “**Unimac**”) for the construction of the Project. On November 28, 2005, Rose entered into a Canadian Construction Documents Committee 2 Stipulated Price Contract (the “**Construction Contract**”) with “Unimac Group Ltd. operating as Mikal-Calladan Construction Inc.” for Unimac to act as the general contractor and construct the facility at a contract price of \$17,608,655 plus GST. The Construction Contract called for the work to commence by December 1, 2005, and for substantial performance of the work to be attained by August 31, 2007.
39. The shoring and excavation permit was issued by the City of Toronto (the “**City**”) in December 2005 and the hoarding permit was issued on January 16, 2006. Hoarding commenced in February 2006 and shoring at the site commenced in March 2006 but was not completed until June 2006.
40. The original construction schedule called for site excavation to commence in March 2006, foundations to be completed by August 2006, and overall construction to be completed in September 2007. One of the requirements to meet this schedule was to have a full building permit issued by the City by mid-summer 2006. However, Rose did not obtain

foundation and building permits as scheduled, which delays appear to be attributed to Rose's consultants not promptly addressing issues raised by the City, resulting in the beginning of a series of delays in completing the Project.

41. Work at the site ceased until the City issued the foundation permit on October 10, 2006. There were further construction delays until December 27, 2006, when a partial building permit for structural framing was issued by the City. The full building permit was eventually issued by the City on January 26, 2007, approximately 6 months behind the original schedule.
42. Prior to the issuance of the building permit, Rose was required to pay to the City development charges, educational development charges and parks levies ("**Permit Fees**") totalling \$514,312.32. As Rose had not yet satisfied the conditions for advances under the Construction Loan, it did not have cash available to pay the Permit Fees. For that reason, it appears that Rose borrowed \$600,000 from Unimac in December 2006, and a further \$400,000 from Unimac in January 2007, both secured at that time by mortgages over the Property (the "**Unimac Charges**") (see paragraphs 97 and 98 below). On February 11, 2007, given delays encountered by Rose's consultants in obtaining the various construction permits, Unimac provided a revised construction schedule which indicated that construction would be completed in December 2007.

Construction Loan

43. On February 14, 2007, Rose submitted its first draw request to Peoples under the Construction Loan. The draw request was later revised on February 28, 2007. By this time, as set out below in more detail, Rose had entered into a number of RTOAs for the Project (see Appendix "E").
44. In response to the draw request, Peoples advised Rose that Rose had not satisfied the specific terms and conditions required prior to any advance on the Construction Loan including:

- i) obtaining acknowledgements from all Unit-holders that deposits paid were subordinated and postponed to, and did not rank in priority to the Construction Loan (the RTOAs executed to that point did not have language subordinating to the Construction Loan the deposits made pursuant to the RTOAs);
- ii) a postponement from Mijo Holdings Inc. (“**Mijo**”) of a \$150,000 mortgage in Mijo’s favour (see Appendix “F” and paragraph 86 below); and
- iii) removal of the Unimac Charges.

45. Subsequently, Rose submitted documents to Peoples to satisfy these Construction Loan requirements and, on May 18, 2007, the first draw of the Construction Loan was advanced by Peoples. As set out in Appendix “F”, at that date, the Construction Mortgage represented a first charge over the Property.

46. Another requirement of the Construction Loan was that the Project would be converted into condominiums with the Nursing Home being one condominium corporation and the Life-Lease Units being individual condominiums. Accordingly, Rose’s counsel commenced the process of registering the Nursing Home and Life-Lease Units as condominiums.

Rose/Unimac Disputes

47. By May 2007, the first of many disputes arose between Rose and Unimac resulting in construction not being completed in the time frame contemplated by the schedule that had been established. In July 2007, Unimac revised the completion date to February 2008. In October 2007, Unimac, citing delays in obtaining drawings and specifications from Rose’s consultants, revised the completion date to the end of April 2008.

48. In Fall 2007, Rose made an application to the City and Toronto Hydro for the installation of permanent power at the Project site. The cold weather of Winter 2007 along with the

lack of permanent power resulted in slower construction. Permanent power installation by Toronto Hydro was not completed until mid-September 2008. At that time, Unimac revised the completion date to late February 2009.

49. Disputes continued between Rose and Unimac with Rose protesting the lack of progress in completing the Project and Unimac complaining that Rose was not meeting its commitment to pay Unimac on a timely basis. On a number of occasions Unimac threatened to stop work on the job site and certain sub-trades also threatened to register liens against the Project. By letter dated June 24, 2008, Unimac told Rose that it intended to shut down the worksite by June 30, 2008 until various arrears were addressed. Notwithstanding this letter, it appears that work continued following June 30, 2008.

50. In order to resolve the dispute(s) between the parties, Unimac and Rose executed a Memorandum of Understanding (the “**Unimac MOU**”) dated October 17, 2008 in which Rose stated its responsibilities were to:
 - i) pay certain change orders totalling approximately \$700,000;
 - ii) pay all progress draws, as approved net 20 days after submission;
 - iii) ensure that the architect and consultants perform their duties in a timely manner;
 - iv) pledge a minimum of 6 unsold Life-Lease Units to Unimac and its sub-trades as security for all payments certified by the project architect (the Unimac Units); and
 - v) acknowledge that there was a \$1,263,923 shortfall in progress payments to Unimac up to September 29, 2008 (the “**Unimac Debt**”), and that Rose would initiate fundraising efforts to pay the Unimac Debt as soon as possible, but no later than 30 days after substantial completion.

In return, Unimac stated that its responsibilities were to complete construction of the Nursing Home and Life-Lease Residence, attain substantial completion and arrange for an occupancy permit to be issued by the City by March 31, 2009. A copy of the Unimac MOU is attached hereto as **Appendix "J"**.

51. At this time, Rose sought out financing alternatives, including approaching other lending institutions to finance an additional loan of \$1.3 million to fund construction costs. Due to the extended construction schedule, as well as interest costs on the Construction Loan, Canada Mortgage and Housing Corporation ("**CMHC**"), insurer of Peoples' mortgage, informed Rose that it would only permit a second mortgage up to \$700,000 having an interest rate of up to 12% and interest-only payments.
52. On or about November 11, 2008, Rose obtained \$700,000 from IWOK, an entity which the Receiver understands is related to Unimac, and granted to IWOK a \$700,000 mortgage (the "**IWOK Mortgage**") (ranking subordinate to the Construction Loan). The funds were used to pay down amounts owing to Unimac pursuant to the Unimac MOU.
53. On December 5, 2008, Unimac reported that it had amassed a delay claim totalling \$589,544.87. This delay claim was in addition to approximately \$1.2 million of outstanding invoices and holdbacks that remained unpaid to Unimac.
54. Construction proceeded slowly in the first quarter of 2009 as disputes between Rose and Unimac continued to arise. The completion date was extended several times and by mid-October 2009, Unimac had revised the completion date to January 1, 2010.
55. In Fall 2009, Unimac began the process of obtaining, from consultants, clearance certificates that were required by the City in order for an Occupancy Permit to be issued.
56. On November 6, 2009, the MOHLTC completed a pre-inspection of the Nursing Home portion of the Property. It provided Rose with a list of deficiencies that required rectification prior to the MOHLTC authorizing admissions to the Nursing Home.

57. On December 10, 2009, after negotiations, Rose and Unimac entered into an Agreement (the "**Completion Agreement**") whereby Unimac agreed "to complete the balance of the construction schedule to achieve completion and occupancy of floors one to six by January 31, 2010 including an Occupancy Permit from the City of Toronto, and then completion and total Occupancy approval for the total building by February 28, 2010." Unimac further confirmed that it would ensure that there would be an adequate work force to attain this schedule. To the extent an Occupancy Permit was not obtained as agreed, Unimac was to "compensate the Rose of Sharon for all interim interest charges on the construction loan, to be deducted from the amount of the Construction Contract." In return, Rose agreed to make payments to Unimac based on the total completion of blocks of work based on floors. Rose further agreed to make payments to Unimac based on a payment schedule attached to the Completion Agreement failing which the completion date would be adjusted by the number of days that the payment was late and Rose would "pay a penalty of 15% of the required payment to Unimac forthwith." A copy of the Completion Agreement is included in Appendix "J".
58. On March 11, 2010, Peoples notified Rose that it had not received interest payments against the Construction Loan since November 2010, and \$158,429 of accrued interest remained due and payable. For the balance of 2010 and into 2011, although Rose would intermittently make interest payments to Peoples, Rose remained consistently in default of its interest payments to Peoples.
59. On April 1, 2010, Rose wrote to Unimac that Unimac failed to complete construction of the building by February 28, 2010 as agreed between the parties in that Unimac did not meet the deadlines provided for in the Completion Agreement nor did it provide an "adequate work force". Further, Rose noted that it was in a position "to declare Unimac in breach of the Completion Agreement and to call on the bonds to remedy the breach and finish the job."
60. By letter dated April 3, 2010, Unimac responded to Rose's letter dated April 1, 2010. Unimac blamed the delays for the project on Rose and its consultants, and Rose's failure

to sufficiently fund the project and make payments to Unimac on a timely basis. Unimac's response also contained a number of allegations against Rose of misuse or theft of funds.

61. In April 2010, Rose advised its Board of Directors that it required in excess of \$1.0 million to fund expenditures that were due to be paid by the end of April 2010, including:

- i) construction payments to Unimac,
- ii) interest to Peoples,
- iii) kitchen appliance purchases,
- iv) a letter of credit to the City,
- v) furniture for the Nursing Home, and
- vi) various other expenditures.

62. In response to a request for the issuance of an Occupancy Permit, the City's building inspection and fire departments conducted site inspections on May 3, 2010, and June 2, 2010. A number of deficiencies were identified at both inspections which required correction prior to the City being in a position to issue the Occupancy Permit.

63. By letter dated June 4, 2010, Rose again wrote to Unimac that Unimac was in breach of the Construction Contract and the Completion Agreement as the Project was not completed by the specified date. Rose further indicated that if construction was not completed and an Occupancy Permit was not issued within five days, it intended to "call on the bonds and arrange for alternate forces to complete the work". Unimac did not complete the Project within the five days stipulated in the letter.

64. By letter dated June 16, 2010, counsel for Rose wrote to Trisura, the bonding company, to report that Unimac was in default under the Construction Contract, as amended, as it had not completed the Project in the timeframes stipulated. Rose was calling on Trisura to

meet its obligations to remedy the default pursuant to a performance bond in the amount of \$7,420,000 (the "**Performance Bond**") issued by Trisura in connection with the Construction Contract.

65. The Receiver understands that Trisura directed Rose's delay claim against the Performance Bond to an adjuster for investigation. During this time, Unimac continued to work at the site to complete the Project.

Completion of the Building

66. On September 30, 2010, Victor J. Heinrichs Inc. (the "**Architect**") issued a Certificate of Substantial Performance which certified that construction of the Project was substantially completed on September 17, 2010.
67. On October 20, 2010, the Architect provided Rose with a list of electrical and mechanical deficiencies. The Architect later estimated the cost to rectify the deficiencies at approximately \$530,000. The Receiver has not determined the extent to which the deficiencies identified in October 2010 remained outstanding as of the Appointment Date. As discussed below, the Receiver commissioned a building condition assessment to help the Receiver determine the extent of the building deficiencies (see paragraphs 170 to 173).
68. The required clearance certificates were provided to the City, and the City issued an Occupancy Permit on November 4, 2010.¹
69. In Fall 2010, Rose and Unimac entered into discussions regarding Unimac's claim for amounts owing by Rose for unpaid costs of construction, unpaid change orders and the remaining construction holdback. Rose's position was that Unimac's failure to complete the Project pursuant to the Unimac MOU and the Completion Agreement resulted in significantly increased financing costs to Rose which Rose intended to set off against the amount owing to Unimac.
70. Rose and Unimac were unable to reach a settlement. On November 19, 2010, Mikal-Calladan Construction Inc. registered a lien for \$4,166,659 against the Property (the

“**Unimac Lien**”). It appears that, as discussed in the Second Report, the Unimac Lien was assigned to Trisura on January 30, 2012. Upon issuance of the Occupancy Permit, certain Unit-holders began to either occupy their units, allow family members to occupy their units, or rent their units to third parties, notwithstanding the requirement in the RTOA that purchasers were to occupy their own units. The RTOAs each state that “the Purchaser shall use the Unit for residential purposes only” (Term 11, RTOA Terms of the Agreement), and that the term of the RTOA is the “lifetime of the Purchaser or if there are two Purchasers, upon the death of the survivor” (Term 1, RTOA Terms of the Agreement). In addition, as set out above, the Rose Information Package described a Life Lease apartment as providing “a purchaser with the right to occupy their suite for the remainder of their life...”

71. Notwithstanding Rose’s position that the Unimac MOU was no longer in effect since Unimac failed to complete the project in the timeframes specified in the Unimac MOU, Unimac took steps to execute on the purported security it was provided under the Unimac MOU by taking possession of the six Unimac Units. Unimac rented the Unimac Units to tenants (see Appendix “E” and paragraph 50 above).
72. Following the issuance of the Occupancy Permit, approximately 52 of the 90 Life-Lease Units became occupied. However, many Unit-holders did not make monthly payments on their Purchaser Promissory Notes (discussed later herein) given to Rose nor did they make monthly Maintenance Fee payments (as defined below) in respect of their Life-Lease Units, such that Rose’s cash position did not improve upon completion of the building. Based on information received by the Receiver from certain Unit-holders, it appears that reasons monthly payments were not being made include:
 - Certain purchasers had loaned the balance of their purchase price to Rose in return for a promissory note given to them by Rose, and were setting off the monthly payments against the balance owing to them under the note (see paragraphs 99 to 100);

- Certain Unit-holders who were investors had not taken steps to commence renting their units and would not make monthly payments until they were in a position to rent their Unit(s); and
- Certain Unit-holders had not moved into the premises and were not intending to commence monthly payments until they occupied their Units.

73. In September 2011, IWOK, whose mortgage was subordinated to Peoples' Construction Mortgage, took steps to enforce its security and purported to appoint a receiver over Rose. When Peoples became aware of IWOK's purported appointment of a receiver, Peoples proceeded to make an application to the Court on September 27, 2011, for the appointment of the Receiver. The Appointment Order was issued that day.

ii) Rose's financing of the Project

74. As at the Appointment Date and as partially set out in Appendices "E" and "F", Rose was indebted to a number of parties as a result of the construction and operations of Rose, many of whom were provided by Rose with:

- i) security over the assets of Rose;
- ii) Life-Lease Units;
- iii) options to purchase Life-Lease Units;
- iv) guarantees to secure their loans; and/or
- v) promissory notes given by Rose.

75. As set out in Appendices "E" and "F", the parties to whom Rose was indebted at the Appointment Date included:

- i) Peoples;
- ii) IWOK;

- iii) Turfpro;
- iv) Uniniac;
- v) Unit-holders; and
- vi) directors or former directors of Rose.

76. Details with respect to Rose's financing of the Project are set out below.

Peoples Trust Company

77. As set out above, Peoples issued a Commitment Letter to Rose dated March 17, 2005. It provided for a \$17.3 million Construction Loan to construct a 12 storey building containing a 60 bed nursing home and 89 individual condominium units being sold as Life-Leases (the Project was later reconfigured to create 90 units). CMHC agreed to insure the Construction Loan and issued a Certificate of Insurance dated March 10, 2005 attached to which were Special Conditions Forming Part of the Certificate of Insurance, as amended (the "**Certificate of Insurance**"). The Commitment Letter and the Certificate of Insurance contained the following notable conditions:

- prior to any insured advance, Rose was to provide confirmation of *bona fide* sales of Life-Lease interests in place amounting to at least \$14,246,000 including the provision of non-refundable cash deposits totalling \$4,170,000 from the sale of 80 units (which included a maximum of 18 non-arm's length unit sales i.e. investor sales);
- the non-refundable deposit per Life-Lease Unit was to be 30% of the selling price for sales to arm's length parties, and at least 40% of the selling price for sales to non-arm's length parties;

- prior to any insured advance, Rose was to provide to Peoples a signed consent and acknowledgement agreement from each purchaser together with a certificate of independent legal advice from each purchaser acknowledging and agreeing that:
 - i. “the Project will not be registered under Tarion;
 - ii. deposits will be used by [Rose] in the construction of the Long-term Care Project as well as the residential component, and advising of the risk of such event;
 - iii. the deposits and any interest of the life-lease purchaser in respect of the lands and the project are subordinated to and shall not rank in priority to the [Construction Loan]; and
 - iv. the project will be registered as individual condominium units and the agreements of purchase of life lease interests will be binding on purchasers as life lease interests only (at [Peoples’] sole option) notwithstanding the description of the apartments as condominium units; the life lease will include as rent an amount equal to all common expenses attributable to all units”
- the first advance was required to take place no later than September 30, 2005 and the Construction Loan was to be paid down to \$4,466,000 out of the proceeds from the sale of Life-Lease interests by no later than December 31, 2006 (the anticipated original construction completion date). The dates for the first advance and the pay down were later amended to be June 1, 2007 and no later than June 1, 2008, respectively;
- prepayment would be permitted on a unit-by-unit basis, provided that Peoples received the proceeds, less reasonable arm’s length sales commissions and legal fees as approved by CMHC, from each respective sale and that Peoples, upon such receipt, was to provide discharges of its security on the respective units;

- the Project was to be converted to condominiums whereby the nursing home would be one condominium corporation and the 89 Life-Lease units would have individual condominium status;
- Rose was not allowed to cancel any existing Life-Lease presales without Peoples' consent; Rose could not accept an agreement of purchase and sale of a Life-Lease Unit without Peoples' consent; and
- for as long as the Construction Loan remained unpaid, Rose could not, without the prior written consent of Peoples, create, incur, assume or suffer to exist any new pledge or other charge, or encumbrance upon or in respect of the Project.

78. The first advance on the Construction Loan was made on May 18, 2007 after Rose's draw request was reviewed and certified by Pelican Woodcliff Inc. ("**Pelican**"), Peoples' construction consultant. There were 21 further draws on the Construction Loan, with the last advance occurring in October 2009.

79. As at the Appointment Date, Rose's indebtedness to Peoples under the Construction Loan was approximately \$15.2 million, which loan was secured by the Construction Mortgage against the Property. As set out in the First Report, Blaneys, the Receiver's independent counsel, has reviewed Peoples' security and has provided its opinion to the Receiver that, subject to the standard qualifications therein, Peoples has a properly perfected security interest in all of the assets, property and undertaking of Rose.

IWOK Corporation

80. On September 18, 2008, IWOK issued a Preliminary Mortgage Commitment for the IWOK Mortgage (a \$700,000 second mortgage at 12% interest and for a 3-year term). The significant conditions of the IWOK Mortgage were as follows:

- i) approval of the mortgage commitment by the Board of Directors of Rose;

- ii) replacement of five members of Rose's Board of Directors with five individuals selected by IWOK;
- iii) written approval of CMHC and Peoples permitting the further encumbrancing of the Property;
- iv) the funds were to be used to pay construction related payments in arrears; and
- v) once the property was to be split into two condominiums, a new mortgage would be registered against the long-term care condominium, replacing the IWOK Mortgage.

81. The funds were advanced by IWOK on or about November 11, 2008 (see paragraph 52). Blaneys has verbally advised the Receiver of its view that the IWOK Mortgage (subsequently assigned to MFS on December 30, 2011) represents security ranking behind Peoples' security interest. The funds received from the IWOK Mortgage were used to pay a portion of the amounts owing to Unimac.

Turfpro

82. Turfpro is a company the Receiver understands is controlled by William Campbell ("**Campbell**").
83. Rose's records indicate that in exchange for various loans and mortgages provided to it by Turfpro between 2002 and 2011, Rose i) entered into three RTOAs with Turfpro and/or Campbell (the Turfpro RTOA Units) and ii) pledged four Life-Lease Units to Turfpro as security and provided options to purchase those units (the Turfpro Option Units). These transactions are discussed below.

Mortgage of \$590,000

84. Rose's records indicate that in 2002, Turfpro provided a \$590,000 mortgage to Rose (the "2002 Turfpro Mortgage"). The proceeds received from the 2002 Turfpro Mortgage were apparently used by Rose to consolidate financing of the 1996 acquisition and development of the Property as well as to fund initial site survey costs, and engineering and design costs. The Receiver could not locate a copy of the mortgage documents in Rose's books and records, nor do Rose's records clearly indicate when or even if the funds were advanced. In addition, Turfpro, in the documents it provided to the Receiver pursuant to the Receiver's October 19, 2011 request to Unit-holders, did not provide a copy of the mortgage documents or evidence of payment of funds. Rose's financial statements as at December 31, 2006 describe this mortgage as "a second mortgage of \$590,000 secured by the property under development by Turfpro Investments Inc. The annual rate of interest is 12% with monthly payments of \$5,900 for interest only." Rose's draft financial statements for the year ending December 31, 2010 describe the mortgage as a third mortgage. This further subordination of the mortgage appears to reflect the priority afforded to the Construction Loan and the subsequent registration of the IWOK Mortgage. The Parcel Register for the Property indicates that the 2002 Turfpro Mortgage was registered against title to the Property on August 2, 2002.
85. On December 15, 2005, Rose entered into two RTOAs with Turfpro for the following units:
- i) #PH5 at a purchase price of \$332,000, less a deduction of 15%, for a net purchase price of \$282,200; and
 - ii) #PH7 at a purchase price of \$529,280, less a deduction of 15%, for a net purchase price of \$449,888.

The RTOAs for #PH5 and #PH7 provide that 100% of the purchase price is to be paid by Turfpro upon issuance of the Occupancy Permit for the Property.

Turfpro Assumption of Two Mortgages

86. On January 11, 2006, Turfpro entered into an agreement with Michael Kalman, Mikal Construction Inc. (“**Mikal**”), Mijo and Rose whereby:

- i) Rose executed a new third mortgage against the Property in the name of Mijo in the amount of \$150,000 (the “**Mijo Mortgage**”); and
- ii) Turfpro paid out and assumed a \$100,000 first mortgage in favour of Mikal (the “**Mikal Mortgage**”).

Rose’s records indicate that the Mijo Mortgage was provided to Mijo in consideration for payments made in 1996 by Michael Kalman (of Mijo) on behalf of Rose for engineering drawings, marketing materials and interest costs. The Receiver understands that the Mikal Mortgage apparently resulted from unpaid site work costs incurred in the 1990’s.

87. In return for Turfpro purchasing the Mikal Mortgage, Rose entered into a third RTOA with Campbell dated April 8, 2005 for unit #305 for \$250,000. This third RTOA included the following provisions:

- i) Purchase price of \$250,000;
- ii) \$100,000 of the purchase price would be payable when proceeds received from the Construction Loan paid off the 2002 Turfpro Mortgage and the Mikal Mortgage (as transferred to Turfpro); and
- iii) The balance of the purchase price of \$150,000 would be paid by Turfpro upon issuance of an Occupancy Permit for the Property.

88. It is unclear to the Receiver why the RTOA for unit #305 is dated April 8, 2005 when the Mikal Mortgage was not purchased by Turfpro until January 2006.

2006 Loan of \$500,000

89. By an agreement dated May 4, 2006 between Turfpro and Rose, Turfpro loaned \$500,000 to Rose (the “**2006 Turfpro Loan**”). The 2006 Turfpro Loan was advanced to Rose in three instalments as follows:

- (a) \$200,000 on May 19, 2006;
- (b) \$150,000 on July 10, 2006; and
- (c) \$150,000 on September 6, 2006.

The 2006 Turfpro Loan was guaranteed by Victor Heinrichs (the Architect) and his brother Vern Heinrichs. The use of the funds from the 2006 Turfpro Loan will be discussed in further detail later in this Third Report, as it appears these funds were forwarded by Rose to Vace, who then repaid a portion of these funds to Rose as down payments for 11 non-arm’s length Life-Lease Units purchased by the Vace Korean Purchasers (defined below), and who subsequently released their interests in those units (see paragraphs 128 to 140 below).

90. In addition to Rose’s requirement to repay the 2006 Turfpro Loan, Turfpro also received in return for this loan Rose’s agreement to pledge as security and an irrevocable option to purchase unit #PH8 for a purchase price of \$471,381, after consideration of a 20% discount.

Subsequent Loans of \$150,000 and \$500,000

91. In materials provided by Campbell to the Receiver on November 23, 2011, Turfpro claims to have made two further loans to Rose of \$150,000 and \$500,000 each in return for which Rose pledged as security and gave an irrevocable option to purchase unit #310, unit #PH3 and unit #802 (the “**2010 Turfpro Loans**”). The three units had a combined purchase price of \$837,875.

92. By letter dated May 25, 2011, Rose appears to set out the terms for the \$150,000 loan, which letter indicates that the funds for the loan were advanced on December 18, 2009. The Receiver has reviewed Rose's deposit books and noted a deposit of \$150,000 on December 29, 2009, which is identified as "(Mr Bill Campbell) Loan to Rose of Sharon".
93. By letter dated February 10, 2010, Rose appears to set out the terms for the \$500,000 loan. The Receiver's review of Rose's deposit books identified four separate deposits totalling \$350,000 as follows:
- a \$100,000 deposit noted as from "(Turfpro) Bill Campbell" on January 29, 2010;
 - a \$75,000 deposit noted as from "Turfpro Investments Inc." on February 25, 2010;
 - a \$75,000 deposit noted as from "(Turfpro) Loan" on March 3, 2010; and
 - a \$100,000 deposit noted as from "(Bill Campbell) Turfpro" on an unidentifiable date.
94. The Receiver has not been able to determine whether the remaining \$150,000 balance of the \$500,000 commitment was received by Rose.
95. The Receiver notes that Rose's financial statements for the year ending December 31, 2010 do not make reference to either the \$150,000 loan or the \$500,000 loan from Campbell/Turfpro.

Summary

96. Based on the foregoing, with respect to Campbell/Turfpro, it appears to the Receiver that:
- i) Since 2002, Campbell/Turfpro have loaned to Rose \$1,840,000 (which total includes the \$150,000 portion of the aforementioned \$500,000 loan which the Receiver has not verified as being received);

- ii) Rose has executed three RTOAs with Campbell/Turfpro for Life-Lease Units having an aggregate net purchase price, after discounts provided by Rose, of \$982,088; and
- iii) Rose has pledged as security to Campbell/Turfpro four Life-Lease Units with a combined purchase price, after discounts provided by Rose, of \$1,309,256 and has granted to Campbell/Turfpro options to purchase these four units.

Unimac

- 97. As set out earlier in this Third Report (see paragraph 42), Unimac advanced a total of \$1.0 million to Rose in December 2006 and January 2007 to fund Permit Fees and costs of construction. Rose's records appear to indicate that Rose repaid the \$1.0 million advance on May 31, 2007 with proceeds from the first advance under the Construction Loan.
- 98. All other amounts claimed by Unimac from Rose appear to the Receiver to relate to claims relating to the construction of the Project, rather than for recovery of amounts advanced by Unimac to Rose.

Advances from Unit-holders

- 99. Rose encountered cash flow issues almost from the start of construction. Beginning in 2006, one of the sources Rose reached out to for funds was the Unit-holders.
- 100. Rose's records indicate that since 2006, Rose has borrowed over \$2.6 million from Unit-holders (not including loans from Turfpro or Mr. Leon Hui), which funds were expended by Rose during the construction of the Project. In many cases, Unit-holders loaned to Rose an amount equal to, or less than, the amounts that would have been the balance owing on their Units, after applying the deposits paid. In certain instances, Unit-holders loaned to Rose funds in excess of the balance of the remaining purchase price of their units. Details of the amounts borrowed from Unit-holders are set out in Appendix "E". The Receiver notes that the terms of the Construction Loan required that any pay downs by purchasers of the amounts owing on their Life-Lease Units, following payment of the

initial deposits, were to be paid to Peoples to be credited against the Construction Loan. Rose treated the funds received from Unit-holders as loans, which were evidenced by way of promissory notes given by Rose to the Unit-holders bearing interest at rates of between 0% and 12 % (the “**Rose Promissory Notes**”). The funds that Rose obtained by way of the Rose Promissory Notes were not paid to Peoples to be credited against the Construction Loan.

Directors’ Loans

101. Included in the above mentioned approximately \$2.6 million of loans from Unit-holders is \$205,000 of loans (the “**Director Loans**”) from eight former members of the Board of Directors of Rose or their spouses (the “**Former Directors**”). The Receiver understands that in 2009, Rose required further funding to meet its obligations resulting in the Former Directors personally borrowing funds from KCU. Seven of the Former Directors borrowed \$25,000 each, with an eighth borrowing \$30,000, for a total of \$205,000. The individual personal loans were guaranteed by Rose. The Former Directors were considered by Rose to be arms-length purchasers, and are still currently Unit-holders.
102. The Former Directors subsequently individually made the Director Loans to Rose in return for a promissory note bearing interest at a rate of 8.75%, being the rate the Former Directors were being charged by KCU. Commencing from the date these loans were obtained by the Former Directors, until the Appointment Date, Rose had been directly paying to KCU the monthly interest payable on the Directors’ Loans.
103. Documentation that certain of the Former Directors have provided to the Receiver indicates that those Former Directors intended to set off the amount of their individual Director Loan against the balance owing on their Life-Lease Units. The Receiver notes that it has only been able to locate in Rose’s records promissory notes relating to five of the eight Director Loans.

Robert Berg

104. In addition to the potential set-offs discussed above, the Receiver has identified at least one other instance where a purchaser of an RTOA has set off amounts owing from Rose against the purchase price of their Life-Lease unit.
105. Robert Berg ("**Berg**") is the President of ACC, the manager of the Nursing Home. Berg entered into an RTOA with Rose dated November 8, 2003 to purchase unit #203 for a purchase price of \$168,000. Berg made deposits totalling \$30,042 pursuant to the RTOA leaving a balance due on closing of \$137,958. In addition, ACC advanced approximately \$142,000 to Rose by directly funding certain pre-opening and operating costs of the Nursing Home due to Rose's lack of funds at that time. In consideration of the expenditures that ACC made on behalf of Rose, Rose and ACC entered into an Agreement dated December 7, 2010 whereby Rose agreed that ACC would set off the funds it advanced on Rose's behalf, against the balance of the purchase price of its unit, resulting in no further balance owing on unit #203. ACC also is the Unit-holder for unit 903, a unit which was assigned to it on or about December 31, 2010 by the unit's previous Unit-holder, York Health Care Developments Inc., the Project Manager.

iii) The Right to Occupy Agreements entered into with Unit-holders

106. As previously discussed, Rose marketed the non-nursing home portion of the building as Life-Lease apartments. Rose entered into RTOAs with individual purchasers which gave the Unit-holders the right to use, occupy and enjoy the Unit for the remainder of the purchaser's life, or if there were two purchasers, until the death of the surviving purchaser. A copy of the form of RTOA is attached hereto as **Appendix "K"**.
107. The RTOAs that Rose entered into with purchasers provided for staggered deposit payments. Most RTOA's provided for a deposit equal to 1% of the purchase price upon execution of the RTOA with further staggered deposit payments totalling either 29% or 39%, for a total deposit of either 30% or 40% (the former for arms-length purchasers, and the latter for non-arm's length purchasers, i.e., investors). The timing of when deposit

- payments were due varied depending on the year in which the RTOA was entered (Term 6 – The Unit). The deposits related to each RTOA are set out in Appendix “E”.
108. The RTOA provides for the payment by Unit-holders of a monthly maintenance fee, the amount of which was based on the area of their unit, which was intended to cover, but was not limited to, the following (Term 3 – Monthly Maintenance Fees)
- (a) “costs of operation, maintaining, repairing and managing the residential building, the Unit (the purchaser pays for unit damage and insurance), the common areas, the amenities and facilities, as well as visitor parking areas, including snow and garbage removal, sewer and water, gas, insurance, building maintenance, landscaping, ground maintenance, elevator maintenance contract, equipment costs, equipment replacement reserves, major repairs and major capital repair reserves and management fees
 - (b) costs of providing services for the residents, including amenity space charges, activity and program co-ordination costs.”
109. With respect to municipal taxes, utilities and any optional services such as communications and entertainment, the RTOA provides that these costs are to be billed separately by Rose and paid for by the Unit-holder. To the extent that a Unit-holder also purchased a parking space, the RTOA provides that the monthly maintenance fee for the parking space is to be assessed separately “based on a proportionate share in relation to the area of the Unit space to the total of the Unit spaces in the building” (Terms 5 and 6, Monthly Maintenance Fees).
110. The RTOA includes provisions that allow purchasers to terminate the agreement upon giving Rose (defined in the RTOA as the “Community”) 90 days’ written notice of his/her intention to sell/transfer his/her interest. Upon a purchaser giving 90 days’ notice, Rose is able to proceed to sell the RTOA to another party of its selection with the sale proceeds paid to the vendor, or its estate, less a fee equal to 3% of the sale (the 3% is to be retained

by Rose). Alternatively, Rose has the right to purchase the unit itself at the unit's fair market value (Term 1, Terms of the Agreement).

111. The RTOA also includes the following provisions:

- The RTOA “shall not create any direct ownership in the real property or building of [Rose] and the Purchaser agrees not to register notice of this Agreement against title to the lands upon which the building sits, until Occupancy and then only in accordance with the form of notice approved by [Rose] acting reasonably and in accordance with applicable registration regulations.” (Term 8, Terms of the Agreement).
- “the Purchaser shall use the Unit for residential purposes only.” (Term 11, Terms of the Agreement).
- “each unit owner agrees to indemnify [Rose] against any liability, loss, cost, damage or injury to any unit and to the common elements as a result of any act or omission by such unit owner or by his residents, tenants, or guests.” (Term 9, Insurance).

112. Beginning sometime in the fall of 2003, purchasers were also required to execute an Acknowledgement and Consent Agreement (the “ACA”) in which it was acknowledged therein that the ACA was “incorporated into and shall form part of the Agreement to Purchase”. The ACA, which encompasses certain of the requirements of Peoples’ Commitment Letter, includes the following acknowledgments by the purchaser:

- a) he/she is “obligated” to pay the deposits as set out in the RTOA;
- b) he/she has received a draft copy of the RTOA from Rose and has “reviewed [it] with his/her solicitor”;

- c) Rose “has the right to amend the [RTOA] in its sole and absolute discretion from time to time until it is in a form acceptable to [Rose], its lender and any regulatory authority”;
- d) the deposits “may be used by [Rose] in the construction for the Project”, and the deposits are “not insured under the provisions of the Ontario New Home Warranty program or otherwise”;
- e) he/she has received independent legal advice prior to signing the ACA; and
- f) Peoples has “the legal right, in its sole and absolute discretion but without any obligation, to insist that the Life Lease Project be registered as a condominium corporation” and that in that event the purchaser “may be required to acquire, but he/she is not entitled to require a condominium unit rather than a life lease unit on terms and conditions that have been explained to the purchaser at the time of executing this Agreement”;

The ACAs cover 69 of the 89 RTOAs listed in Appendix “E”. These 69 ACAs cover 19 of the 27 Arm’s Length Units, the 1 Arm’s Length – Abandoned Unit, but do not include the 4 Turfpro Option Units for which no RTOAs were executed and the 1 Unsold Unit. A sample ACA is included in Appendix “K”.

113. With respect to the remaining 20 RTOAs:

- a) the Receiver located forms of acknowledgement for thirteen Life-Lease Units. Rose’s records indicate that substantially all those Unit-holders who had executed RTOAs prior to 2004 did not execute an ACA as the requirements for the Construction Loan were likely not known at that time (the exceptions are RTOAs for unit #203 and unit #903 which were both dated November 3, 2003 and which include an ACA). For those four RTOAs executed in 1996 (covering five Life-

Lease Units as one RTOA included two units, #709 and #711), Rose's records include a "Direction and Acknowledgement" executed by the Unit-holder in which the Unit-holder acknowledges that "the monies advanced are required to fund the acquisition of lands and I hereby authorize and direct Rose of Sharon/John Yoon to advance those funds to Community Management Services Ltd. (the developer of the Project) or as they may further in writing direct." For those six RTOAs executed between 1997 and January 15, 2004 in respect of eight units (as two RTOAs were for two units each), Rose had Unit-holders execute a "Letter of Acknowledgement" in which the Unit-holder acknowledged that "we are aware that the deposits as per our Right to Occupy Agreement will be used for construction, land, and other capital costs relating to the Rose of Sharon."

- b) the Receiver could not locate any form of acknowledgement for seven Life-Lease Units purchased between 1997 and December 1999 of which six are Director Units (units # 710, #712, #1001, #1003, #1011 and #1107), and one is an Arm's Length Unit (unit #803 purchased by Bog Shim Shin on December 30, 1999).

- 114. In addition, prior to the first advance under the Construction Loan, all registered Unit-holders were required to execute an Acknowledgment and Postponement Agreement (the "APA") wherein they "agree and acknowledge that all deposits paid and to be paid under the [RTOA] are subordinated and postponed to, and shall not rank in priority to, the [Construction Loan] and [Peoples'] Security". A sample APA is attached hereto as **Appendix "L"**. Rose's records indicate that for the 69 RTOAs listed in Appendix "E" that had been executed prior to the first advance under the Construction Loan (May 18, 2007), the Unit-holder executed an APA (the total above includes the sale of unit #1110 dated May 30, 2007, however Rose listed this Life-Lease Unit as sold to the Unit-holder as of May 18, 2007).
- 115. In the spring of 2010, with the anticipation of an Occupancy Permit being issued, Rose proceeded to enter into Amended RTOAs with all Unit-holders who had a balance still owing on the purchase price of their Life-Lease Unit. Pursuant to the terms of the

Amended RTOAs, which were dated April 1, 2010, Unit-holders agreed to provide a promissory note to Rose for the balance of their purchase price (“**Unit-holder Promissory Notes**”). The Unit-holder Promissory Notes have the following terms and conditions:

- i. Principal amount equal to the balance of the purchase price for their unit;
- ii. Term of two (2) years;
- iii. Interest rate of 6.75% calculated half yearly not in advance;
- iv. Blended monthly payments based on a 25-year amortization (“**Amended RTOA Payments**”);
- v. Open at any time without notice or bonus; and
- vi. Immediately due and payable in the event their unit is sold or in the event the Unit-holder is in default of the terms and conditions of the RTOA.

A copy of a sample Amended RTOA and Unit-holder Promissory Note is attached hereto as **Appendix “M”**.

116. The two year term in the Unit-holder Promissory Note was intended to provide sufficient time for Rose to complete the conversion of the Project to condominiums. It was expected that it would be easier for those purchasers who required financing to pay the balance owing on their Unit, based on a purchase of a condominium, rather than a Life-Lease Unit. After the conversion to condominiums, it was anticipated that the balance of each Unit-holder Promissory Note would be paid in full by the Unit-holder.
117. In addition to the Amended RTOA Payments, as set out in the RTOAs, Unit-holders were to make monthly payments for maintenance, property taxes and utilities (“**Maintenance Fees**”) allocable to their unit commencing once the occupancy permit for the Property was

issued. The Maintenance Fees range from approximately \$340 - \$700 for non-penthouse units and \$550 – \$830 for penthouse units.

iv) Sales of Life-Lease units by Rose up to the Appointment Date

118. Attached hereto as **Appendix “N”** is a schedule titled “Rose of Sharon Apartments (Sorted by Structure)” dated May 28, 2007 which was provided to the Receiver by Peoples. It indicates that just prior to the first advance on the Construction Loan, Rose reported to Peoples that it had entered into RTOAs for the sale of 82 Life-Lease Units for which it had received deposits totalling \$4,190,480.28 from purchasers. Details of deposits received by Rose as determined from Rose’s books and records and information provided by Unit-holders are set out in Appendix “E”.
119. Appendix “N” also purports to indicate that 17 of the unit sales (identified as the “C” and “T” units in Appendix “N”) were to non-arm’s length purchasers (investors).
120. Regarding the 82 Life-Lease Unit sales, Rose’s records indicate that the first 5 sales of Life-Lease Units were made in October 1996. Further sales of units were sporadic with only nine Life-Lease Unit sales in the following six years until 2003 when a further nine Life-Lease Units were sold. Sales increased significantly in 2004 and 2005 when 41 Life-Lease Units were sold. The remaining sales to reach 82 total unit sales were executed prior to May 28, 2007.
121. As referred to in Paragraph 77 of this Third Report, a condition of the Construction Loan was that Rose was to have entered into and received deposits for at least 80 unit sales prior to the initial advance under the Construction Loan. While Rose had reported to Peoples that it had met the unit sale conditions under the Construction Loan and the Certificate of Insurance which resulted in Peoples advancing funds to Rose, based on the Receiver’s review of Rose’s books and records and discussions with various stakeholders, it appears to the Receiver that this was not the case. As will be discussed in greater detail below:

- 18 unit sales to purchasers with a Korean name were in effect sales that should have been classified as non-arm's length (i.e. investor) sales (the Vace Korean Purchasers discussed in paragraphs 132 to 134 below), which would have resulted in more non-arm's length sales than were permitted before an advance could be made under the Construction Loan;
- Rose borrowed from Turfpro funds totalling \$500,000 (the 2006 Turfpro Loan). Rose then lent those funds to Vace, who then forwarded substantially all of the funds back to Rose to be used as deposits for Units and were represented to be deposits for unit purchases;
- Rose loaned funds totalling \$137,432.70 to seven purchasers which funds were then used as deposits for seven Unit purchases; and (see paragraphs 124 to 127 below); and
- Rose received pre-payments on the balance of the purchase price due for certain Units. In many cases, these payments were evidenced by the Rose Promissory Notes, referred to earlier in this Third Report, issued by Rose to the purchaser indicating that these funds were loaned to Rose. The funds were then used by Rose to fund construction and operating costs rather than Rose paying those funds to Peoples as required under the Construction Loan.

122. Evidence of Rose's activities in this regard was located during the Receiver's review of certain of Rose's records. Attached hereto as **Appendix "O"** is e-mail correspondence dated February 25, 2009 from Mr. John Yoon to the Board members of Rose (the "**February 2009 E-Mail**") that details certain activities undertaken by Rose leading up to it achieving what was purported to be sufficient Life-Lease Unit sales in order to satisfy the number of sales required under the terms of the Construction Loan. The February 2009 E-Mail states that:

- Rose raised funds for “loan for down-payments for purchasers who could not pay on time”;
- Rose “managed to get 22 additional Koreans to sign on”;
- Rose made some “real sales”;
- Rose achieved the minimum amount of deposits required under the Construction Loan by “pay the professional fees and let them buy the units”; and
- Rose loaned a party (Vace) \$500,000 which it “put back as down-payment of the units”.

123. The Receiver’s review of other books and records of Rose and its discussions with Mr. Yoon and other parties have yielded information that appears to substantiate the statements made in the February 2009 E-Mail as discussed below.

Loans made by Rose to purchasers to fund down payments

124. In the case of loans made by Rose to Unit-holders, attached as **Appendix “P”** is a schedule from Rose’s records which indicates that loans totalling \$137,432.70 were made by Rose to seven Unit-holders in 2007, which funds were used as deposits on seven unit purchases.
125. With respect to the loans listed in Appendix “P”, in the case of loans to Esther Yoon, David Kye, G.Choi, H. Hwang, Mijung Shin, and Sam Jang, there is no evidence in Rose’s records that these six loans were repaid. The RTOAs with these individuals, with the exception of H. Hwang (unit #710), based on Rose’s records, appear to have been abandoned by each purchaser (the status of these Units is set out below). With respect to the loan for \$4,000 to H. Hwang in connection with unit #710 (a Director Unit), there is no evidence in Rose’s books and records that the loan has been repaid.

126. In the case of the seventh loan of \$54,500 to Bog Shim Shin (“**Shin**”), an Arm’s Length Unit-holder, Rose’s records indicate that while Shin had initially made deposits in 1999 through 2006 of \$39,500 in respect of unit #803, on December 21, 2006 Shin paid \$64,500 to Rose and on or around that date, Rose apparently loaned back to Shin \$64,500 at which point Shin paid Rose \$10,000, bringing the balance owing to Rose down to \$54,500. Over the following two and a half years, Bog Shim Shin made \$40,000 of payments against the loan leaving a balance owing of \$14,500. There is no evidence in Rose’s records to indicate that the balance of \$14,500 has been repaid. Shin is currently renting out unit #803. The Receiver has not at this time taken any steps to recover the balance unpaid on the loan to Shin.
127. In summary, it appears that Rose’s own funds were used to fund deposits by seven purchasers, with only one of those parties making any payments to Rose to repay the advance, and another party maintaining an interest in an RTOA. Of these seven units, three of the units (namely, unit #707, unit #708, and unit #802) were resold by Rose (to arm’s length purchasers), one (unit #PH3) was pledged as security to Campbell who was also provided with an option to purchase (a Turfpro Option Unit), and one (unit #313) is a Released Unit. The only units not resold were the units purchased by H. Hwang/Moon Yoon (unit # 710) and Shin (unit #803).

RTOAs with “additional Koreans”

128. Certain of the activities described in the February 9 E-Mail involve Vace Investments Inc. (“**Vace**”), a company whose principal the Receiver understands is Vern Heinrichs (the Architect’s brother).
129. Of the 18 unit sales that were made in 2004, 11 were dated April 4, 2004 and were with parties who obtained financing from Vace to fund their deposits (collectively, the “**First Vace Purchasers**” and individually, a “**First Vace Purchaser**”). While the RTOAs for these sales are dated April 5, 2005, Rose’s records for each of the First Vace Purchasers include an amendment for each RTOA indicating that the year for the RTOA should have

been 2004. These sales would have been characterized as sales to investors since i) the purchasers were not of Korean heritage, ii) certain of the First Vace Purchasers purchased multiple units, and iii) Vace entered into financing agreements with the First Vace Purchasers that indicate the intent was to earn income from the unit rather than occupy the unit. The deposits Rose received from the sale of these 11 units were \$521,581. The Receiver notes that these eleven units are presently vacant.

130. A sample of a financing agreement between Vace and a First Vace Purchaser (the “**Vace Financing Agreement**”) is attached hereto as **Appendix “Q”**. The Vace Financing Agreement provided that Vace would lend to the First Vace Purchaser an amount equal to 40% of the purchase price of their unit which would be secured by a second mortgage. The Vace Financing Agreement further provided that i) Vace would manage the unit for the First Vace Purchaser in return for all net income from the unit except that the First Vace Purchaser would receive 2% annually of the value of the mortgage commencing on the second year of occupancy of the unit, ii) Vace had the option at any time to acquire the unit by taking over the mortgage, and iii) the First Vace Purchaser could, at any time, at his/her option, turn the unit over to Vace as long as the First Vace Purchaser’s first mortgage was in an amount equal to 60% of the original purchase price.
131. The First Vace Purchasers represent 11 of the 18 Non-Arm’s Length units set out in Appendix “E”, including 2 units in the name of Anne-Marie Heinrichs, the daughter of Vern Heinrichs (Anne-Marie Heinrichs is also the Unit-holder of a third unit, unit #1103, the RTOA for which was dated November 1, 2010).
132. The next wave of life-lease purchases was during the period September 2004 through June 2005 and included 18 unit sales to parties with a Korean name whose deposits appear to have been financed by Vace (the “**Vace Korean Purchasers**”). The deposit amounts for the Vace Korean Purchasers were 30% of the purchase price.

133. The Receiver understands that only a 30% deposit was required of the Vace Korean Purchasers since Rose presented the Vace Korean Purchasers as arm's length purchasers and not as investors.
134. The Receiver was advised by John Yoon that certain of the Vace Korean Purchasers were individuals whose intention was to assist the Project and that he did not believe that it was their intention to move in to the Property. According to Mr. Yoon, the Vace Korean Purchasers pulled out of the Project when they were asked to sign Amended RTOAs which would further financially commit them to the purchase. This comment is substantiated by Rose's records which contain Letters of Release dated May 1, 2010 executed by fifteen of the Vace Korean Purchasers in which the Vace Korean Purchasers claimed no on-going financial or legal interest in their respective units and released Rose from any obligations in respect of those units. The Receiver was unable to locate in Rose's records letters of release for Vace Korean Purchaser unit #311, unit #701 and unit #901, and notwithstanding that Mr. Yoon has advised that Letters of Release were executed for those units, the Receiver has classified these units as Non-Arm's Length Units. A copy of one of the Letters of Release is attached hereto as **Appendix "R"**.

"Professionals" purchasing units

135. The comments in the February 2009 E-Mail regarding "pay the professional fees and let them buy the units" appear to involve the set off by Rose of amounts owing to the Architect which funds were used for down payments of certain purchasers including the Vace Korean Purchasers. This appears to be reflected in an e-mail dated on or about March 1, 2007 from John Yoon to Bob Gore, attached hereto as **Appendix "S"**, which indicates that in order to obtain sufficient unit sales, a portion of the fees payable to the Architect were used as down payments for the Vace Korean Purchasers.

Advance from Vace

136. The comments in the February 2009 E-Mail regarding Rose loaning a party \$500,000 which it "put back as down-payment of the units" seems to refer to Vace. As discussed

above, in 2006, Rose borrowed the 2006 Turfpro Loan of \$500,000 from Turfpro. The 2006 Turfpro Loan documents set out that the 2006 Turfpro Loan was guaranteed by Vern Heinrichs and Victor Heinrichs.

137. Rose's records further indicate that Rose, within a few days of receipt of each of the instalments of the 2006 Turfpro Loan, forwarded cheques of an equal amount to Vace which, upon receipt, sent cheques back to Rose for amounts that were slightly less than the initial amount of the proceeds Vace received. For example, after receiving the first instalment of the 2006 Turfpro Loan on May 19, 2006, Vace borrowed \$200,000 from Rose on May 22, 2006, by way of a promissory note. On May 23, 2006, Vace paid to Rose \$190,387 by certified cheque. Similarly, on September 7, 2006, Rose paid \$150,000 to Vace by certified cheque.
138. Attached as **Appendix "T"** is a document entitled "Agreement between Vace Investments and Rose of Sharon" that confirms Rose loaned the 2006 Turfpro Loan to Vace. The bottom of Appendix "T" states (including handwritten additions) that "Turfpro loaned Rose \$500,000 for down payments. Rose loaned this \$500,000 to Vace for loans to purchasers for down payments. Any down payments made on units sold after this loan were to be paid to Turfpro to repay their loan."
139. However, while the information in Appendix "T" indicates that the funds were to be used for down payments, neither Rose's records nor the records provided by Vace substantiate a direct link to any particular RTOA between Rose and a Unit-holder.
140. Rose's financial statements for the year ended December 31, 2006 reflect loans receivable of \$593,212 which amount includes a loan to Vace of \$500,000. This loan has not, to the Receiver's knowledge, been repaid. The Receiver has not yet commenced efforts to pursue collection of the \$500,000 from Vace and will review this matter further with counsel.

Additional payments by Unit-holders

141. Earlier in this Third Report, the Receiver set out that a significant portion of the funding required by Rose to complete the construction of Rose, and manage its operations, were obtained from Unit-holders (the Rose Promissory Notes – see paragraphs 99 to 100). The effect of this manner of funding on Rose is discussed in the next section.

v) **Current Status of Life-Lease Units and Monthly Payments**

142. In order to perform a comprehensive analysis of the status of the Life-Lease Residence, it was the Receiver's view that the Receiver should also obtain documents directly from Unit-holders to corroborate the information included in Rose's records. To that end, by letter dated October 19, 2011 (with second requests sent on November 16, 2011, where appropriate), the Receiver wrote to Unit-holders at the addresses included in Rose's records, and requested certain information from the Unit-holders, including documents in their possession relating to their purchase of the Life-Lease Units. The form of letter initially sent to Unit-holders on October 19, 2011 is attached as **Appendix "U"**.

143. In response to its correspondence to Unit-holders, the Receiver received responses from both Unit-holders and other parties having direct or indirect financial interests in the individual Units. The responses received provided information on 78 of the 89 Life-Lease Units that were at some point subject to an RTOA (excluding the 1 Unsold Unit) or option to purchase. The Receiver intends on relying on Rose's records for the 11 units in respect of which responses have not been received.

144. With respect to the one Unsold Unit (unit #808), there is no evidence in Rose's records to indicate that any party currently has an interest in that unit.

145. While the Receiver had intended, as noted in the First Report, to publish an advertisement in a newspaper to attempt to identify individuals who had not responded to the Receiver, in view of the limited number of parties who have not responded and the uncertainty, based on information provided by Mr. John Yoon, of whether those parties are in the

Toronto area, the Receiver has not at this time proceeded to incur the costs associated with placing an advertisement.

146. As set out in paragraphs 23 to 27, based on the Receiver's analysis of the RTOAs and supporting documentation, the Receiver has grouped the Life-Lease purchasers listed in Appendix "E" into the following categories:

- 27 units purchased by arm's length purchasers (representing purchasers of Korean heritage) (the Arm's Length Units);
- 1 arm's length unit that appears to have been abandoned by the purchaser (the Arm's Length – Abandoned Unit);
- 16 units purchased by former directors of Rose and/or their spouses (the Director Units);
- 2 units purchased by Mugungwha (the Mugungwha Units);
- 18 units purchased by non-arm's length purchasers (i.e. investors) representing purchasers who appear to have purchased units for investment or for purposes other than personal occupation (the Non-Arm's Length Units). These 18 units are composed of the 11 units purchased by the First Vace Purchasers, 1 additional unit purchased by Anne-Marie Heinrichs, 3 of the 18 Vace Korean Purchasers units for whom letters of release for their Life-Lease Units could not be located, 2 units for which Robert Berg/ACC is the Unit-holder and 1 unit purchased by Leon Hui;
- 16 units originally purchased by Unit-holders who appear to have subsequently released their interests in the units back to Rose, including 15 of the 18 Vace Korean Purchasers and unit #312 purchased by Esther Yoon (the Released Units);
- 6 units occupied by Unimac (the Unimac Units);

- 3 units for which RTOAs were provided to Turfpro in exchange for various loans (the Turfpro RTOA Units);
- 4 units for which options to purchase were provided to Turfpro in exchange for various loans (the Turfpro Option Units); and
- 1 unsold unit (the Unsold Unit).

The total number of grouped units above totals 94 instead of 90 as four units are potentially subject to the interests of more than one party (unit #207 is being claimed by both Unimac and Mugungwha Homes, unit #310 is a released unit but is also subject to an option to purchase in favour of Turfpro, unit #802 is being claimed by Jane Kim and is a Turfpro Option Unit, and unit #PH8 is being claimed by Unimac and is a Turfpro Option Unit).

147. A discussion of the groupings of Life-Lease purchasers listed in Appendix “E” is as follows:

Arm’s Length Units

148. While the terms of the RTOA require that a Life-Lease purchaser “use the unit for residential purposes”, the Receiver notes that two Arm’s Length Units purchasers own two units (Mary Chon – unit #304 and unit #306; Sang-Hyun An and Chang Y An – unit #809 and unit #811). In addition, only 4 of the 27 Arm’s Length Units (unit #707, unit #708, unit #806 and unit #912) are actually occupied by the purchaser of the unit with the rest of the Arm’s Length Units being occupied by either a relative (8 units), a third party tenant (12 units) or are vacant (3 units).

Arm’s Length – Abandoned Unit

149. Rose’s records indicate that Choo-Kook Chang executed an RTOA for unit #701 on April 21, 2005 and Soon Ki Chang executed an RTOA for unit #902 on May 14, 2005. As the Receiver could not locate current addresses for these parties, the Receiver consulted Mr.

Yoon who advised that Choo-Kook Chang and Soon Ki Chang were husband and wife, and that while Soon Ki Chang had previously advised him that she no longer wanted the Unit, Mr. Yoon could not recall if Choo-Kook Chang had indicated that he also no longer wanted his unit. Mr. Yoon indicated that he considered both units as being available for sale. Accordingly, the Receiver has categorized Soon Ki Chang's unit as an Arm's Length - Abandoned Unit and Choo-Kook Chang's unit as a Non-Arm's Length Unit (since Rose's records identified Choo-Kook Chang as a Vace Korean Purchaser but no letter of release could be located).

Director Units

150. Former Rose directors or their spouses have purchased 16 units. Young Jeon, Sun Hwa Lee and Albert Yoon have each purchased two units while Lawrence Kim/Klara Kim have purchased three units. In addition, John Yoon along with his wife Moon Yoon are named purchasers of three units (unit #710, unit #712, and unit #1011).
151. With respect to John Yoon and his wife Moon Yoon, they entered into a RTOA dated November 1, 2000 for the purchase of one unit for a net purchase price of \$155,000. In 2006, the unit was divided into two separate units, unit #1009 and unit #1011. On November 1, 2006, Mr. & Mrs. Yoon were granted a 10% purchase price rebate which was to be provided at the time of closing. Mr. & Mrs. Yoon made down payments of \$46,500 prior to the division of the units and made further payments totalling \$55,000 in 2008 and 2009 after the unit's division (for a total of \$101,500).
152. On June 14, 2011, Mr. & Mrs. Yoon sold their interest in unit #1009 to Morgiana Lee for a purchase price of \$155,000 (Mr. Yoon still is the Unit-holder for unit # 1011). Ms. Lee paid a deposit of \$65,000 to Rose leaving a balance of \$90,000 due on closing. Ms. Lee did not loan any funds to Rose.
153. Based on its review of the transaction, and as Ms. Lee's deposit was paid to Rose suggesting that she was replacing Mr. and Mrs. Yoon as purchaser, the Receiver would have expected that the amount repayable to Mr. & Mrs. Yoon would have been \$101,500

representing the amounts they paid Rose towards that unit. According to Rose's records, Rose paid a total of \$116,050 to Mr. & Mrs. Yoon in three separate payments on July 7, 2011, August 16, 2011 and August 25, 2011. Attached as **Appendix "V"** is correspondence provided by Mr. Yoon which includes his explanation for the amount of the payment by Rose. The Receiver continues to investigate this matter and will, if it considers appropriate following a review with its legal counsel of this transaction, seek to recover any amounts the Receiver considers to have been overpaid to Mr. and Mrs. Yoon.

Mugungwha Units

154. Two of the RTOA's for the Arm's Length Units have been entered into with Mugungwha, namely unit #205 and unit #207 (this unit is currently in the possession of Unimac which is leasing the unit to a third party tenant).
155. Mugungwha raised a portion of the funds that Rose used as its equity contribution to the Project. John Yoon is Mugungwha's Fundraising Coordinator. John Yoon advises that Mugungwha purchased the units with the intent of using them for Korean community functions.

Non-Arm's Length Units

156. The 18 units grouped under the title Non-Arm's Length Units can be further described as follows:
 - 2 units purchased by Robert Berg/ACC. ACC operates its business out of both units;
 - 1 unit purchased by Leon Hui, a principal of Unimac. This unit is rented out to a third-party tenant;
 - 12 units purchased by individuals financed by Vace (the eleven First Vace Purchasers, which includes 2 units purchased by Anne-Marie Heinrichs, and a

twelfth unit subsequently purchased by Anne-Marie Heinrichs). These units were purchased to be rental properties. None of these units is currently occupied: and

- 3 units which were purchased by Vace Korean Purchasers for which letters of release could not be located in Rose's records.

Released Units

157. As discussed above, 15 purchasers whose deposits appear to have been financed by Vace released their respective interests in the units for which those purchasers were originally named as purchaser in an RTOA. These purchasers were referred to earlier in this report in the discussion of the Vace Korean Purchasers (See paragraphs 132 to 134). One further unit, unit #312 purchased by Esther Yoon, was also released back to Rose. Rose's records do not appear to indicate that this purchaser should be included with the Vace Korean Purchasers.

Unimac Units

158. Rose's records indicate that with reference to the Unimac MOU, Rose and Unimac entered into the following RTOAs:

Unit #	Date of RTOA	Price
207	November 2008	\$ 281,140
301	November 2008	269,900
303	November 2008	249,740
309	September 2009	351,000
PH1	September 2009	457,930
PH8	September 2009	691,000
		\$ 2,300,710

A sample copy of the RTOA for unit #301 (formerly unit #UM2) is attached hereto as **Appendix "W"**. The Receiver has been unable to locate a copy of the RTOA for unit #309.

159. It would appear that the RTOAs for the Unimac Units were to be held in a form of escrow arrangement in the event that Rose defaulted on the terms of the Unimac MOU. When

Rose apparently failed to pay the Unimac Debt resulting in Unimac declaring Rose in default of the terms of the Unimac MOU, Unimac took possession of the Unimac Units upon the issuance of the Occupancy Permit and began renting out the units to tenants. The Receiver notes that Unimac did not pay any deposits on these Units and has not paid any Maintenance Fees in respect of the Unimac Units.

160. Notwithstanding Unimac's taking of possession of the aforementioned units, Rose has maintained that Unimac also defaulted on the terms of the Unimac MOU in that Unimac failed to obtain substantial completion of the Project and an Occupancy Permit by March 31, 2009. It was Rose's position that the Unimac MOU was no longer binding.

Turfpro Units

161. The Receiver set out earlier in this Third Report (see paragraphs 82 to 96) that Turfpro provided various loans to Rose. In consideration for those loans, among other things, Rose i) entered into RTOAs for unit #305, unit #PH5 and unit #PH7 (the Turfpro RTOA Units) and ii) Rose provided options to purchase unit #310, unit #802, unit #PH3 and unit #PH8 (the Turfpro Option Units). Unit #802 was subsequently sold by Rose to Jane Kim (an Arm's Length Purchaser). The proceeds from the sale were received and retained by Rose.
162. Neither the Turfpro RTOA Units nor the Turfpro Option Units are occupied except for unit #PH8 which Unimac has taken possession of, and unit #802 (sold by Rose to Jane Kim). While Ms. Kim does not appear to have made any deposits on account of the unit, according to Rose's records and information provided by Ms. Kim, Ms. Kim has loaned \$100,000 to Rose by way of promissory note.

Unsold Unit

163. As set out above in paragraph 144, there is only one unit, unit #808, which does not appear to be subject to an RTOA or an option to purchase. As at the Appointment Date, Rose was actively marketing this unit for sale (along with the Released Units).

Monthly Payments

164. Each month, Life-Lease purchasers are required to remit to Rose their Amended RTOA Payment, if any, and Maintenance Fees (“**Unit-holder Payments**”). Since the time of their occupancy up to and including the Appointment Date, many Unit-holders have failed to make certain, and in some cases all, of their Unit-holder Payments.
165. For instance, no Unit-holder Payments have been received from the First Vace Purchasers or Unimac (in respect of the Unimac Units). Also, certain Unit-holders who are renting their units to third parties have failed to pay a substantial portion of their Unit-holder Payments.
166. Sterling advises that for the period from November 1, 2011, the effective date for which Sterling became Property Manager of the building, to December 31, 2012, there are a number of Unit-holders who are not paying the monthly Maintenance Fees, notwithstanding monthly written notices that Sterling delivers to the Unit-holders. Pending a determination as to the Unit-holders’ rights to their units, the Receiver has refrained from instituting formal collection proceedings to effect collection of the unpaid amounts.
167. The Receiver calculates that the amount of unpaid Unit-holder Payments up to September 30, 2012, including for the period prior to November 1, 2011, is approximately \$960,000.

BUILDING CONDITION

168. As reported in the First Report, following the Receiver’s appointment, Mr. Yoon provided the Receiver with a schedule prepared by the Architect which listed construction deficiencies the Architect had identified. The Architect’s schedule of deficiencies, which was attached as Appendix “C” to the First Report, indicated that the estimated cost to remedy the deficiencies was in excess of \$500,000.
169. The Receiver also met with representatives of two contractors: Fire & Ice, the contractor engaged by Rose to provide repair and maintenance services to the Property prior to the

Appointment Date, and Diversatech Mechanical Ltd. (“**Diversatech**”), a contractor engaged by the Receiver to rectify certain heating issues in the building. Both contractors advised the Receiver of deficiencies they had noted in the building construction.

170. In order to independently assess the condition of the building and determine if there were issues requiring rectification, the Receiver engaged Norman Lee & Associates Ltd., consulting engineers, (“**NLA**”) to conduct a building condition assessment.
171. In its Building Audit Report (“**BAR**”) dated March 2012, NLA identified a number of major deficiencies in the building, including:
 - a. the windows installed in the Project failed to meet the criteria set out in the Contract specifications for air tightness, water tightness and insect screen strength and must be replaced;
 - b. sliders on all sliding glass doors do not meet *Ontario Building Code* requirements and must be replaced;
 - c. all balcony guardrails do not meet *Ontario Building Code* requirements in that they are not 42 inches from the bottom track of the sliding door to the top of the rail, and in many instances the balcony guardrail openings exceeded the maximum four inch *Ontario Building Code* requirements. All balcony guardrails will have to be retrofitted to meet *Ontario Building Code* requirements;
 - d. numerous deficiencies with respect to the Electrical Safety Code;
 - e. laundry machines had never been connected and were not operational;
 - f. no air and water balancing were performed to the air and hydronic systems;
 - g. the heat exchanger and its hydronic coil were installed contrary to the Contract specification;

- h. the mechanical penthouse roof leaked during rain events due to the lack of a waterproofing membrane and had to be waterproofed;
- i. the brick masonry termination at the southeast corner of the building was left incomplete, exposing the wall to direct water penetration;
- j. the concrete in the parking garage is leaking. Testing showed that the Chloride Ion content exceeded the maximum allowed. This was the result of the failure to install a waterproofing membrane;
- k. the drywall is cracked at many door frames, which could be caused by improper site assembly of the door frame and/or inadequate metal stud framing around the door opening; and
- l. paint in some units was so thin it does not fully cover the drywall.

172. NLA has verbally advised the Receiver that the estimated cost to rectify the deficiencies NLA had identified could exceed \$3.0 million.
173. NLA reported that the heating, ventilation and air conditioning systems (“HVAC”) for the building had not been properly commissioned after installation which resulted in a failure of the systems to work properly if at all. The Receiver directed NLA to conduct a review of the HVAC system in order to identify the necessary commissioning requirements and repairs necessary to make the system operational. Based on NLA’s review, the cost of completing these repairs is at least \$140,000.

STATEMENT OF CLAIM AND CONSTRUCTION LIEN LITIGATION

Statement of Claim

174. Given the extent of the deficiencies identified by NLA, according to the definition set out in the Construction Contract and the *Construction Lien Act*, R.S.O. 1990, C. C.30, the Receiver concluded that significant deficiencies existed and continue to exist such that the

Project was not, and could not have been, substantially complete on September 17, 2010 when the Certificate of Substantial Performance was issued by the Architect.

175. By letter from Gowlings dated May 4, 2012, Unimac was provided with notice of default under the Construction Contract and was given five working days to correct the deficiencies as set out in the BAR. By letter dated May 9, 2012 to Gowlings, Unimac, through its counsel, claimed that it had not received the BAR. By letter dated May 14, 2012, a second copy of the BAR was forwarded to Unimac. Unimac has not responded to the Receiver or Gowlings, and has not corrected any of the deficiencies.
176. By letter dated June 1, 2012, Gowlings advised Trisura, the surety of the \$7,420,000 Performance Bond issued in respect of the Construction Contract, i) of Unimac's default under the Construction Contract and its failure to correct the default; and ii) that Rose, by its Receiver, is entitled to enforce its rights pursuant to the terms of the Performance Bond.
177. A condition of the Performance Bond was that "any suit or action must be commenced within two (2) years from the earlier of (1) the date of Substantial Performance of the contract as defined in the lien legislation where the work under the Contract is taking place ... or (2) the date on which the Principal is declared in default by the Obligee."
178. By e-mail correspondence dated July 17, 2012, Borden Ladner Gervais LLP ("BLG"), counsel to Trisura, advised that Trisura's preliminary position was that Rose had declared Unimac in default of the Construction Contract on June 4, 2010 and/or June 16, 2010 such that it was Trisura's position that the two year period in which an action could be commenced had expired on June 16, 2012. By letter dated July 19, 2012, Gowlings advised BLG that the alleged default in June 2010 related to a delay claim which was subsequently remedied by Unimac by virtue of the eventual issuance of the occupancy permit by the City of Toronto in November 2010 and that Rose's current claim relates to Unimac's failure to rectify its deficient work. Accordingly, it was the Receiver's position

that the two year period for commencing an action began on September 17, 2010, the date of substantial completion of the Project, and ended on September 16, 2012.

179. Given Trisura's refusal to accept Rose's claim against the Performance Bond, on September 14, 2012, Rose, by its Receiver, issued and served a Statement of Claim (the "**Statement of Claim**") against i) Trisura in that it is liable to Rose for all damages incurred as a result of the breaches by Unimac pursuant to the Performance Bond; ii) Unimac Group Ltd. operating as Mikal-Calladan Construction Inc., Unimac Group Ltd., Mikal Calladan Construction Inc., iii) Victor J. Heinrichs Architect Inc., Victor J. Heinrichs Inc., iv) York Health Care Developments Inc. ("**York**"), v) Jain & Associates Limited ("**Jain**"), and vi) M.V. Shore Associates (1993) Limited ("**MV Shore**") for breach of contract and/or negligence in connection with the Project.
180. York was retained by Rose to act as Project Manager. Jain was retained by Rose as engineering consultants to prepare mechanical, plumbing and electrical specifications for the Project. Jain also acted as electrical consultant to the Architect. MV Shore acted as mechanical engineers on the Project and as consultant to the Architect.
181. The Receiver is in the process of reviewing the Statements of Defence that have been filed in response to the Statement of Claim. The Receiver will provide in a future report to the Court an update on the status of the Statement of Claim proceedings.
182. Given Trisura's refusal to rectify the deficiencies, the Receiver is, subject to having sufficient funds, moving forward with rectification of the deficiencies in the HVAC systems and is intending to proceed to obtain proposals to address the other significant deficiencies identified by NLA. As of December 31, 2012, the Receiver has incurred costs of approximately \$192,000 on repairs and maintenance for the Property.

Construction Lien Litigation

183. As set out in Paragraph 70 of this Third Report, the Unimac Lien was assigned to Trisura. Pursuant to Section 37 of the *Construction Lien Act*, Unimac was required to set the

Construction Lien action (the “**Lien Action**”) down for trial by December 31, 2012, failing which the lien would expire.

184. As set out in the Second Report, in view of the stay of proceedings provisions of the Appointment Order, Trisura requested the Receiver’s consent to lift the stay of proceedings in order for Trisura to set the Lien Action down for trial. As Trisura would not agree to the terms on which the Receiver would provide its consent, Trisura brought a motion, heard on December 21, 2012, for an Order lifting the stay of proceedings in order that Trisura could set the Lien Action down for trial.
185. As discussed in Paragraph 4 of this Third Report to the Court, and as set out in the December 27 Order, the Court ordered the lifting of the stay of proceedings on the terms set out in the December 27 Order.
186. The Receiver will provide in a future report to the Court an update on the status of the Construction Lien litigation.

CONDOMINIUM CONVERSION

187. As set out in the First Report, the building was not constructed under the terms of the Tarion warranty program as sales of life leases are not subject to the Ontario New Homes Warranty Act. As such, the building’s units could not be sold initially as condominium units. Rose’s plan was to eventually convert the Property to condominiums, such that the Nursing Home would comprise one condominium, and the individual units of the Life-Lease Residence would constitute individual condominiums. By the conversion of the Life-Lease Residence to condominiums, Rose intended to facilitate purchasers’ ability to secure financing to acquire their Life-Lease Units. Registration of a condominium plan for the Property was also a requirement of Peoples’ loan to Rose.
188. While there is draft plan approval for the two plans, one with respect to the Nursing Home and the other with respect to the Life-Lease Residence, the process stalled as Rose did not

have the expertise to respond to outstanding questions, nor the time or the money to deal with finalizing the process.

189. Gowlings advises that it is advantageous to continue the process of creating two condominium plans, one to separate as condominium units the Nursing Home and the remainder of the building, and the second to create condominium title for each of the 90 residential Life-Lease Units.
190. In the First Report, the Receiver set out that the condominium plans have been draft approved and can proceed to registration subject to completion of a number of conditions and tasks including:
 - (a) conveyance of a 2.2 metre strip of land along Vaughan Road to the City of Toronto owned by Rose. Proof of the non-contaminated condition of these lands has been provided to the City by way of a site condition filing and a confirming letter from environmental consultants which had been obtained by Rose prior to the receivership. It appears the conveyance to the City can be made (subject to completion of the other documents as set out in (b) and (c));
 - (b) completion of the condominium declaration and other condominium documentation; and
 - (c) creation of various easements required for access and passage over parts of the Property and completion of agreements for some shared services.
191. Gowlings advises that it requires the coordination of the surveyor and to retain an architect to finalize the Draft of Plan of Condominium and certify the easements and reciprocal rights of ways have been correctly identified in the Declaration. The Receiver requires certification from an engineer or architect to certify that the building has been completed in accordance with the *Condominium Act*.
192. The deadline for submission of materials to the City in respect of approval of the Draft Plan of Condominium is May 26, 2013. Gowlings has advised that it will not be in a

position to have the required documentation completed by that date and, accordingly, Gowlings will be seeking from the City an extension of the deadline.

193. The Receiver will provide an update on the status of the conversion to condominiums in a future report to the Court.

NURSING HOME UPDATE

194. The Nursing Home is fully occupied, and has been essentially fully occupied since the Appointment Date.
195. On April 2 through May 28, 2012, the MOHLTC conducted its annual Resident Quality Inspection (“**RQI**”) of the Nursing Home. The MOHLTC issued eighteen written notices of non-compliance with certain provisions of the *Long-Term Care Homes Act, 2007* (the “**LTCHA**”). Each written notice requested that a written plan of correction for achieving compliance be prepared. ACC has advised the written plans were prepared.
196. Attached hereto as **Appendix “X”** is an operating statement for the period January 1 to November 30, 2012 for the Nursing Home. As set out on the operating statement, the Nursing Home has generated positive net operating income of \$240,338, which is \$75,900 or 46% greater than budgeted operating income. Approximately \$31,000 of the positive variance is due to savings in leasing costs which is the result of the Receiver exercising buyout rights for certain leased equipment whereas the budget anticipated ongoing lease payments. Another significant component of the positive variance is lower than anticipated costs for various operating expenses, including realty tax expense which is \$75,901 less than the budgeted expense as the City had not revised property taxes for the year as anticipated in the budget.
197. In the First Report, the Receiver set out that there were approximately 47 Nursing Home employees (the “**Union Employees**”) who were represented by the United Food and Commercial Workers International Union, Local 175 (“**UFCW**”), and that by letter dated November 8, 2011 from the UFCW to the Receiver, the UFCW gave “notice of its intent

to open negotiations for the purpose of amendments and modifications to the current Collective Agreement.” Gowlings responded to the UFCW that the Receiver will not be negotiating a collective agreement, but will honour the terms and conditions of employment that were in place at the Appointment Date.

198. The Receiver has not had further communications with the UFCW and continues to honour the terms and conditions of employment that were in place at the Appointment Date.
199. The management agreement with ACC (the “**Nursing Home Management Agreement**”) provides for annual renewals on the anniversary of the Appointment Date unless one party provides notice to the other party 60 days prior to the end of the successive one year period. As neither party gave notice of termination of the management agreement, the agreement was renewed for a one year period on September 27, 2012.
200. In the First Report, the Receiver set out that Pursuant to section 110 of the LTCHA, the Nursing Home Management Agreement must be approved by the Director and that as of the date of the First Report, the Receiver had not yet received the Director’s approval of that agreement. On December 29, 2011, the Director’s approval was received by the Receiver.

PROPERTY MANAGEMENT AGREEMENT

201. The property management agreement with Sterling expired by its term on October 31, 2012. The Receiver has renewed the property management agreement for a further 12 month period.

REALIZATION CONSIDERATIONS FOR THE PROPERTY

202. The Receiver engaged Altus Group Limited (“**Altus**”) to provide an appraisal of the Property. The appraisal set out that, among other things, subject to considering the impact on funding previously provided to Rose by MOHLTC, the highest net return on the Property would result from the conversion of the three floors that comprise the Nursing

Home to residential condominium units. The appraisal also states that the highest and best use of the units within the Life-Lease Residence is as residential condominiums.

203. In addition, the Receiver engaged in correspondence/discussions with three real estate brokerage firms and three real estate advisory firms to obtain their views/proposals regarding strategies for the disposition of the Property. Although only certain of those parties provided information to the Receiver, based on that information, it appears that conversion of the Property to a residential condominium building or a multi-residential building could increase the value of the Property.
204. The Receiver has not, at this time, performed an analysis of the costs/benefits of converting the entire Property to a residential condominium building or a multi-residential property due to the existence of the Life-Lease Residence, and the potential interests as at the Appointment Date of the Unit-holders therein.
205. Due to the possible impact that public disclosure of the financial and valuation information could have on any marketing and sale process that may be undertaken by the Receiver, the Receiver has not in this Third Report included the Altus appraisal nor the information received from the real estate brokerage firms and the real estate advisory firms.

REQUEST FOR ADVICE AND DIRECTION

206. The First Report and this Third Report set out the various interests, and effectively claims, different parties have to the Life-Lease Units, including Peoples, subsequent mortgagees/secured creditors, Unit-holders or lenders to Unit-holders.
207. In the First Report, the Receiver set out that it had received Blaneys' opinion that, subject to the standard qualifications set out therein, the security held by Peoples is a legal, valid and binding obligation of Rose that is enforceable against Rose. As at the Appointment Date, Rose's indebtedness to Peoples was approximately \$15 million. As at December 31, 2012, Rose's indebtedness to Peoples was approximately \$16.2 million excluding the

\$500,000 advanced by Peoples to the Receiver in consideration for a Receiver's Certificate.

208. The Receiver is currently continuing with the conversion of the Life-Lease Units to condominiums and anticipates that that process will be completed within the next four to five months. At that time, the Receiver will be in a position to formulate a disposition strategy for the condominium units. In order to develop the marketing strategy, the priority interests in the Life-Lease Residence units need to be determined. The Receiver believes that this determination will influence the Receiver's strategy on dealing with the individual units and possibly the Receiver's ability to source funding for additional borrowings that the Receiver will require to carry out that strategy.
209. As a result, the Receiver is of the view that now is the appropriate time to establish which party/parties has the primary interest(s) in the Life-Lease Units.
210. Peoples has advised the Receiver that it will be filing a motion in which Peoples will set out its position on priority. It is the Receiver's understanding that Peoples' position is that:
 - a) the claims of all Unit-holders against the Property or its proceeds, whether under RTOAs or otherwise, and any tenants of such Life-Leases, are subordinate to the claims of Peoples;
 - b) the Receiver should take all commercially reasonable steps to register the Property as a condominium, pursuant to the *Condominium Act* and related regulations; and
 - c) that upon registration of the Property as a condominium under the *Condominium Act* (the "**Registration Date**"), the Receiver may market and sell all condominium units (including a unit or units in respect of the Nursing Home) comprising the Property, free and clear of any and all claims of any person, including the claims of Unit-holders, and free and clear of any ownership or proprietary claims, security interests, hypothecs, mortgages, trusts, deemed trusts, liens, executions,

levies, charges, or other financial, monetary or proprietary claims, whether perfected or not perfected, registered or unregistered, secured, unsecured or otherwise.

211. Blaneys has verbally provided the Receiver with its opinion that it is in agreement with Peoples' position that the Construction Mortgage has priority over the interests of all of the Unit-holders.
212. The Receiver recognizes that various Unit-holders may wish to make submissions to the Court on the issue of priority. In that regard, the Receiver is concerned of the possibility that a number of different counsel will be engaged by the Arm's-Length Claimants. As it appears to the Receiver, based on the documentation it has reviewed, that the circumstances relating to the Arm-Length Unit-holders' interests in Rose may be similar, the Receiver is of the view that it would be more efficient for the Arm's Length Claimants, the Receiver and the Court if the interests of the Arm's Length Claimants were represented by one firm ("**Representative Counsel**"). Peoples has advised the Receiver that should Representative Counsel be appointed on terms that are acceptable to it, Peoples would support the appointment of Representative Counsel and its funding from the receivership estate.
213. The Receiver intends on serving its report on the Unit-holders, including those who have released their interests in their units, whose addresses are known to the Receiver (88 of 90 units – the Receiver has been unable to obtain a current address for the Unit-holder of the Arm's Length – Abandoned Unit, and 1 unit is unsold), and on the 28 tenants in Life-Lease Units.
214. The Receiver may file a further report with this Court, including any recommendations of the Receiver as may be appropriate, after the Receiver has reviewed the submissions, if any, that may be provided by the various stakeholders to whom this Third Report is served, and any other parties who respond to this motion.

FUNDS AT KOREAN (CANADA) CREDIT UNION

215. As reported in the First Report, Rose maintained three accounts at KCU which at the Appointment Date contained \$205,148.61 (the “**KCU Funds**”). On or about October 14, 2011, KCU advised the Receiver that KCU intended to set off against the KCU Funds, \$150,000 representing loans that KCU had made to certain current and former members of Rose’s board of directors which loans had been guaranteed by Rose. The Receiver advised KCU that it was not permitted to apply such a set off and that all of the KCU Funds should be remitted to the Receiver. KCU advised that it required direction from its board of directors which was to meet on October 20, 2011, and that it would thereafter provide its position to the Receiver. On October 24, 2011, Gowlings wrote to KCU to advise KCU that the Receiver expected to receive without setoff the KCU Funds and if KCU maintained its position that it would set off the KCU Funds against the amounts KCU loaned to certain individuals, KCU should provide to Gowlings documentation in support of KCU’s position. KCU did not provide the Receiver or Gowlings with documentation to support its position.
216. Based on a review of the bank statements that comprise the KCU Funds, it appears that on October 25, 2011, KCU set off \$150,000 against the KCU Funds. As at November 30, 2012, the balances of Rose’s accounts at KCU total \$37,437.13.
217. To date, KCU has not provided to the Receiver the KCU Funds nor has KCU provided the Receiver with the basis upon which it was proposing to set off against the KCU Funds amounts equal to Rose’s guarantee of loans provided by KCU to Rose’s former directors.
218. It is the Receiver’s position that KCU did not, and does not, have the right to apply the setoff. Therefore, the Receiver is seeking an order from this Court directing KCU to pay to the Receiver, without setoff, contra or deduction, an amount equal to the KCU Funds plus any interest that would have been earned thereon, net of any bank charges levied against those funds that are approved by the Receiver.

SECURED CREDITORS

219. In the First Report, the Receiver noted that Canada Revenue Agency had not yet performed audits of Rose's payroll deductions and HST accounts which audits were scheduled for the week of December 5, 2011.
220. CRA conducted its audits of Rose's payroll deductions and GST/HST accounts on December 5, 2011 and December 7, 2011 respectively. The results of the payroll audit were that there were no amounts owing by Rose.
221. With respect to GST/HST, by letter dated January 25, 2012, CRA advised the Receiver that the GST/HST payable was \$3,527,072.50, inclusive of penalties and interest of \$224,606.63. Of the total amount outstanding, CRA informed the Receiver that \$15,318.77 is held in trust pursuant to Section 22(3) of the *Excise Tax Act*.

TRANSFERS UNDER VALUE

222. In the First Report, the Receiver reported that it had commenced a review of Rose's transactions for the one year period preceding the Appointment Date in order to determine if there were any transfers at under value that could be subject to review pursuant to the provisions of the *Bankruptcy and Insolvency Act* and that it was awaiting receipt from KCU of photocopies of the bank statements and cancelled cheques that the Receiver had been unable to locate.
223. The Receiver subsequently received the copies of the bank statements and cancelled cheques it had requested enabling the Receiver to complete its review. Based on its review, other than the payments to John and Moon Yoon identified above in paragraphs 151 to 153, the Receiver has not identified any transactions that it believes requires further investigation or pursuit.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

224. Attached hereto as **Appendix "Y"** is the Receiver's Interim Statement of Receipts and Disbursements for the period September 27, 2011 to December 31, 2012 (the "R&D"). The R&D indicates that as of December 31, 2012, the balance in the Receiver's bank account in respect of Rose, including the account maintained by Sterling but prior to consideration of the balance in the bank account maintained by ACC relating to the operations of the Nursing Home, is \$246,055.
225. The R&D includes receipts from the MOHLTC on account of monthly funding of the Nursing Home. In accordance with the Appointment Order, this funding is transferred to the bank account established for Nursing Home operations that is maintained by ACC. Any excess funds not required for operation of the Nursing Home are transferred back to and held in the Receiver's bank account.
226. The R&D also reflects the receipts and disbursements relating to the Life-Lease Residence.
227. The Receiver is seeking the Court's approval of the R&D.

STATUTORY REPORTS

228. Attached as **Appendix "Z"** are copies of the Report(s) of Receiver pursuant to section 246(2) of the *Bankruptcy and Insolvency Act* for the six month periods ending March 31, 2012 and September 30, 2012.

RECEIVER'S BORROWINGS

229. The Appointment Order authorizes maximum Receiver borrowings of \$500,000. In the First Report, the Receiver reported that it did not anticipate the need to borrow funds at least in the short term as cash-on-hand appeared to be sufficient to fund operations and other receivership costs.

230. A number of matters have since arisen that have negatively impacted the Receiver's cash flow situation, including the following:
- while initially approximately 31 Unit-holders were making monthly payments in respect of their units, payment compliance has deteriorated resulting in much lower receipts than anticipated. In the month of December 2012, only 19 Unit-holders submitted monthly payments totalling \$15,854;
 - higher repairs and maintenance costs than anticipated as deficiencies identified by NLA and Sterling are being addressed by the Receiver; and
 - higher Receiver and legal fees due to the increased time required to review and analyze the issues involved with the Life-Lease Residence.
231. Pursuant to a Receiver's Certificate dated February 6, 2012, the Receiver borrowed \$500,000 from Peoples to be used to fund Rose's operations and pay receivership costs.
232. In view of the ongoing issues involved with the Life-Lease Residence and the Property in general, and the deficiencies identified by NLA that will require significant expenditures to remediate, the Receiver anticipates requiring significantly more funds in the future to fund repairs and maintenance, and the professional costs associated with the receivership.
233. While the Receiver has commenced proceedings against various parties including Trisura in connection with the building deficiencies, it is uncertain when these proceedings will be resolved and of the amount that may be paid to the Receiver.
234. The Appointment Order provided for a maximum borrowing limit by the Receiver of \$500,000. At this time, the Receiver is seeking an Order increasing the Receiver's borrowing limit to \$1,500,000. An additional increase in the amount of the borrowing limit may be required in the future to address the repairs to and/or additional work at the Property.

STATEMENTS OF ACCOUNT OF THE RECEIVER AND ITS COUNSEL

235. The Receiver's fees for services rendered for the period November 16, 2011 to December 31, 2012 in respect of its activities as Receiver are particularized in the Affidavit of Daniel Weisz sworn February 8, 2013 and the invoices attached as exhibits thereto. The total amount of the invoices for this period is \$582,092.98, inclusive of HST ("**Receiver Fees**").
236. The fees and disbursements of Gowlings, counsel for Peoples Trust, in respect of work performed for the Receiver, for the period November 1, 2011 to December 31, 2012 will be particularized in an affidavit to be sworn. The total amount of the invoices for this period is \$244,168.52, inclusive of HST ("**Gowlings Fees**").
237. The fees and disbursements of Blaneys, independent counsel to the Receiver, in respect of work performed for the period November 1, 2011 to December 31, 2012 will be particularized in an affidavit to be sworn. The total amount of the invoices for this period is \$59,936.70, inclusive of HST ("**Blaneys Fees**").
238. The Receiver has reviewed the invoices of both Gowlings and Blaneys and finds the work performed and charges to be appropriate and reasonable.
239. The Receiver has sought and received the approval of Peoples to the Receiver taking interim draws against the fees of the Receiver and Gowlings.
240. The Receiver is seeking this Honourable Court's approval of its activities to December 31, 2012 and the Receiver Fees, Gowlings Fees and Blaneys Fees.

RECEIVER'S REQUEST TO THE COURT

241. The Receiver is respectfully seeking the advice and direction of the Court regarding the priority of claims between Peoples and the various creditors and Life-Lease purchasers. In addition, it is seeking an order:

- i) approving the Second Report and this Third Report and the actions and activities of the Receiver from December 9, 2011 to December 31, 2012;
- ii) approving the R&D;
- iii) approving the appointment of Representative Counsel in respect of the Arm's Length Claimants;
- iv) directing KCU to pay to the Receiver, without setoff, contra or deduction, the KCU Funds plus any interest that would have been earned thereon, net of any bank charges levied against those funds that are approved by the Receiver;
- v) increasing the maximum of the Receiver's borrowing limit to \$1,500,000; and
- vi) approving the Receiver Fees, Gowlings Fees and Blaneys Fees.

All of which is respectfully submitted to this Honourable Court.

DATED this 19th day of February, 2013.

Deloitte & Touche Inc.

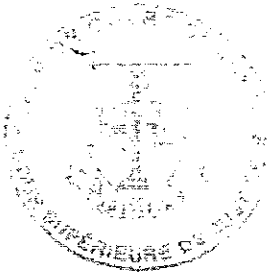
Receiver and Manager of the current and future
assets, undertakings and properties of
Rose of Sharon (Ontario) Retirement Community
and not in its personal capacity

Deloitte + Touche Inc.

Daniel R. Weisz, CA•CIRP, CIRP
Senior Vice President

Hartley Bricks, MBA, CA•CIRP
Vice President

TAB A



Court File No. CV-11-9399-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) **TUESDAY , THE 27th DAY**
)
JUSTICE C. CAMPBELL) **OF SEPTEMBER, 2011**

B E T W E E N:

PEOPLES TRUST COMPANY

Applicant

- and -

ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY

Respondent

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended, and under section 101 of the
Courts of Justice Act, R.S.O. 1990, c. C.43**

AMENDED AND RESTATED APPOINTMENT ORDER

THIS APPLICATION made by Peoples Trust Company ("Peoples Trust" or the "Applicant") for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing Deloitte & Touche Inc. ("Deloitte") as receiver and manager (in such capacities, the "Receiver") without security, of all of the

assets, undertakings and properties of Rose of Sharon (Ontario) Retirement Community (the "Debtor"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Michael Lombard sworn September 22, 2011, and the Exhibits thereto and on hearing the submissions of counsel for the Applicant and counsel for the Debtor no one appearing for any other party although duly served as appears from the Affidavits of Service of Alma Cano, sworn September 23 and September 26, 2011, and on reading the Consent of Deloitte to act as the Receiver,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record herein is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, Deloitte is hereby appointed Receiver, without security, of all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, wherever situate, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of

locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) subject to section 110 of the *Long-Term Care Homes Act*, S.O. 2007, c. 8 (the "LTCHA") to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) subject to section 110 of the LTCHA, to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order, and in this regard the Receiver is specifically authorized to retain counsel for the Applicant to advise and represent it save and except on matters upon which the Receiver in its judgment determines it requires independent advice, in which case the Receiver shall retain Blaney McMurtry LLP;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) Notwithstanding anything in this Order, the Debtor is the licensee (the "Licensee") of the long-term care home located at 17 Maplewood Avenue, Toronto, Ontario which forms a part of the Property (the "Home"). The

Home is currently licensed pursuant to the LTCHA and the regulations thereunder. Toronto Central Local Health Integration Network ("TC LHIN") will continue to pay the Licensee (and the Receiver will be entitled to receive such payments) pursuant to the Service Accountability Agreement in respect of the Home between the TC LHIN and the Debtor effective March 4, 2011 (the "SAA") and the Ministry of Health and Long-Term Care (~~together with the TC LHIN, the~~ "MOH") will continue to pay the Licensee (which payments shall be received by the Receiver in accordance with this Order) pursuant to ~~the existing agreement agreements.~~ Any monies received by the Debtor or the Receiver from the MOH or the TC LHIN shall be used or applied by the Receiver for the operation of the Home in accordance with the SAA, any agreement with the MOH and the LTCHA. Any payments by the TC LHIN shall be subject to TC LHIN review and reconciliation as provided for under the SAA and applicable law and written policy. Any payments by the MOH shall be subject to MOH review and reconciliation as provided for under any agreement with the Debtor or the Receiver and applicable law and written policy. For clarity, subject to the foregoing reconciliations, any surplus monies arising from the operation of the Home may be applied by the Receiver in accordance with this Order.

- (h) to settle, extend or compromise any indebtedness owing to the Debtor;
- (i) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (j) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;

- (k) to apply for such permits, licenses, approvals or permissions as may be required by any governmental authority with respect to the Property, including, without limitation, licenses under the LTCHA
- (l) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (m) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (n) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$50,000 provided that the aggregate consideration for all such transactions does not exceed \$200,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (o) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (p) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (q) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (r) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (s) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (t) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (u) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order, including without limitation Mr. Charles Daley and IWOK Corporation (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver and any party the Receiver retains in accordance with subparagraph 3(d) of this Order and section 110 of the LTCHA, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the

information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver or any party the Receiver retains in accordance with sub-paragraph 3(d) of this Order and section 110 of the LTCHA (the "**Manager**") except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. **THIS COURT ORDERS** that all rights and remedies against the Debtor, the Receiver and the Manager, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a

security interest, or (iv) prevent the registration of a claim for lien. For clarity, this paragraph 9 shall apply to the Manager solely in its capacity as agent for the Receiver.

NO INTERFERENCE WITH THE RECEIVER

10. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

11. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver or Manager, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

12. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver, at least one of which will describe the account holder as "Deloitte & Touche Inc. as Rec. & Mgr. of Rose of Sharon (Ontario) Retirement Community" (the "Post

Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

13. **THIS COURT ORDERS** that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. Neither the Receiver nor the Manager shall be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

14. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative, destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively,

"Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

16. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

17. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 81.4(4), and 81.6(2) of the BIA.

18. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

20. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$500,000.00 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. Subject to section 107 of the LTCHA, the whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections, 81.4(4), and 81.6(2) of the BIA.

21. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

22. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as **Schedule "A"** hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

23. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

GENERAL

24. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

25. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

26. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

27. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order; and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

28. **THIS COURT ORDERS** that the Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or,

if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

~~29-28A.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order, the Receiver and Manager shall comply with the SAA, the LTCHA and the regulations thereunder as they apply to the managementoperation of the Home and ~~the~~ neither TC LHIN nor MOH shall not be subject to paragraphs 9 and 10 of this Order in relation to any non-compliance with the SAA, the LTCHA and the regulations thereunder by the Receiver and/or the Manager with respect to the managementoperation of the Home.

29. 30. _____

THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



Natasha Brown
Registrar

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE RÉGISTRE NO.:

DEC 23 2011

RECEIVED:



SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Deloitte & Touche Inc., the receiver and manager (the "Receiver") of the current and future assets, undertakings and properties of Rose of Sharon (Ontario) Retirement Corporation of every nature and kind whatsoever, wherever situate (the "Debtor"), including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the ___ day of _____, 20__ (the "Order") made in an action having Court file number __-CL-_____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the head office of the Lender.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver

to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

DELOITTE & TOUCHE INC. solely in its
capacity as Receiver of the Property, and not in
its personal capacity

Per: _____

Name: Daniel R. Weisz

Title: Senior Vice President

PEOPLES TRUST COMPANY
Applicant

v.
ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY
Respondent

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

AMENDED AND RESTATED
APPOINTMENT ORDER

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TAB B

Court File No. CV-11-9399-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]**

BETWEEN:

PEOPLES TRUST COMPANY

Applicant

- and -

ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY

Respondent

**FIRST REPORT TO THE COURT OF THE RECEIVER
(dated December 12, 2011)**

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APPENDICES

APPENDIX "A":	Appointment Order dated September 27, 2011
APPENDIX "B":	Sample employee letter dated September 28, 2011
APPENDIX "C":	Uncompleted Deficiency List & Warranty Items prepared by Victor J Heinrichs Inc. dated September 30, 2011
APPENDIX "D":	Property Management Agreement with Sterling Karamar Property Management dated October 24, 2011
APPENDIX "E":	October 19, 2011 letter to the holders of the Life Leases
APPENDIX "F":	Management Agreement with Assured Care Consulting Inc. dated September 27, 2011
APPENDIX "G":	Mikal-Calladan Construction Inc. judgement obtained on September 29, 2011
APPENDIX "H":	Notice and Statement of Receiver (Section 245(1) and 246(1) of the <i>Bankruptcy and Insolvency Act</i>)
APPENDIX "I":	Receiver's Interim Statement of Receipts and Disbursements for the period September 27, 2011 to November 30, 2011

INTRODUCTION

1. Pursuant to an Order (the “**Appointment Order**”) of the Honourable Justice Campbell of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated September 27, 2011 (the “**Appointment Date**”), Deloitte & Touche Inc. (“**Deloitte**”) was appointed as receiver and manager (the “**Receiver**”) of all of the current and future assets, undertakings and properties of Rose of Sharon (Ontario) Retirement Community (“**Rose**”). A copy of the Appointment Order is attached hereto as **Appendix “A”**.
2. Rose’s principal asset is a 12-storey building located at 15-17 Maplewood Avenue, Toronto, Ontario (the “**Property**”) which is comprised of a 60 bed long-term care facility located on floors 4 through 6 (the “**Nursing Home**”) and 90 life-lease units located on floors 2, 3 and 7 through 12 (the “**Life-Lease Residence**”).
3. This First Report of the Receiver (the “**Report**”) provides the Court with a summary of the Receiver’s activities since the Appointment Date to December 8, 2011. In particular, the purpose of the Report is to:
 - a) advise the Court of the Receiver’s activities immediately prior to and since the Appointment Date to December 8, 2011, including its activities in taking possession of the assets of Rose, and to seek the Court’s approval of those activities;
 - b) seek the Court’s approval to enter into a property management agreement with Sterling Silver Development Corporation, through its division, Sterling Karamar Property Management (“**Sterling**”), to act as the property manager of the Property, excluding all aspects of the operation of the Nursing Home;
 - c) seek the Court’s approval for the Receiver to enter into a Management Agreement with Assured Care Consulting Inc. (“**ACC**”) for ACC to act as the Receiver’s manager of the Nursing Home, which agreement is subject to Ministry of Health and Long-Term Care (“**MOHLTC**”) approval;

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- d) seek an order of this Honourable Court directing Korean (Toronto) Credit Union (“KCU”) to pay to the Receiver, without setoff, contra or other deduction, an amount equal to the funds that were in Rose’s bank accounts on the Appointment Date, net of any bank charges levied against those funds that are approved by the Receiver;
 - e) seek the Court’s approval for certain minor and administrative amendments to the Appointment Order including amendments requested by the MOHLTC;
 - f) seek the Court’s approval of the Receiver’s Interim Statement of Receipts and Disbursements for the period September 27, 2011 to November 30, 2011;
 - g) seek the Court’s approval of the Receiver’s fees incurred for the period ending November 15, 2011; and
 - h) seek the Court’s approval of the fees of Gowling Lafleur Henderson LLP (“Gowlings”) and Blaney McMurtry LLP (“Blaneys”).
4. Capitalized terms not defined in this Report are as defined in the Appointment Order. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

- 5. In preparing this Report, the Receiver has relied upon records of Rose and audited and unaudited financial information prepared and/or provided by Rose, its accountant, ACC or Sterling. The Receiver has not performed an audit or other verification of such information.
- 6. The Receiver has sought the advice of Gowlings, counsel to the Applicant, for general legal matters that have arisen in respect of the receivership. Where the Receiver has required independent legal advice, the Receiver has sought the counsel of Blaneys.

BACKGROUND

7. Rose is a not-for-profit Ontario corporation that was created to develop and provide senior's type housing for people of Korean heritage. Rose was initially granted a licence for 50 beds by the MOHLTC in 1990. However, the development of a long-term care facility stalled until 1996 when the concept of a combination life lease and long-term care facility was conceived. The Receiver understands that the life lease concept was adopted by Rose with the intention of maintaining a predominately Korean cultural base in the building. In 2002, Rose was granted a licence for a further 10 beds from the MOHLTC bringing the total number of bed licences to 60. On April 29, 2003, Rose entered into a Development Agreement with the MOHLTC for a 60-bed Class "A" long-term care home.
8. Rose obtained construction financing from Peoples Trust Company ("**Peoples**") by way of a commitment letter dated March 17, 2005. Construction of the Property commenced in the summer of 2006 and the initial development schedule provided for construction to be completed, and for the Nursing Home to open, in the fall of 2007. The building was constructed without security for purchaser deposits and without new home warranties for purchasers under the deposit protection program and the new home warranty programs administered by the Tarion Warranty Corporation ("**Tarion**").
9. The Receiver has been advised by Mr. John Yoon, Chairman of Rose, that due to construction delays, the project did not achieve substantial completion until September 17, 2010, almost three years behind schedule. On November 4, 2010, the City of Toronto issued an occupancy permit for the Property. Although the occupancy permit has been issued, there appears to be certain issues relating to the construction of the building that remain incomplete or deficient. This matter will be discussed later in the Report.
10. In addition to Peoples' funding of the Project, Rose sought and obtained additional funding from other sources, including subsequent mortgagees, as well as parties which

provided funds to Rose which were initially thought to be in respect of units in the Life-Lease Residence. The Receiver is currently attempting to ascertain if the funds provided by the parties in respect of life leases represented loans to Rose, or whether those payments represented payments towards those parties' "acquisition" of the units in the Life-Lease Residence. This issue will be discussed later in the Report.

11. Commencing in August 2010, Rose began experiencing cash flow problems that resulted in certain defaults in its obligations to Peoples and certain of its other lenders. While certain of the payment defaults to Peoples were corrected by Rose from time to time, other defaults remained, including a construction lien of over \$4 million that was registered on November 19, 2010 by Mikal-Calladan Construction Inc. ("Mikal"), the general contractor of the Property which operated under the trade name Unimac or variations of that name.
12. In March 2011, the MOHLTC authorized the Nursing Home to begin accepting residents, approximately three years behind schedule. Pursuant to a management agreement between ACC and Rose dated May 15, 2007, ACC was engaged to be the manager of the Nursing Home. Upon receipt of MOHLTC approval in March 2011, Rose began admitting residents to the Nursing Home.
13. In September 2011, Iwok Corporation ("IWOK"), a subordinate mortgagee, took steps to enforce its security and purported to appoint a receiver over Rose. The Receiver understands that the principal of Mikal, Mr. Leon Hui, is also a principal of IWOK.
14. When Peoples became aware of IWOK's purported appointment of a receiver, Peoples proceeded to make an application to the Court on September 27, 2011 for the appointment of the Receiver. The Appointment Order was issued that day.

POSSESSION AND SECURITY

Initial Meetings

15. Late in the afternoon of September 27, 2011, after the issuance of the Appointment Order, representatives of the Receiver attended at the Property. The Receiver met with Mr. Michael Bausch, a representative of ACC, and Ms. Helen Jung, the Nursing Home's Administrator, to advise them of the Appointment Order, to discuss any immediate matters related to the Nursing Home, and to tour the property.
16. The Receiver subsequently met with Mr. Yoon and Mr. David Park, who acted as an on-site manager for Rose, to advise them of the Receiver's appointment, to discuss the Receiver's mandate and to review various matters in connection with the Property, including security, the location of books and records, and the status of any building deficiencies.

Security

17. Mr. Yoon advised that the receiver appointed by IWOK, Mr. Charles Daley, had previously changed the locks on certain internal and external doors and had removed certain books and records from Rose's office.
18. Based on the Receiver's review of the premises and given the 24-hour accessibility requirements to the Nursing Home and the Life-Lease Residence, the Receiver made arrangements to change only the locks on all doors previously changed by Mr. Daley.
19. The Receiver corresponded with Exclusive Alarms Corp. ("**Exclusive**"), Rose's security monitoring service provider, to inform it of the receivership and to request that Exclusive set up a new account, remove the pre-receivership emergency contacts, and add the Receiver as the new emergency contact. Exclusive confirmed to the Receiver that the emergency contacts for Rose were changed as requested.

Books and Records

20. The Receiver has taken possession of the books and records relating to the Life-Lease Residence that were located at the Property.
21. On September 30, 2011, the Receiver met with Mr. Robert Gore of Robert Gore and Associates, Rose's external accountant and financial advisor, to review the books and records that were in his possession, and to discuss various other financial matters related to Rose. At that meeting, Mr. Gore advised the Receiver that he wished to update certain accounts of Rose prior to providing Rose's records to the Receiver. On October 5, 2011, Mr. Gore provided the Receiver with the books and records of Rose that were in his possession.
22. The Receiver made a backup of the contents of the hard-drive of Mr. Park's personal computer on which Life-Lease Residence files were being stored.
23. The accounting for the Nursing Home is maintained by ACC on a dedicated Point Click Care system. In view of the Receiver's decision to engage ACC to manage the Nursing Home on its behalf, the Receiver did not take possession of the Nursing Home books and records and left them in the care and control of ACC.
24. The books and records removed by Mr. Daley prior to the Appointment Date are discussed later in this Report.

Insurance

25. On September 28, 2011, the Receiver contacted Rose's insurance broker, Deerbourne Insurance, and requested that the Receiver be added as an additional named insured and loss payee on Rose's insurance policies. The Receiver also provided a copy of Rose's existing policy to Marsh Canada Limited ("**Marsh**"), from whom Deloitte obtains insurance coverage when required in insolvency situations, in order to seek Marsh's comments on Rose's insurance coverage.

26. On September 30, 2011, Marsh advised the Receiver that the existing insurance policy maintained by Rose was not adequate on an overall basis, and that, amendments to the policy should be made to make the coverages more in line with industry standards.
27. The annual premium in respect of Rose's insurance policy was \$16,846. Marsh advised the Receiver that it would provide a policy that included its recommended coverage amendments/improvements for an annual premium of \$18,885.
28. Although Deerborne advised that the existing insurer was prepared to add the Receiver as an additional named insured and loss payee to Rose's existing insurance policy, based on the information received from Marsh, the Receiver advised Marsh to bind coverage for the Receiver. The Receiver advised Deerborne to terminate the existing insurance coverage effective as at the Appointment Date; however, Deerborne advised that the coverage could not be terminated for 30 days. The Receiver has since received the new insurance policy from Marsh.

Cash in Bank Accounts

29. On September 28, 2011, the Receiver contacted the financial institutions at which Rose's bank accounts were maintained, TD Canada Trust ("TD Bank") and KCU, and informed them of the receivership proceedings, provided them with a copy of the Appointment Order and requested that Rose's accounts be frozen to disbursements, that deposits continue to be accepted and that all funds in the accounts be forwarded to the Receiver. As at November 30, 2011, the Receiver has received \$200,427 from TD Bank in respect of balances that were in Rose's bank accounts as at the Appointment Date. From this amount, TD Bank has debited the Receiver's account for four cheques totalling \$1,360. The Receiver is following up with TD Bank as to whether these amounts are properly debited from the account.
30. On October 7, 2011, KCU advised the Receiver that the balance in Rose's bank account was approximately \$204,000. On or about October 14, 2011, KCU advised the Receiver that KCU intended to set off against that \$204,000 balance, \$150,000 representing loans

that KCU had made to certain current and former members of Rose's board of directors which loans had been guaranteed by Rose. The Receiver advised KCU that it was not permitted to apply such a set off and that all of the funds should be remitted to the Receiver. KCU advised that it required direction from its board of directors which was to meet on October 20, 2011, and that it would thereafter provide its position to the Receiver. On October 24, 2011, Gowlings wrote to KCU to advise KCU that the Receiver expected to receive without setoff the Rose funds on deposit at KCU and that, if KCU maintained its position that it would set off the Rose funds against the amounts KCU loaned to certain individuals, KCU provide to Gowlings documentation in support of KCU's position. To date, KCU has not provided the Receiver or Gowlings with the Rose funds nor its position.

31. As KCU has not turned over the Rose funds on deposit at KCU, nor provided the basis upon which it is withholding those funds, the Receiver is seeking an order from this Honourable Court directing KCU to pay to the Receiver, without setoff, contra or deduction, an amount equal to the funds that were in Rose's bank accounts on the Appointment Date, net of any bank charges levied against those funds that are approved by the Receiver.
32. The Receiver has taken possession of blank cheques that were at Rose.
33. The Receiver has set up the bank accounts required by the Receiver to manage the receipts and disbursements of the Receiver.

Critical Suppliers

34. Subsequent to its appointment, and in order to maintain the operations at the Property and to ensure ongoing supply of critical goods/ services to the Nursing Home, the Receiver authorized payment of ACC's fees for September 1 to 27, 2011 in the amount of approximately \$10,400 as well as the following payments, representing obligations of Rose arising prior to the Appointment Date:

<u>Payee</u>	<u>Amount</u>	<u>Reason for Payment</u>
Dr. Matthew Kim	\$ 3,770.88	LTC physician
Quality Allied Elevator	2,437.03	Elevator service required
ADP	90.40	ADP payroll fees
ADP	61,843.78	Payroll - Covers Period September 11-24, 2011. Paid on September 30, 2011.
H.J. Park	<u>2,742.13</u>	Payment to property manager
	<u>\$ 70,884.22</u>	

Inventory and Fixed Assets

35. Based on its prior experience in nursing home receiverships and the going concern operation of the facility in which there is a continual inflow and outflow of supplies, the Receiver determined that it was not necessary to take a physical count inventory of Rose's inventory and fixed assets as of the Appointment Date.

IWOK's Receiver

36. On September 28, 2011, the Receiver wrote to Mr. Daley and IWOK's legal counsel to request that all items, including any books and records, that had been removed by Mr. Daley be returned to the Receiver.
37. On October 4, 2011, counsel for IWOK responded to the Receiver and requested a meeting between the Receiver and Mr. Daley at which meeting Mr. Daley was to return

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the books and records that he had removed from the Property. The meeting was scheduled for October 6, 2011 at the Receiver's office.

38. At the scheduled time of the October 6, 2011 meeting, Mr. Leon Hui of IWOK and two other individuals attended at the Receiver's office; however, Mr. Daley did not attend. At the meeting, Mr. Hui provided the Receiver with certain books and records of Rose that Mr. Hui said Mr. Daley had removed from the Property. Mr. Hui also provided the Receiver with his perspective on Rose and raised questions regarding certain financial transactions that he wished the Receiver investigate. The Receiver advised Mr. Hui that it was gathering information on many issues relating to Rose and that the Receiver's findings would be set out in its reports to this Honourable Court.

EMPLOYEES

Nursing Home

39. As at the Appointment Date, there were approximately 47 Nursing Home employees (the "Union Employees") who were represented by the United Food and Commercial Workers International Union, Local 175 ("UFCW"). By way of a Certificate dated September 22, 2011, the Ontario Labour Relations Board certified the UFCW as the bargaining agent for the Union Employees.
40. Following the issuance of the Appointment Order, the Receiver contacted by telephone Ms. Nancy Wiley, internal legal counsel for the UFCW, to advise Ms. Wiley of the Appointment Order and to request a meeting with the UFCW to discuss the status of Rose. Copies of the Application Record and Appointment Order were forwarded to Ms. Wiley by Gowlings on September 28, 2011.
41. On September 28, 2011, the Receiver informed Ms. Wiley that the Receiver intended to meet with the employees of Rose that afternoon to advise them of the receivership, and provided Ms. Wiley with a copy of the letter that the Receiver intended to distribute to the employees at that meeting. The Receiver further advised Ms. Wiley that it was providing

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this information to the UFCW in order that the UFCW was aware of the Receiver's request to the Rose employees.

42. On September 28, 2011, the Receiver held a meeting with the Nursing Home employees, including the Union Employees, to advise them: (i) of the Appointment Order, (ii) of the Receiver's intention to continue the operations of the Nursing Home, (iii) of the Receiver's intention to perform an analysis of the Property, including the Life-Lease Residence, prior to determining a strategy for realizing on the Property, (iv) that the Receiver would be providing each employee with a letter later that day setting out that the employees remained employees of Rose and any pre-receivership claims they may have, including claims for salary, severance, termination, and vacation pay, are claims against Rose, and that the Receiver requested that the employees confirm in writing their agreement with the matters set out in the letter, (v) that although the Receiver was under no obligation to pay any payroll or benefits owing for the period prior to September 27, 2011, the Receiver would be making arrangements to fund Rose's pre-receivership payroll and benefits, and (vi) that the Receiver would fund in the normal course Rose's subsequent payrolls during the receivership. A copy of the letter distributed to employees (the "**Employee Letter**") on September 28, 2011 is attached hereto as **Appendix "B"**.
43. On September 30, 2011, counsel for the UFCW wrote to the Receiver regarding the Receiver's e-mail correspondence of September 28, 2011 and advised the Receiver to cease and desist from making any requests to the Union Employees, and that it would consider any acknowledgements signed by any Union Employee to be null and void.
44. Subsequent to September 30, 2011, Gowlings has exchanged voicemail messages with Ms. Wiley in order to discuss ongoing labour relations in view of the receivership.
45. By letter dated November 8, 2011 from the UFCW to the Receiver, the UFCW gave "notice of its intent to open negotiations for the purpose of amendments and modifications to the current Collective Agreement." As the Receiver is not aware of a collective

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agreement currently in existence, it appears that the UFCW wishes to negotiate with the Receiver to create the first collective agreement for Rose's union employees.

46. Gowlings has written to Ms. Wiley to advised her that the Receiver will not be negotiating a collective agreement, but will honour the terms and conditions of employment that were in place at the Appointment Date. It is the Receiver's intention to meet with the UFCW to further discuss interim labour relations at the Nursing Home.
47. The Receiver will provide an update on the status of its dealings with the UFCW in a future report to this Honourable Court.
48. As at the Appointment Date, Rose had five non-union employees, which included the Nursing Home Administrator/Director of Care, a Nurse Manager, the Office Manager, the Program Manager and a Charge Nurse. These five non-union employees were provided with the Employee Letter, and all have signed the acknowledgement set out in the letter.

Life-Lease Residence

49. As at the Appointment Date, the Life-Lease Residence did not have any employees, but utilized the services of independent contractors as required. As Property Manager, Sterling will address issues relating to the Life-Lease Residence as it pertains to property management issues.

THE PROPERTY

Rose of Sharon's Plan

50. Rose's concept was to create a facility where elder members of the Korean community could spend their remaining years with other members of that community. The facility was to be comprised of both a retirement living section and a nursing home in the event that individuals required the services that a nursing home provides.

51. As set out earlier in the Report, the building was not constructed under the terms of the Tarion warranty program as sales of life leases are not subject to the Ontario New Homes Warranty Act. As such, the building's units could not be sold initially as condominium units. Rose's plan was to eventually convert units to condominiums, such that the nursing home would comprise one condominium, and the individual units of the Life-Lease Residence would constitute another condominium. By the conversion of the Life-Lease Residence to condominiums, Rose intended to facilitate purchasers' ability to secure financing to acquire their life lease units. Registration of a condominium plan for the Property was also a requirement of Peoples' loan to Rose.
52. Gowlings has been advised by Hacker Gignac Rice LLP, Rose's counsel dealing with the conversion of the building to condominiums, that there is draft plan approval for the two plans, one with respect to the long term care facility and the other with respect to the Life-Lease Residence. Although draft documents were prepared, the process stalled as Rose did not have the expertise to respond to outstanding questions, nor the time or the money to deal with finalizing the process.
53. After reviewing the status of the condominium conversion, Gowlings has advised the Receiver that it is advantageous to continue the process of creating two condominium plans, one to separate as condominium units the long-term care facility and the remainder of the building, and the second to create condominium title for the 90 residential life lease units. The condominium plans have been draft approved and can proceed to registration subject to completion of a number of conditions and tasks including:
- (a) conveyance of a 2.2 metre strip of land along Vaughan Road to the City of Toronto. Proof of the non-contaminated condition of these lands has been provided to the City of Toronto by way of a site condition filing and a confirming letter from environmental consultants. It appears the conveyance to the City of Toronto can now be made;

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- (b) completion of the condominium declaration and other condominium documentation; and
 - (c) creation of various easements required for access and passage over parts of the Property and completion of agreements for some shared services.
54. The Receiver will continue work to satisfy the conditions and tasks for final registration of the two condominium plans. Condominium title is essential for the leasing, financing and/or sale of the long-term care facility and will facilitate the sale, rental and financing of the residential units.
55. The Receiver will provide an update on the status of the conversion to condominiums in a future report to this Honourable Court.

Deficiencies and Need for a Building Condition Assessment

56. A Certificate of Substantial Performance of the Contract under Section 32 of the Construction Lien Act for the building (the “**Certificate of Substantial Performance**”) was obtained by Rose on September 17, 2010.
57. Following the Receiver’s appointment, Mr. Yoon provided the Receiver with a schedule prepared by Victor J. Heinrichs Inc. (“**Heinrichs**”), the architect of the Property, which listed the construction deficiencies the architect had identified. The architect’s schedule of deficiencies, which is attached hereto as **Appendix “C”**, indicates that the estimated costs to remedy the deficiencies is in excess of \$500,000.
58. The Receiver also met with representatives of Fire & Ice, the contractor engaged by Rose to provide repair and maintenance services to the Property prior to the Appointment Date. Fire & Ice provided the Receiver with a summary of the most significant issues at the property, along with its estimate of the costs to remediate each issue.
59. On or about October 20, 2011, and as a result of the pending winter season, the Receiver engaged Diversatech Mechanical Ltd. (“**Diversatech**”) to activate the building’s heating

system to ensure that heat was provided to residents of the Nursing Home and the Life-Lease Residence. In the course of Diversatech's work, it noted certain deficiencies in the heating system which it outlined for the Receiver.

60. In order to be in a position to assess the condition of the Property and in order to determine if there are issues relating to the Property that must be rectified, the Receiver has engaged Norman Lee & Associates Ltd. ("NLA") to conduct a building condition assessment (the "BCA") for the Property. NLA has been engaged to: (i) confirm that the building was constructed in general accordance with the approved drawings, plans and specifications; (ii) identify any significant material deficiencies in the building systems; (iii) determine any remedial or repair work that is required to the installed components and systems; and (iv) develop preliminary budgets for any required or recommended repairs or remedial work.
61. As a result of delays in locating certain drawings for the Property, the Receiver anticipates receipt of the NLA report by mid-January, 2012.

Construction Warranty

62. Mr. John Yoon advised the Receiver that the schedule prepared by Heinrichs referred to above was intended to be used to support a warranty claim against Mikal, which claim the Receiver has been advised was to be made within one year of the issuance of the Certificate of Substantial Completion. Rose did not file a warranty claim within that period.

Engagement of a Property Manager

63. Prior to the Appointment Date, Mr. Yoon acted as the manager of the Life-Lease Residence. Mr. Yoon's responsibilities included, among other things, communicating with the architect, project manager and general contractor on the construction of the Property, soliciting new life lease purchasers, and executing life lease agreements. Mr.

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- Yoon was assisted on site by Mr. Park, who also maintained the day-to-day accounting records for the Life-Lease Residence.
64. The Receiver's preliminary review of the accounting records indicates that Rose's accounting records have not been updated since April 30, 2011.
 65. Based on the Receiver's preliminary review, the Receiver concluded that given the size of the Property, the number of units and the condition of the building, it would be prudent and cost effective to engage a third-party property manager to manage the Property on the Receiver's behalf. In that regard, the Receiver requested and obtained proposals from two experienced property management firms to administer the day-to-day operations of the Property, including "tenant" relations, accounting, and supervision of maintenance, and provide the Receiver with timely reports on all aspects of the Property.
 66. Based on its review of the two proposals received, the Receiver was of the view that although Sterling's monthly cost to the Receiver was approximately \$1,500 higher than that of the other potential property manager, Sterling appeared to have (i) greater relevant experience and resources managing similar commercial properties; and (ii) had Korean speaking capabilities in-house. The Receiver was also of the view that the Receiver would benefit from Sterling's experience as well as the reduced time the Receiver would have to spend addressing issues at the Property.
 67. The Receiver has entered into an agreement made as of October 24, 2011 (the "**Property Management Agreement**") with Sterling for the provision of property management services. The executed Property Management Agreement is attached hereto as **Appendix "D"**.
 68. The Receiver is seeking the Court's approval of the Property Management Agreement.

LIFE-LEASE RESIDENCE

Life Lease "Purchasers"

69. Rose began marketing the Life-Lease Residence to the community in 1996 at which time it began entering into Right to Occupy Agreements ("**Life Leases**") whereby purchasers were given the right to, subject to early termination provisions, live in the units for the equivalent of the purchaser's lifetime, or in the event of joint purchasers, until the death of the surviving purchaser. It was not until 2005 that Rose had entered into sufficient Life Leases that enabled it to meet the terms required to obtain construction financing through Peoples.
70. Following an almost three year delay to complete construction of the building, and as a result of changes in the financial marketplace in the ensuing period, management of Rose moved to begin the process whereby the building would be converted from Life Leases to condominiums. In particular, Life Lease purchasers, pursuant to the terms of amendments to the Right to Occupy Agreements, were permitted to occupy their units once the Occupancy Permit was issued under a deferred purchase price basis for up to two years in order to provide time for Rose to apply to effect the conversion of the project to condominiums. As of the Appointment Date, and as discussed earlier in the Report, the process for the conversion to condominiums is in process.
71. There are 90 units in the Life-Lease Residence. A preliminary review of Rose's books and records suggests that all but six units are subject to Life Leases. Of the units subject to Life Leases, 51 units appear to be occupied; however, only 9 units appear to be occupied by the individuals who entered into the Life Lease. The other occupied units appear to be occupied by either relatives of the Life Lease purchaser or tenants.
72. The Receiver understands that some purchasers of Life Leases began moving into their units shortly after the Occupancy Permit was issued on November 4, 2010. Based on the terms of the Life Leases, purchasers or joint-purchasers are allowed to live in the Life

Lease unit until their death(s). Notwithstanding this requirement, it appears that many of the units are in the names of individuals who did not intend on acquiring (and indeed have not acquired) the units for their personal use.

73. As set out earlier in the Report, in the normal course, Rose obtained funding from certain parties which had entered into Life Leases with Rose. The Receiver is presently in the process of reviewing Rose's files to determine the nature of the funds provided by those parties.
74. In addition to its review of Rose's files, and in order to obtain additional information to assist the Receiver in its analysis, the Receiver sent a letter dated October 18, 2011 by registered mail to the holders of the Life Leases advising: i) of the receivership, ii) that the Receiver intends to engage a property manager to manage the Property on its behalf, and iii) that all outstanding, current and future payments in respect of their Life Lease and any promissory notes in favour of Rose related thereto are to be paid without set off to the Receiver. The Receiver also requested that holders of Life Leases provide the Receiver with copies of all agreements and documents relating to their Life Lease and any other documents or agreements between them and Rose. A copy of the form of the October 18, 2011 letter is attached hereto as **Appendix "E"**. On November 16, 2011, the Receiver sent a second request to those parties which had not provided to the Receiver the information requested in the October 18, 2011 letter.
75. To date, there are twelve Life Lease units in respect of which the Receiver has not yet received information from the Life Lease purchasers and cannot confirm their current whereabouts. In order for the Receiver to be in a position to make decisions in respect of the Property and, in particular, formulate a plan to deal with the Life-Lease Residence, it is essential that the Receiver obtain information on the units from the Life Lease purchasers. Given the difficulties in obtaining the information thus far, and since many of the Life Lease purchasers who have not yet responded to the Receiver appear to be of Korean heritage, the Receiver intends to first meet with Mr. Yoon to see if he can assist the Receiver in contacting these individuals. If these individuals cannot be located, it is

- the Receiver's intention to place an advertisement/notice in a Korean newspaper published in Toronto requesting that those parties with Life Lease units communicate with the Receiver.
76. Following receipt by the Receiver of the missing information, or the determination by the Receiver that its continuing efforts will not result in the information being provided to the Receiver, the Receiver will report to this Honourable Court on its findings to that date. Based on its preliminary review of the information provided thus far, it appears that the issues that the Receiver will report on will include:
- a) whether payments made by purchasers of Life Lease units represent advances to Rose pursuant to the terms of promissory notes provided by Rose to those purchasers, or whether those payments represent payments on account of their Life Leases that should be deducted from amounts due on closing from those purchasers;
 - b) the status of those Life Lease units for which the named purchaser in the Life Lease agreement has released the purchaser's interest in those units through a formal written release document;
 - c) the status of Life Lease units that appear to have been sold to more than one purchaser;
 - d) the status of Life Lease units purchased by corporations; and
 - e) the status of units which appear to be in the possession of parties on account or by way of settlement of their claims against Rose.
77. The Receiver intends on reporting to this Honourable Court on its findings regarding the Life Lease units on or before February 28, 2012.
78. By letter dated November 1, 2011, Sterling informed holders of the Life Leases that the Receiver had engaged Sterling as property manager of the Property and provided additional information to the Life Lease holders in regards to their payment of amounts owing pursuant to the Life Leases.

Meeting with Certain Life Lease Purchasers and the Korean Canadian Business Association of North Toronto ("KCBA")

79. On October 24, 2011, at the request of Mr. Richard Yoon, a former Director of Rose, the Receiver met with representatives of the KCBA and certain Life Lease stakeholders, including Mr. Victor Heinrichs, the architect for the Property.
80. At the meeting, the concerns of the KCBA were expressed to the Receiver, including the desire for Rose to maintain its Korean "nature". The Receiver explained the status of the receivership, including the role of the Receiver to attempt to maximize realizations for the benefit of all stakeholders in accordance with their interests, as determined.
81. The Life Lease stakeholders in attendance set out their desire to be able to rent out their units in order to, among other things, generate cash flow that could be used by the Life Lease stakeholders to pay to the Receiver their obligations pursuant to the terms of the Life Leases. The Life Lease stakeholders also told the Receiver that one of the attractions of the Life-Lease Residence was that certain services provided to Nursing Home residents, such as delivery of meals, could be made available to occupants of the Life Lease units for a fee, and as a result of such services, the "value" of the Life Lease units and the income that could be derived therefrom, would be enhanced. The Receiver informed the Life Lease stakeholders that it would look into the status of such possible services.
82. In addition, the Life Lease stakeholders asked the Receiver whether it would supply, or pay for appliances for the units. In this regard, some Life Lease stakeholders asserted that Rose had committed to purchase the appliances.
83. As described above, the concept of a Life Lease is for the unit to be available to the purchaser or co-purchaser, if applicable, until the death of both the purchaser and co-purchaser, if applicable. Notwithstanding this concept, based on the Receiver's preliminary review of the Life Lease documents and its discussions with various parties, it appears that many of the units were acquired by corporations or by individuals not

intending to occupy the units, which is inconsistent with the Life Lease concept provided for in the Life Lease documents.

84. The Receiver acknowledges that stakeholders having an interest in Life Lease units other than as an occupant would likely want those units to be rented in order that rental income could be generated to pay for expenses such as common area charges and the other payments required pursuant to the Life Lease agreements. Given the uncertainty surrounding the rights of Life Lease stakeholders and the nature of their interests, it is the Receiver's view that units should not be rented at the present time. The Receiver is concerned that the establishment of new landlord and tenant relationships could hamper the further development of the project and its disposition. As a result, the Receiver will advise purchasers of the Life Lease units of its ultimate position regarding the renting of units when the Receiver completes its analysis of the Life Lease units and formulates a course of action that will be used to realize on those units.
85. Following the October 24, 2011 meeting, the Receiver spoke with ACC to enquire as to services that may currently be provided to Life Lease occupants by ACC. ACC informed the Receiver that it previously polled the Life Lease occupants to ascertain whether there may be interest in receiving meal services. ACC further informed the Receiver that of the approximately 30 units polled, only 2 occupants expressed an interest in that service. As such, it appears there is no financial benefit to the Receiver to implement those services at this time.
86. It appears that as part of the marketing of the Life-Lease Residences, Rose may have offered certain inducements to potential purchasers, including the provision of appliances for the units. The Receiver reviewed with Gowlings whether the Receiver had any obligation to provide appliances for units. Gowlings has confirmed that the Receiver does not have any obligation to supply any of the inducements that Rose may have offered to purchasers of Life Lease units.

THE NURSING HOME*Residents of the Nursing Home*

87. The Nursing Home has 60 licenced beds situated in 36 private rooms and 12 basic rooms (with two beds per room). As at the Appointment Date, the Nursing Home was fully occupied and continues to be fully occupied as of the date of the Report. The Nursing Home residents are substantially all of Korean heritage. By letter dated September 27, 2011, the Receiver advised the residents of (i) the appointment of the Receiver, (ii) the Receiver's intention to continue to operate the Nursing Home, and (iii) the Receiver's intention to arrange a meeting with the residents and their families to provide further information and address any questions the residents or families may have. A Korean translation of the letter was also provided to the residents.
88. On October 13, 2011, the Receiver attended a meeting of the Nursing Home's Family Council in order to inform them of the receivership and to answer questions they may have had regarding the receivership.
89. On October 17, 2011, the Receiver provided a further letter to the residents and their families advising that the meeting with the Receiver and the residents and their families was going to occur at the next Family Council meeting scheduled for 6:00 pm on October 24, 2011 at the Property.
90. On October 24, 2011, the Receiver attended the Family Council meeting with the residents of the Nursing Home and their families. As the first language of the majority of the people in attendance was Korean, the discussion was translated into English/Korean by Kay Chang, the president of the Family Council. Two representatives of the MOHLTC were in attendance at the meeting and advised participants that since the Appointment Date, the MOHLTC had conducted three inspections and had not identified any care-related issues.

91. In addition to the above meeting, the Receiver has responded to inquiries from families of the current residents and potential residents regarding the status of the Nursing Home and the receivership.

Management Agreement with Assured Care Consulting Inc.

92. On May 15, 2007, Rose entered into a management agreement with ACC to manage the Nursing Home on Rose's behalf. That agreement was executed at that time with the expectation that the Nursing Home would open the following year. However, construction of the Property was not completed until September 2010, and the MOHLTC subsequently identified certain deficiencies that had to be rectified prior to providing to Rose its authorization to begin admissions. As a result, the Nursing Home did not open to residents until March 2011. Since the Nursing Home's opening, ACC has acted as the manager of the Nursing Home on Rose's behalf.
93. In anticipation of its appointment as Receiver, on September 23, 2011, the Receiver met with Mr. Robert Berg, the President of ACC, to discuss the status of the Nursing Home. Mr. Berg provided an overview of the operations of the Nursing Home, the history of ACC's involvement, and a copy of the management agreement between ACC and Rose. Mr. Berg advised that during the period between the opening to admissions and the Appointment Date, the Nursing Home operated within the parameters of the *Long-Term Care Homes Act, 2007* ("LTCHA") and its Regulations, and that the MOHLTC had not imposed any operational restrictions.
94. Mr. Berg advised that ACC maintained the accounting records and provided Rose with monthly operating reports with comparisons to budget and a variance analysis. In addition, ACC provided specialists where necessary to assist in the areas of nursing, programs and environment.
95. Mr. Berg further advised that the daily functions in the Nursing Home for food preparation, housekeeping, maintenance, and laundry were contracted out to Nova Services Group Inc. ("Nova"), who provided staff on-site to carry out those functions.

96. Based on those discussions, and given that the fees proposed by ACC were in line with market rates, the Receiver engaged ACC to be the manager of the Nursing Home. The Receiver and ACC have entered into a new management agreement made as of September 27, 2011 (the "**Management Agreement**") on terms acceptable to the Receiver and ACC. A copy of the Management Agreement is attached hereto as **Appendix "F"**.
97. The Management Agreement provides for ACC to continue to act as the day-to-day manager of the Nursing Home on behalf of the Receiver. ACC has advised the Receiver that it will continue to provide its internal specialists in nursing home administration and accounting, and that ACC will review and advise the Receiver on the operations of the Nursing Home. Pursuant to the Management Agreement, ACC will prepare budgets and cash flow forecasts for the Nursing Home as well as monthly operational reports.
98. ACC has established a new operating bank account for the Nursing Home, and a new bank account for the Resident's Trust Account on which the Receiver is to co-sign all cheques. Funding for the Nursing Home by the MOHLTC occurs on or about the 22nd day of each month when the MOHLTC deposits funds into Rose's bank account. The Receiver will then transfer the MOHLTC monthly funding to the Nursing Home operating bank account.
99. Pursuant to section 110 of the LTCHA, the Management Agreement must be approved by the Director. On November 11, 2011, the Receiver submitted the Management Agreement to the Director for its approval. The Receiver has not as at the date of the Report received the Director's approval.

MINISTRY OF HEALTH AND LONG-TERM CARE

100. Prior to the appointment of the Receiver, the Receiver contacted the Crown Law Office (Civil) of the Ministry of the Attorney General for Ontario (the "**AG**"), counsel for the MOHLTC, to advise of the application for the appointment of the Receiver. Gowlings provided the AG with the materials filed in support of the Application. Prior to the hearing of the Application, the AG requested certain changes to the Appointment Order in

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order to address concerns of the MOHLTC. Many of the changes requested by the AG are reflected in the Appointment Order.

101. After the Receiver's appointment, the Receiver corresponded with the MOHLTC to advise it of the issuance of the Appointment Order and to request that all future MOHLTC funding be directed to the Receiver's bank account. The MOHLTC informed the Receiver of its position that pursuant to the LTCHA, the MOHLTC is only able to provide funding to the licensee, namely Rose, and not the Receiver. Notwithstanding subsequent discussions between Gowlings and the AG, it appears that the MOHLTC funding will continue to be deposited into Rose's bank account, with the Receiver causing those funds to be transferred to the Receiver's bank account. Subsequently, counsel for the Receiver has had further discussions with the MOHLTC which lead to the administrative and clerical amendments the Receiver proposes to the Appointment Order.
102. The Receiver also contacted Ms. Mary Diamond, Manager, Compliance Inspection for the MOHLTC to advise her of the receivership. Ms. Diamond indicated that the Compliance Inspection division was aware of the receivership as the MOHLTC had been contacted by an unknown individual who raised a complaint concurrent with the receivership. The MOHLTC conducted inspections on September 25 and 27 and on October 3, 4 and 5, 2011 in the areas of staffing levels, provision of care, nursing supplies, food production and food supplies. No findings of non-compliance as a result of the inspections have been reported to the Receiver.
103. As referred to above, two representatives of the MOHLTC were in attendance at the meeting where the Receiver discussed the receivership with residents of the Nursing Home and their families.

RECEIVER'S CASH FLOW

104. The Receiver has prepared a cash flow forecast for the next three month period ("**Cash Flow**"). The Cash Flow incorporates as receipts, funding to the Nursing Home and

amounts currently being received in respect of the Life Lease Residence, less disbursements expected to be incurred by the Receiver in respect of the Nursing Home, the Property and the administration of the receivership.

105. According to the Cash Flow, the expenses of the Nursing Home are being funded from amounts being received from the MOHLTC and the Nursing Home's residents. As a result it does not appear that the Receiver will have a need to borrow any funds on account of the Nursing Home's operations.
106. Funding of the part of the project represented by the Life-Lease Residence comes from the monthly payments being provided by the parties who have entered into the Life Leases. At present, it appears that of the Life Lease Residences that are currently occupied, monthly payments are being made in respect of 31 units. For purposes of the Cash Flow, the Receiver has made the assumption that only payments currently being made will be received over the period of the Cash Flow.
107. Based on the Cash Flow, it appears that the Receiver will not need to borrow funds for the Life-Lease Residence in the short term due to there being funds in Rose's bank accounts as at the Appointment Date of which the Receiver has taken possession. The Receiver will review any future funding requirements with Peoples.

SECURED CREDITORS

108. As at the Appointment Date, Rose's indebtedness to Peoples was approximately \$15 million. Peoples' security ("Security") over Rose's assets includes a charge/mortgage in the amount of \$17,300,162.50 registered in the Land Titles Division of the Toronto Registry Office, a General Assignment of Rents and a General Security Agreement. Blaneys has provided its opinion to the Receiver that the Security is a legal, valid and binding obligation of Rose that is enforceable against Rose. Blaneys' opinion is subject to the standard qualifications set out therein.

109. In addition to the amounts owing to Peoples, Rose may be indebted to the parties below which may have the following security over Rose's assets:

- a second mortgage to IWOK for \$700,000 at 12% annual interest;
- a third mortgage for \$590,000 and a fourth mortgage for \$100,000 to Turfpro Investments Inc. ("Turfpro") at 12% annual interest; and
- a fifth mortgage for \$150,000 to Unimac Group Limited ("UGL") at an interest rate of 5%.

Pending a determination whether the realizations from Rose's assets will be of an amount sufficient to fully repay Rose's indebtedness to Peoples, the Receiver does not propose to obtain an opinion on the security held by Iwok, Turfpro or UGL.

110. In addition to the above, the following construction liens have been registered against the Project:

- a) Royal Windsor Mechanical Inc. registered a construction lien for \$87,132 on March 26, 2010. The Certificate of Action was issued on May 26, 2010 indicating that Royal had commenced a court action which it must do under the *Construction Lien Act* in order to perfect its lien;
- b) Mikal registered a construction lien for \$4,166,659 on November 19, 2010. The Certificate of Action was issued on December 31, 2010; and
- c) Tremonte Manufacturing Welding & Ironworks Limited registered a construction lien on November 22, 2010 for \$42,735. A Certificate of Action had not been registered on title. Tremonte's claim may be sheltered by the Mikal construction lien.

111. The Mikal construction lien is in respect of amounts claimed by Mikal as owing in connection with the construction of the project. The Receiver notes that prior to the receivership, Mikal and Rose were engaged in ongoing disputes primarily related to

Mikal's claims for payment, and Rose's claims relating to construction delays, change orders not approved and construction deficiencies.

112. On September 29, 2011, being after the Appointment Date, Mikal obtained judgement against Rose in the amount of \$4,195,768.64 plus costs of \$1,350.00. Gowlings was advised by Mikal's counsel, Goldman Sloan Nash & Haber LLP ("**Goldman**") that Goldman was not intending to take any action in connection with the judgement. A copy of the judgement is attached hereto as **Appendix "G"**. Except for any portion of the judgement that is on account of a construction holdback, Gowlings has advised the Receiver that the judgement represents a claim subordinate to Peoples.
113. While there may be setoffs against Mikal's claim that may be asserted by the Receiver, pending disposition of the Property, the Receiver does not intend to take any action in connection with any of the above-noted lien claims at this time.
114. CRA is scheduled to perform audits of Rose's payroll deductions and HST accounts during the week of December 5, 2011. The Receiver will report on the results of the audits in a future report to this Honourable Court.

TRANSFERS UNDER VALUE

115. The Receiver has commenced a review of Rose's transactions for the one year period preceding the Appointment Date in order to determine if there were any transfers at under value that could be subject to review pursuant to the provisions of the *Bankruptcy and Insolvency Act*.
116. After commencing its review, it became apparent to the Receiver that it was not in possession of a number of bank statements and cancelled cheques of Rose that were required to complete the Receiver's review. The Receiver is awaiting receipt from KCU of photocopies of the bank statements and cancelled cheques that the Receiver has been unable to locate.

STATUTORY REPORTS

117. On October 7, 2011, the Receiver issued the Notice and Statement of Receiver pursuant to sections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (the "Notice") to all unsecured creditors of Rose and forwarded the Notice to the Official Receiver. A copy of the Notice is attached hereto as **Appendix "H"**.

RECEIVER'S STATEMENT OF RECEIPTS AND DISBURSEMENTS

118. Attached hereto as **Appendix "I"** is the Receiver's Interim Statement of Receipts and Disbursements for the period September 27, 2011 to November 30, 2011 (the "R&D"). The R&D indicates that as of November 30, 2011, the Receiver held funds totalling \$645,628.
119. The R&D includes receipts from the MOHLTC on account of monthly funding of the Nursing Home. Due to a delay in ACC establishing an operating account for the Nursing Home, the R&D also includes receipts from Nursing Home residents for their co-payment amounts and on account of preferred accommodation (extra payments for private rooms): The Receiver will be taking steps to have all future co-payments and preferred accommodation payments deposited directly into ACC's Nursing Home account.
120. The R&D also reflects the receipts and disbursements relating to the Life-Lease Residence.
121. The Receiver is seeking the Court's approval of the R&D.

STATEMENTS OF ACCOUNT OF THE RECEIVER AND ITS COUNSEL

122. The Receiver's fees for services rendered for the period ending November 15, 2011 in respect of its activities as Receiver are particularized in the Affidavit of Hartley Bricks sworn December 7, 2011 and the invoices attached as exhibits thereto. The total amount of the invoices for this period is \$250,674.68, inclusive of HST ("**Receiver Fees**").

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123. The fees and disbursements of Gowlings, counsel for Peoples Trust, in respect of work performed for the Receiver, for the period September 26, 2011 to October 31, 2011 are particularized in the Affidavit of Harry VanderLugt sworn December 12, 2011 and the invoice is attached as an exhibit thereto. The total amount of the invoice for this period is \$26,479.70, inclusive of HST ("**Gowlings Fees**").
124. The fees and disbursements of Blaneys, independent counsel to the Receiver, in respect of work performed for the period September 22, 2011 to October 31, 2011 are particularized in the Affidavit of Eric Golden sworn December 7, 2011 and the invoice is attached as an exhibit thereto. The total amount of the invoice for this period is \$11,808.29 inclusive of HST ("**Blaneys Fees**").
125. The Receiver has reviewed the invoices of both Gowlings and Blaneys and finds the work performed and charges to be appropriate and reasonable.
126. The Receiver is seeking this Honourable Court's approval of its activities to November 30, 2011 and the Receiver Fees, Gowlings Fees and Blaneys Fees.

RECEIVER'S REQUEST TO THE COURT

127. The Receiver is respectfully seeking an order:
 - i) approving this Report and the actions and activities of the Receiver to December 8, 2011 and the R&D;
 - ii) directing KCU to pay to the Receiver, without setoff, contra or deduction, an amount equal to the funds that were in Rose's bank accounts on the Appointment Date, net of any bank charges levied against those funds that are approved by the Receiver;
 - iii) approving the Management Agreement made as of September 27, 2011 between the Receiver and ACC for ACC to act as manager of the Nursing Home;

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- iv) approving the Property Management Agreement made as of October 24, 2011 between the Receiver and Sterling for the provision of management services for the Property and for Sterling to act as property manager of the Property excluding the operations of the Nursing Home;
- v) amending the Appointment Order to make certain changes of an administrative or clerical nature, as set out in detail in the Notice of Motion to be filed; and
- vi) approving the Receiver Fees, Gowlings Fees and Blaneys Fees.

All of which is respectfully submitted to this Honourable Court.

DATED this 12th day of December, 2011.

Deloitte & Touche Inc.

Receiver and Manager of the current and future
assets, undertakings and properties of
Rose of Sharon (Ontario) Retirement Community
and not in its personal capacity

Deloitte + Touche Inc

Daniel R. Weisz, CA•CIRP, CIRP
Senior Vice President

Hartley Bricks, MBA, CA•CIRP
Vice President

TAB C

Court File No. CV-11-9399-00CL

ONTARIO
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

PEOPLES TRUST COMPANY

- and -

ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY

Respondent.

**SECOND REPORT TO THE COURT OF THE RECEIVER
(dated December 14, 2012)**

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APPENDICES

- APPENDIX "A":** Appointment Order dated September 27, 2011.
- APPENDIX "B":** Correspondence re: Lien Action from Mr. Armel dated April 11, 2011.
- APPENDIX "C":** Notice That Action Will Be Dismissed issued by the Ontario Superior Court of Justice on July 11, 2011.
- APPENDIX "D":** Gowlings e-mail to BLG dated August 18, 2011 delivering Peoples' consent to a Judgment ordering a Reference to the Master at Toronto to determine all issues raised in Lien Action.
- APPENDIX "E":** Mr. Armel's e-mail dated October 4, 2011 acknowledging the Appointment Order.
- APPENDIX "F":** Performance Bond package provided to Trisura on June 1, 2012 (which includes the letters to Mikal).
- APPENDIX "G":** BLG e-mail dated June 4, 2012 to Gowlings responding on behalf of Trisura to the claim against the Performance Bond.
- APPENDIX "H":** Gowlings letter dated July 10, 2012 responding on behalf of the Receiver to Trisura's correspondence of June 4, 2012 and delivering the information requested by BLG.
- APPENDIX "I":** Statement of Claim re: Performance Bond issued on September 14, 2012 served on Trisura on behalf of the Receiver.
- APPENDIX "J":** Trisura's accepted service of the Statement of Claim on September 18,

2012, via e-mail from BLG.

- APPENDIX "K":** Correspondence dated October 16, 2012 to Gowlings from counsel to Mikal and Keith Ly, advising the Receiver that the ownership of Mikal was disputed among Mr. Ly and Mr. Hui.
- APPENDIX "L":** BLG e-mail dated October 24, 2012 requesting the Receiver's consent to lift the stay of proceedings to set the Lien Action down for trial.
- APPENDIX "M":** Gowlings letter dated October 30, 2012 in response to BLG's request on behalf of Trisura advising of difficulties in setting the Lien Claim down for trial.
- APPENDIX "N":** E-mail to Gowlings dated December 3, 2012 from BLG on behalf of Trisura serving the Order to Continue.

INTRODUCTION

1. Pursuant to an Order (the "Appointment Order") of Justice Campbell of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated September 27, 2011 (the "Appointment Date"), Deloitte & Touche Inc. ("Deloitte") was appointed as receiver and manager (the "Receiver") of all of the current and future assets, undertakings and properties of Rose of Sharon (Ontario) Retirement Community ("Rose"). A copy of the Amended and Restated Appointment Order is attached hereto as Appendix "A".
2. Rose's principal asset is a 12-storey building located at 15-17 Maplewood Avenue, Toronto, Ontario (the "Property") that is comprised of a 60 bed long-term care facility located on floors 4 through 6 (the "Nursing Home") and 90 life-lease units located on floors 2, 3 and 7 through 12 (the "Life-Lease Residence").
3. This Second Report of the Receiver (the "Report") is delivered in response to a motion brought by Trisura Guarantee Insurance Company returnable December 21, 2012 and following review of the affidavit of Edouard Chassé sworn December 12, 2012 (the "Chassé Affidavit") sworn in support of the said motion.

TERMS OF REFERENCE

4. In preparing this Report, the Receiver has relied upon records of Rose and the Applicant Peoples Trust Company ("Peoples"). The Receiver has not performed an audit or other verification of such information.
5. In accordance with paragraph 3(d) of the Appointment Order, Gowlings acts as counsel to the Receiver and to Peoples, the Applicant in these receivership proceedings, except on

matters upon which the Receiver requires independent advice. The Receiver has determined that it does not require independent representation for this lift stay motion.

BACKGROUND

6. Rose is a not-for-profit Ontario corporation that was created to develop and provide senior's type housing for people of Korean heritage.
7. Rose obtained construction financing from Peoples by way of a commitment letter dated March 17, 2005. Construction of the Property commenced in the summer of 2006 and the initial development schedule provided for construction to be completed, and for the Nursing Home to open, in the fall of 2007.
8. The Receiver has been advised by Mr. John Yoon, Chairman of Rose, that due to construction delays, the project did not achieve substantial completion until September 17, 2010, almost three years behind schedule. On November 4, 2010, the City of Toronto issued an occupancy permit for the Property. As the Receiver has advised in its First Report, dated December 12, 2011, although the occupancy permit has been issued, there appear to be certain issues relating to the construction of the building that remain incomplete or deficient.

THE LIEN CLAIM AND THE LIEN ACTION

9. On November 19, 2010 Mikal-Calladan Construction Inc. ("Mikal"), the general contractor of the Property which operated under the trade name Unimac or via the related entity Unimac Group Ltd., or variations of that name, registered a construction lien registered as Instrument No. AT2556511 on title to the Property (the "Lien Claim").
10. The Lien Claim was perfected via a Statement of Claim issued by Mikal on December 31, 2010, which is attached as Exhibit "B" to the Chassé Affidavit. The Lien Claim is an

Appendix to the Statement of Claim. The affidavit of verification required for the Lien Claim is executed by Keith Ly, representing Mikal. Delivery of this Statement of Claim commenced the "Lien Action". Counsel for Mikal at the time was Jeffrey A. Armel of Goldman Sloan Nash & Haber LLP.

11. It is apparent from Mr. Armel's correspondence to Gowlings, in its capacity as counsel to Peoples, that Mr. Armel was involved in negotiations with Rose with a view to settling the Lien Claim. Attached hereto as Appendix "B" is correspondence from Mr. Armel dated April 11, 2011 advising Gowlings that negotiations were continuing and that defences in the Lien Action were not required at that time.
12. Gowlings' file also discloses that the next event was the receipt of a Notice that the Lien Action would be dismissed, which was issued by the Court on July 11, 2011, attached hereto as Appendix "C".
13. Gowlings delivered Peoples' Statement of Defence in the Lien Action on July 21, 2011. Peoples' Statement of Defence is attached as Exhibit "D" to the Chassé Affidavit.
14. On August 18, 2011, Gowlings delivered Peoples' consent to a Judgment ordering a Reference to the Master at Toronto to determine all issues raised in the Lien Action. A copy of the e-mail providing this consent is attached hereto as Appendix "D".
15. It appears that after Mr. Armel was advised of the Appointment Order, he advised Gowlings, for the first time, of a default judgment obtained by Mikal on September 29, 2011, two days after the Appointment Date. A copy of Mr. Armel's e-mail, dated October 4, 2011 and attached hereto as Appendix "E", acknowledges the Appointment Order and advises that: "Under the circumstances, we will not take any steps to enforce our client's judgment in the absence of obtaining the necessary leave from the Court."
16. The Lien Claim was apparently assigned to Trisura, the company that provided a Performance Bond and a Labour and Material Payment Bond with respect to Mikal's contract with Rose, on January 30, 2012. The Assignment is executed by Leon Hui as a representative of Mikal, although as set out below, there is some question concerning Mr. Hui's authority in this regard.

THE RECEIVER'S DISCOVERY OF DEFICIENT WORK

17. Following its appointment and preliminary investigations concerning the condition of the Property, the Receiver commissioned Norman Lee and Associates to conduct an audit of the condition of the building that houses the Nursing Home and the Life-Lease Residence at the Property. In March 2012, Norman Lee and Associates delivered its conclusions (the "**Building Audit Report**"). The Building Audit Report is available to be produced to the Court upon request.
18. On May 4, 2012, Gowlings wrote to Mikal and delivered the Building Audit Report. On behalf of the Receiver, Gowlings notified Mikal of the various deficiencies identified in the Building Audit Report and provided Mikal five days to rectify them.
19. Mikal failed to rectify the identified deficiencies within five days as required under its contract with Rose and the Performance Bond. As a result, on June 1, 2012, Gowlings, on behalf of the Receiver, wrote to Trisura to claim under Performance Bond TC0211026 (the "**Performance Bond**") issued by Trisura with respect to Mikal's work for Rose on the Property. The package provided to Trisura on June 1, 2012 (which includes the letters to Mikal) is attached hereto as **Appendix "F"**.
20. Borden Ladner Gervais LLP ("**BLG**"), as counsel to Trisura, responded to the claim against the Performance Bond in an e-mail dated June 4, 2012, which is attached hereto as **Appendix "G"**.
21. Gowlings responded to Trisura's June 4, 2012 correspondence on behalf of the Receiver by delivering the information requested by BLG on July 10, 2012. A copy of the cover letter to this package is attached hereto as **Appendix "H"**. The package that was attached to this letter is available to be produced to the Court upon request.
22. Trisura did not accept the claim made by the Receiver under the Performance Bond. As a result, on September 14, 2012, the Receiver issued a Statement of Claim with respect to the deficiencies in the work identified in the Building Audit Report. This Statement of Claim is attached hereto as **Appendix "I"**. Trisura accepted service of the Statement of Claim on September 18, 2012, via an e-mail from BLG attached hereto as **Appendix "J"**.

Despite requests from Gowlings, Trisura has not delivered a Statement of Defence to this Statement of Claim. The Receiver has not to date noted Trisura in default.

23. In response to service upon Mikal of the Statement of Claim in the proceeding commenced by the Receiver, on October 16, 2012, Gowlings received correspondence from Garth Low, counsel to Mikal and Keith Ly, advising the Receiver that the ownership of Mikal was disputed among Mr. Ly (who executed the affidavit of verification for the Lien Claim) and Leon Hui (who executed the assignment of the Lien Claim). This dispute is currently being adjudicated in another court proceeding. Mr. Low's letter dated October 16, 2012 is attached hereto as **Appendix "K"**.

TRISURA'S REQUEST TO LIFT THE STAY OF PROCEEDINGS

24. On October 24, 2012, BLG requested the Receiver's consent to lift the stay of proceedings to set the Lien Action down for trial. A copy of the e-mail correspondence is attached hereto as **Appendix "L"**.
25. Gowlings responded to BLG's request with a letter dated October 30, 2012, pointing out a number of difficulties with Trisura's request to set the Lien Claim down for trial. This letter is attached hereto as **Appendix "M"**.
26. As set out at Exhibit "P" to the Chassé Affidavit, on November 7, 2012, BLG asked for the Receiver's consent to an Order lifting the stay of proceedings. Gowlings provided the Receiver's position respecting the terms of a proposed Order lifting the stay of proceedings in the letter dated November 22, 2012 attached to the Chassé Affidavit as Exhibit "Q".
27. Gowlings also set out Peoples' position concerning the Lien Action in a separate letter dated November 22, 2012, attached to the Chasse Affidavit as Exhibit "R". In this letter, as a term of its consent to setting the Lien Action down for trial, Peoples asked for the opportunity to amend its Statement of Defence.
28. One of the terms set out in the November 22, 2012 letters was that Trisura was to take out an Order to Continue. As set out at paragraph 12 of the Chassé Affidavit, the Order to

Continue in the Lien Action was obtained November 26, 2012. It was served on Gowlings on December 3, 2012. Attached hereto as Appendix "N" is copy of the e-mail serving the Order to Continue.

RECEIVER'S REQUEST TO THE COURT

The Receiver is respectfully seeking an order:

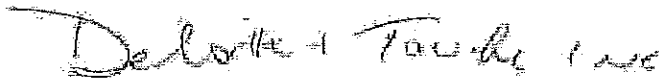
- (a) approving this Second Report; and
- (b) ordering that the stay of proceedings be lifted on the terms set out in Gowlings' letters dated November 22, 2012.

All of which is respectfully submitted to this Honourable Court:

DATED this 14th day of December, 2012.

Deloitte & Touche Inc.

Receiver and Manager of the current and future assets, undertakings and properties of Rose of Sharon (Ontario) Retirement Community and not in its personal capacity.



Daniel R. Weisz, CA•CIRP, CIRP
Senior Vice President

Hartley Bricks, MBA, CA•CIRP
Vice President

TAB D

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) THURSDAY, THE 27th DAY
MR. JUSTICE BROWN) OF DECEMBER, 2012

BETWEEN:



PEOPLES TRUST COMPANY

Applicant

-and-

ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY

Respondent

APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended and under Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43

ORDER

THIS MOTION, made by Trisura Guarantee Insurance Company (“Trisura Guarantee”), for an Order that the stay of proceedings (the “Stay”) in Justice Campbell’s Order dated September 27, 2011 (the “Appointment Order”) be lifted for the purpose of allowing Trisura Guarantee to pursue an action bearing Court File No. CV-10-417426 (the “Construction Lien Action”), commenced by Mikal-Calladan Construction Inc. (“Mikal-Calladan”), as against certain parties, including Rose of Sharon (Ontario) Retirement Community (“Rose of Sharon”) and so that Trisura Guarantee can comply with section 37 of the *Construction Lien Act* in the Construction Lien Action, was heard on December 21, 2012

at 330 University Avenue, Toronto, Ontario, judgment having been reserved until December 27, 2012.

ON READING the affidavits of Edouard Chassé, sworn December 12, 2012 and December 17, 2012, the Second Report of Deloitte & Touche Inc., in its capacity as Court-appointed receiver (the "Receiver") dated December 14, 2012 and upon hearing submissions from counsel for Trisura Guarantee and counsel for the Receiver and upon reading the Affidavits of Service of Jessica Beare, sworn December 12, 2012 and December 17, filed.

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that the Stay provided for in the Appointment Order be and is hereby lifted so that Trisura Guarantee can continue and take all steps necessary to advance the Construction Lien Action and so that Trisura Guarantee can take all steps as are necessary to comply with section 37 of the *Construction Lien Act*.
3. **THIS COURT ORDERS** that the Construction Lien Action be and is hereby set down for trial in accordance with section 37(1)2 of the *Construction Lien Act*.
4. **THIS COURT ORDERS** that the noting in default of Rose of Sharon in the Construction Lien Action be and is hereby set aside.
5. **THIS COURT ORDERS** that the Default Judgment dated September 29, 2011, against Rose of Sharon in the Construction Lien Action be and is hereby set aside.
6. **THIS COURT ORDERS** that the Receiver may file a Statement of Defence in the Construction Lien Action within 20 days of the date of this Order.
7. **THIS COURT ORDERS** that the issues of liability, timeliness and quantum in the Construction Lien Action shall be determined in a Reference before a Master.

8. **THIS COURT ORDERS** that the issue of the priorities of the construction lien vis-à-vis any other encumbrance shall be determined by a Judge of the Commercial List in these receivership proceedings.

9. **THIS COURT ORDERS** that Trisura Guarantee pay costs to the Receiver in the amount of \$4,000, which costs shall be paid within 20 days of the date of this Order.

A handwritten signature in black ink, appearing to be "M. J.", written over a horizontal line.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

Handwritten initials in black ink, possibly "AB".

DEC 28 2012

PEOPLES TRUST COMPANY -and- ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY

Applicant

Respondent

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

ORDER

BORDEN LADNER GERVAIS LLP

Barristers and Solicitors
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

James MacLellan
Tel: 416-367-6592
Fax: 416-361-7350
LSUC No. 37197G

Roger Jaipargas
Tel: (416) 367-6266
Fax: (416) 361-7067
LSUC No. 43275C

Lawyers for Trisura Guarantee Insurance Company

TOR01: 5083931: v1

TAB E

Rose of Sharon (Ontario) Retirement Community
 Schedule of Life Lease Units
 As at December 31, 2012

Unit #	Old Unit #	Bath-rooms	Bedroom/Studio	Terrace	Parking	Name of Life Lease Unit Holder	Occupancy Status (1)	Dates of Right to Occupy Agreement (RTOA)	Life Lease Purchase/Selling Price	Deposits Paid	Price Adjustments/ Rebates/ Offsets Given by Rose of Sharon	Balance Owed	Loan(s) to Rose/ Promissory Note(s) from Rose	Director's Loans	Balance Owning After Loan(s)/Note(s) (5)
Arm's Length Units															
304	UM5	1	studio			Mary Chon	R	24-Aug-05	\$ 137,685	\$ (41,305)	\$ (13,789)	\$ 82,611	\$ (62,612)	\$ -	\$ -
306	UM6	1	1			Mary Chon	T	10-May-05	189,610	(65,261)	(18,951)	127,398	(77,338)	-	-
308	UM8	1	1			Youngsook Cha	T	18-Aug-08	182,240	(54,572)	-	127,668	-	-	127,668
703	802	1	1	X		Jang Heon Lee/Vivian Rhee (Lee)	V	28-Jan-07	260,000	(15,000)	-	245,000	(30,000)	-	215,000
707	807	1	1	X		Sung-Sun Yoon/Mi-Kyung Yoon	V	22-Sep-03	111,195	(31,770)	-	79,425	(74,851)	-	4,574
708	808	1	1	X		Soon Sup Lee /Hyung Gooed Lee	O	8-Aug-09	177,645	(95,403)	-	82,242	(73,935)	-	8,307
709	809	1	1	X		Kyung Yul Lee/Jung Ja Lee	O	8-Nov-09	196,000	(75,900)	-	119,700	(119,700)	-	-
802	803	1	studio			Jane-Xim	T	30-Mar-09	145,000	-	-	145,000	(100,000)	-	45,000
803	804	1	1	X		Boo Shim Shin	T	30-Dec-89	143,000	(94,000)	-	49,000	-	-	49,000
806	807	1	1	X		Eunhyang Yim	O	13-May-05	182,938	(54,851)	(9,142)	118,945	-	-	118,945
807	808	1	1	X		Jong Ran Kim	T	10-Dec-07	214,500	(233,866)	-	(19,466)	-	-	(19,466)
809	812	1	studio			Sang-Hyun An/Chang Y An	R	31-Dec-03	117,100	(35,130)	-	81,970	(6,498)	-	75,472
811	811	1	1	X		Sang-Hyun An/Chang Y An	R	31-Dec-03	183,200	(45,960)	-	137,240	(8,502)	-	128,738
907	706	1	1			Myung Hee Kim/Jun De Sung	V	27-Nov-04	221,000	(65,300)	(22,100)	133,600	-	-	133,600
908	709	1	1			Han Hyeonng Lee/Hae Jeong Kang	R	22-Sep-03	107,600	(107,600)	-	-	-	-	-
909	712	1	studio			Mansoo Chun	R	21-Jun-08	150,000	(24,400)	-	125,600	-	-	125,600
911	711	1	1			Hyang Ok Hong/John Bai	R	23-Dec-02	182,600	(44,260)	-	138,340	(40,000)	-	98,340
912	710	1	1	X		Chang Jeon Kim/Soon Ja Kim/Sang-Hyun Kim	O	8-Nov-10	217,980	(125,280)	-	94,700	(90,600)	-	4,100
1002	803	2	2			Brenda (Chun) Hb	T	31-Oct-86	159,319	(103,532)	-	55,787	-	-	55,787
1009	810	2	2			Young Sohn	T	30-May-07	329,900	(65,000)	-	224,630	-	-	224,630
1010	808	1	1			Morgiana Lee	T	14-Jun-11	155,000	(145,200)	-	9,800	(50,000)	-	28,800
1108	LP5	2	2			Gye-Soon Kim/Joan Kis Kim	R	12-Mar-10	227,000	(148,200)	(32,891)	186,883	(166,555)	-	11,328
1110	LP7	1	1			Jae Won Bunn	R	27-Sep-04	329,810	(89,946)	-	125,000	-	-	125,000
1111	LP9	1	1			Milal Hwa Kim/Wellan Kim	R	30-May-07	150,000	(25,000)	-	125,000	-	-	125,000
1112	LP8	1	1			Sang-Hyun An/Chang Y An	T	22-Oct-88	114,880	(97,393)	-	17,487	-	-	17,487
PH6	LP5	2	2			Hee Jun Park/Na Rae Choi	T	29-Mar-00	209,800	(62,800)	-	146,720	-	-	146,720
						Jong Rye Lee/Chang Hun Shin	T	29-May-07	441,000	(44,100)	-	396,900	(44,000)	-	352,900
									\$ 5,136,402	\$ (1,979,799)	\$ (96,953)	\$ 3,060,650	\$ (954,351)	\$ -	\$ 2,076,299
Arm's Length - Abandoned Units															
902	703	1	studio			Soon Ki Chang	V	14-May-05	\$ 127,160	\$ -	\$ -	\$ 127,160	\$ -	\$ -	\$ 127,160
Director Units															
705	512	2	1	X		Young Jeon	O	26-Oct-86	\$ 132,407	\$ (69,804)	\$ -	\$ 62,603	\$ (62,603)	\$ -	\$ -
710	509	1	1	X		Hyun Seob Hwang/Moon A. Yoon	T	1-Aug-00	74,550	(66,087)	-	8,463	-	-	8,463
711	511	1	1	X		Young Jeon	R	26-Oct-86	114,439	(69,804)	-	44,635	(62,347)	(26,000)	(32,712)
712	510	1	1	X		Daniel Yoon/Moon Yoon	R	7-Feb-01	148,000	(98,197)	-	49,803	(50,000)	-	16,833
801	601	1	1	X		Siewen Yu	T	26-Apr-05	201,825	(60,847)	(26,163)	121,095	(150,000)	(25,000)	(53,905)
804	604	1	1	X		Klara Kim	T	28-Apr-05	157,950	(47,389)	(7,397)	102,655	(400,000)	-	(297,595)
805	605	2	2	X		Han Hyeonng Lee/Hae Jeong Kang	T	31-Dec-03	195,000	(186,000)	-	9,000	(25,000)	-	(16,000)
810	609	1	1	X		Sun Hwa Lee	T	5-Sep-03	100,000	(23,266)	-	76,734	(105,354)	(29,620)	(58,620)
812	610	1	1	X		Sun Hwa Lee	R	5-Sep-03	197,000	(45,854)	(16,300)	151,165	(207,545)	(25,000)	(56,380)
906	707	1	1	X		Woo Sam Park	T	8-Apr-08	168,000	(48,900)	-	87,800	(25,000)	-	72,800
1001	801	1	1	X		Albert Yoon	T	1-Nov-00	93,877	(33,512)	-	60,365	(45,181)	-	15,185
1003	802	1	1	X		Albert Yoon	T	1-Nov-00	93,233	(33,244)	-	59,879	(44,819)	(30,000)	(14,939)
1007	806	1	1	X		Lawrence (Myung Kyul) Kim	O	31-Oct-86	109,029	(75,643)	-	31,559	(31,599)	(40)	-
1011	809	1	1	X		John Yoon	T	1-Nov-00	99,000	(25,263)	(9,900)	63,837	(55,000)	(25,000)	(20,163)
1109	LP6	1	1	X		Olivia Yoon	O	4-Nov-00	103,693	(75,936)	-	27,757	(30,000)	-	(2,243)
						Lawrence (Myung Kyul) Kim	V	14-Jul-08	170,000	(17,000)	-	153,000	(74,276)	(25,000)	(53,724)
									\$ 2,150,066	\$ (991,395)	\$ (54,290)	\$ 1,104,351	\$ (1,288,725)	\$ (205,000)	\$ (398,334)
Units = 16															
Mgungwha Units (2)															
205	LM4	1	studio		X	Mgungwha Homes	V	12-Dec-10	\$ 210,430	\$ (155,000)	\$ -	\$ 55,430	\$ -	\$ -	\$ 55,430
207	LM11	1	1	X		Mgungwha Homes	T	1-Dec-10	224,912	-	-	224,912	(124,912)	-	100,000

Roos of Sharon (Ontario) Retirement Community
 Schedule of Life Lease Units
 As at December 31, 2012

Unit #	Old Unit #	Bath-rooms	Bedroom/ Studio	Terrace	Parking	Name of Life Lease Unit Holder	Occupancy Status (1)	Date of Right to Occupy Agreement (RTCA)	Life Lease Purchase/Selling Price	Deposits Paid	Price Adjustments/ Rebates/ Offsets Given by Roos of Sharon	Balance Owed	Loan(s) to Rose/ Promissory Note(s) from Rose	Director's Loans	Balance Owling After Loan(s)/Note(s) (9)
Units # 2															
									\$ 435,342	\$ (155,000)	\$	\$ 280,342	\$ (124,912)	\$	\$ 155,430

Non-Arm's Length Units (4)

201	LM2	1	1			Anne Marie Helmrichs (Vace)	V	8-Apr-04	\$ 191,370	\$ (54,471)	\$	\$ 127,099	\$	\$	\$ 127,099
203	LM3	1	1	X		Robert Berg (ACC)	O	8-Nov-03	\$ 68,000	\$ (30,042)	\$ (142,493)	\$	\$	\$	\$ (4,535)
204	LM5	1	2	X		Mike Ridley (Vace)	V	8-Apr-04	\$ 137,885	\$ (41,308)	\$	\$ 96,379	\$	\$	\$ 96,379
206	LM6	1	1			Aaron & Helen Klassen (Vace)	V	8-Apr-04	\$ 192,510	\$ (53,983)	\$	\$ 138,927	\$	\$	\$ 138,927
208	LM7	1	1			Tim Schaner (Vace)	V	8-Apr-04	\$ 184,250	\$ (55,275)	\$	\$ 128,975	\$	\$	\$ 128,975
209	LM8	1	1			Mike Ridley (Vace)	V	8-Apr-04	\$ 182,240	\$ (54,672)	\$	\$ 127,568	\$	\$	\$ 127,568
210	LM9	1	2			Mike Ridley (Vace)	V	8-Apr-04	\$ 308,870	\$ (55,774)	\$	\$ 243,096	\$	\$	\$ 243,096
211	LM10	1	studio			Mike Ridley (Vace)	V	8-Apr-04	\$ 159,795	\$ (31,860)	\$	\$ 127,935	\$	\$	\$ 127,935
212	LM12	1	studio			Hans Goetze (Vace)	V	8-Apr-04	\$ 174,200	\$ (52,260)	\$	\$ 121,940	\$	\$	\$ 121,940
213	LM13	1	studio			Hans Goetze (Vace)	V	8-Apr-04	\$ 157,115	\$ (31,424)	\$	\$ 125,691	\$	\$	\$ 125,691
214	LM14	1	1			Tim Schaner (Vace)	V	8-Apr-04	\$ 187,935	\$ (37,587)	\$	\$ 150,348	\$	\$	\$ 150,348
311	UM12	1	studio			John Chon (Vace)	V	14-Jun-05	\$ 174,200	\$ (56,615)	\$	\$ 117,585	\$	\$	\$ 117,585
701	501	1	1			Choo-Kook Chang (Vace)	V	21-Apr-05	\$ 203,806	\$ (89,593)	\$	\$ 123,303	\$	\$	\$ 123,303
903	702	1	1	X		Yun Ok Lee (Vace)	V	12-May-05	\$ 203,520	\$ (85,079)	\$	\$ 137,241	\$	\$	\$ 137,241
910	705	1	1			Assured Care Consulting Inc.	O	8-Nov-03	\$ 207,358	\$ (90,616)	\$	\$ 116,742	\$	\$	\$ 116,742
1103	LP2	1	1	X		Anne Marie Helmrichs (Vace)	V	1-Nov-10	\$ 244,250	\$ (81,170)	\$	\$ 163,080	\$	\$	\$ 163,080
1105	LP12	2	2		X	Leon Hui	T	24-Feb-07	\$ 320,000	\$ (85,000)	\$	\$ 235,000	\$	\$	\$ 235,000
Units # 18									\$ 3,532,865	\$ (1,122,708)	\$ (442,493)	\$ 2,267,667	\$	\$	\$ 2,267,667

Released & Vacant Units

202	LM1	1	studio			Chang-Yong An (Vace)	V	18-Jun-05	\$ 127,300	\$ (41,373)	\$	\$ 85,927	\$	\$	\$ 85,927
302	UM1	1	studio			Meeral Cho (Vace)	V	28-May-05	\$ 148,005	\$ (46,232)	\$	\$ 101,773	\$	\$	\$ 101,773
307	UM7	1	1			Kim Hong Yang (Vace)	V	4-Jun-05	\$ 194,250	\$ (59,381)	\$	\$ 134,869	\$	\$	\$ 134,869
310	UM10	1	studio			Myunghee Yoo (Vace)	V	4-Jun-05	\$ 150,795	\$ (51,983)	\$	\$ 98,812	\$	\$	\$ 98,812
312	UM13	1	studio			Tae-Young Kim (Vace)	V	4-Jun-05	\$ 157,115	\$ (51,064)	\$	\$ 106,051	\$	\$	\$ 106,051
313	UM11	1	studio	X		Eather Yoon	V	30-Sep-04	\$ 196,378	\$	\$	\$ 196,378	\$	\$	\$ 196,378
314	UM14	1	1			Richard Yoon (Vace)	V	28-May-05	\$ 210,935	\$ (62,064)	\$	\$ 148,871	\$	\$	\$ 148,871
702	503	1	studio	X		Sang-Hoon Lee (Vace)	V	3-Jun-05	\$ 135,005	\$ (49,877)	\$	\$ 85,128	\$	\$	\$ 85,128
704	504	1	studio	X		Sang-Hoon Lee (Vace)	V	3-Jun-05	\$ 157,335	\$ (51,134)	\$	\$ 106,201	\$	\$	\$ 106,201
804	704	2	2	X		Eun Y. Lee/Hee K. Lee (Vace)	V	30-Sep-04	\$ 306,005	\$ (100,882)	\$	\$ 205,123	\$	\$	\$ 205,123
905	705	2	2	X		Kyung Hwan Lee (Vace)	V	12-May-05	\$ 159,120	\$ (51,714)	\$	\$ 107,406	\$	\$	\$ 107,406
1006	805	1	1			Jung Hoon Lee (Vace)	V	27-Nov-04	\$ 301,860	\$ (95,614)	\$	\$ 206,246	\$	\$	\$ 206,246
1008	807	1	1	X		Jin Sook Park (Vace)	V	24-Jun-05	\$ 234,773	\$ (76,301)	\$	\$ 158,472	\$	\$	\$ 158,472
1101	LP1	1	1			Byung Cho (Vace)	V	4-Oct-04	\$ 255,298	\$ (84,248)	\$	\$ 171,050	\$	\$	\$ 171,050
1102	LP3	2	1			John Cho (Vace)	V	17-Jun-05	\$ 206,310	\$ (61,527)	\$	\$ 144,783	\$	\$	\$ 144,783
Units # 16									\$ 3,287,824	\$ (1,024,477)	\$	\$ 2,263,347	\$	\$	\$ 2,263,347

Rose of Sharon (Ontario) Retirement Community
 Schedule of Life Lease Units
 As at December 31, 2012

Unit #	Old Unit #	Bathrooms	Bedroom/Studio	Terrace	Parking	Name of Life Lease Unit Holder	Occupancy Status (1)	Date of Right to Occupy Agreement (RTOA)	Life Lease Purchase/Selling Price	Deposits Paid	Price Adjustments/ Rebates/ Offsets Given by Rose of Sharon	Balance Owed	Loan(s) to Rose/ Promissory Note(s) from Rose	Director's Loans	Balance Owed After Loan(s)/Note(s) (5)
Unimac Units (2)															
207	UM1	1	1			Unimac Group Ltd.	T	1-Nov-08	\$ 281,740	\$ -	\$ -	\$ 281,740	\$ -	\$ -	\$ 281,740
301	UM2	1	2			Unimac Group Ltd.	T	1-Nov-08	259,900	-	-	259,900	-	-	259,900
303	UM3	1	1	X		Unimac Group Ltd.	T	1-Nov-08	249,740	-	-	249,740	-	-	249,740
309	UM9	1	2			Unimac Group Ltd.	T	2-Sep-09	351,000	-	-	351,000	-	-	351,000
PH1	UP3	2	1			Unimac Group Ltd.	T	2-Sep-09	457,930	-	-	457,930	-	-	457,930
PH8	UP7	2	2			Unimac Group Ltd.	T	2-Sep-09	691,000	-	-	691,000	-	-	691,000
Units = 5									\$ 2,300,710	\$ -	\$ -	\$ 2,300,710	\$ -	\$ -	\$ 2,300,710
Turpro RTOA Units															
305	UM4	1	2	X	X	William Campbell	V	5-Apr-05	250,000	-	-	250,000	-	-	250,000
PH5	UP6	1	1		X	Turpro Investments	V	15-Dec-05	332,000	-	(49,800)	282,200	-	-	282,200
PH7	UP8	2	2			Turpro Investments	V	15-Dec-05	529,280	-	(79,392)	449,888	-	-	449,888
Units = 3									\$ 1,111,280	\$ -	\$ (129,192)	\$ 982,088	\$ -	\$ -	\$ 982,088
Turpro Option Units															
310	UM10	studio	studio			Turpro Investments	V		\$ 159,975	\$ -	\$ -	\$ 159,975	\$ -	\$ -	\$ 159,975
802	802	studio	studio			Turpro Investments	T		147,900	-	-	147,900	-	-	147,900
PH3	UP4	2	1	X		Turpro Investments	V		530,000	-	-	530,000	-	-	530,000
PH8	UP7	2	2			Turpro Investments	T		599,228	-	(17,845)	581,383	-	-	581,383
Units = 4									\$ 1,427,101	\$ -	\$ (17,845)	\$ 1,399,256	\$ -	\$ -	\$ 1,399,256
Unsold & Vacant Units															
808	808	1	1				V		236,000	\$ -	\$ -	236,000	\$ -	\$ -	236,000
Units = 1									\$ 16,546,310	\$ (5,272,377)	\$ (422,918)	\$ 12,851,015	\$ (2,397,988)	\$ -	\$ 10,248,027

Notes:

- Occupancy Status is as follows (the effect of units listed twice on this schedule per Note 2 has been removed):
 C = Owner Occupied (9 units)
 R = Relative (11 units)
 T = Tenant (28 units)
 V = Vacant (42 units)
- The following units are subject to the interests of more than one party and are shaded in the schedule:
 i) Unit 207 is being claimed by Mungwha Homes and Unimac
 ii) Unit 802 is being claimed by Jane Kim and Turpro (through a pledge of security and option to purchase)
 iii) Unit PH8 is being claimed by Unimac and Turpro (through a pledge of security and option to purchase)
 iv) Unit 310 is a released unit and is claimed by Turpro (through a pledge of security and option to purchase)

For purposes of this schedule, and in order to remove the effect of the apparent duplicate interest in units on this schedule, the totals do not reflect the amounts relating to the following units:

- i) Unit 207 (Unimac Unit)
- ii) Unit 802 (Turpro Option Unit)
- iii) Unit PH8 (Turpro Option Unit)
- iv) Unit 310 (Turpro Option Unit)

- Unimac has taken possession of six units as it has claimed that Rose of Sharon defaulted on certain agreements to pay amounts owing to Unimac under the Construction Contract. Rose of Sharon is disputing Unimac's rights to the units.
- There are 11 Non-Arm's Length Units (the First Vace Purchasers) with an RTOA dated April 8, 2005. However, Rose of Sharon's records include an amending letter which amends the year of the RTOA to 2004. While Rose of Sharon's records do not include an amending letter for unit 910, given that this purchaser is a First Vace Purchaser, for the purposes of this schedule, it is assumed that an amending letter exists for this unit.
- This schedule does not reflect the purchase of any unit options, "extras" or appliances by the Unit-holders or amounts paid by Unit-holders for such unit options, "extras" or appliances.

TAB F

PRIORITY OF MORTGAGE REGISTRATIONS

15 & 17 Maplewood Avenue, Toronto, Ontario

Mortgagee	Instrument No.	Registration Date	Principal Amount	Priority as at Date of Registration	Current Priority (as at December 31, 2012)	Reason for Change of Priority	Other Comments
Peoples Trust Company	AT1450426	May 18, 2007	\$17,300,162.50	Fourth	First	Postponements of Interest registered as Instrument Nos. AT1450457 (re: CA600572), AT1450458 (re: E579089) and AT1450459 (re: AT1040424) on May 18, 2007	
Morrison Financial Services Limited	AT1949790	November 14, 2008	\$700,000.00	Fifth	Second	Postponements of Interest registered as Instrument Nos. AT1949960 (re: CA600572), AT1949961 (re: E579089) and AT1950125 (re: AT1040424) on November 14, 2008	IWOK Corporation transferred to Morrison Financial Services Limited by Transfer of Charge registered as Instrument No. AT2908311 on December 30, 2011

Turfpro Investments Inc.	CA600752	May 14, 1999	\$100,000.00	First	Third	Mikal Construction Inc. transferred to Turfpro Investments Inc. by Transfer of Charge registered as Instrument No. AT1040360 on January 19, 2006
Turfpro Investments Inc.	E579089	August 2, 2002	\$590,000.00	Second	Fourth	
IWOK Corporation	AT1040424	January 19, 2006	\$150,000.00	Third	Fifth	Mijo Holdings Inc. transferred to Unimac Group Ltd. by Transfer of Charge registered as Instrument No. AT1450745 on May 18, 2007. Unimac Group Ltd. transferred to IWOK Corporation by Transfer of Charge registered as Instrument No. AT2318865 on March 2, 2010

TAB G

For Ministry Use Only
 Usage exclusif du ministère
 Corporation and
 Companies
 Ontario Relations

LETTERS PATENT

This application constitutes the charter of the corporation which is issued by these Letters Patent dated this

Ministère de la Consommation et du Commerce
 La présente requête forme la charte de la compagnie constituée en personne morale par lettres patentes datées du

Ontario Corporation Number
 Numéro de l'association en Ontario

1023118

1 APRIL 07 AVRIL 1993

Minister of Consumer and Commercial Relations / Le Ministère de la Consommation et du Commerce

per/pas

cut D. [Signature]
 Director / Directeur

Trans Code A 18	Line No. 0 20	Stat 0 28	Comp Type B 29	Method Incorp. 1 30
Share N 31	Notice Req'd Y 32	Jurisdiction ONTARIO 33 47		

APPLICATION FOR INCORPORATION OF A CORPORATION WITHOUT SHARE CAPITAL
 REQUÊTE EN CONSTITUTION D'UNE ASSOCIATION

Form 2
 Corporations Act
 Formulaire numéro 2
 Loi sur les compagnies et associations

1. The name of the corporation is/Nom de l'association:

R	O	S	E		O	F		S	H	A	R	O	N		(O	N	T	A	R	I	O)		R	E	T	I	R	E	M
E	N	T																													

2. The address of the head office of the corporation is/Adresse du siège social:

156 FRONT STREET WEST, 6TH FLOOR

(Street & Number or R.R. Number & if Multi-Office Building give Room No.)
 (Rue et numéro ou R.R. et numéro et, s'il s'agit d'un édifice à bureaux, numéro du bureau)

TORONTO, ONTARIO

(Name of Municipality or Post Office)
 (Nom de la municipalité ou du bureau de poste)

M 5 J 2 1 6

(Postal Code/Code postal)

3. The head office of the corporation is situated in/Le siège social se trouve à:

TORONTO

(Name of Municipality, Geographical Township)
 (Nom de la municipalité, canton)

in the
 dans le

REGIONAL MUNICIPALITY OF METROPOLITAN
 (County, District, Regional Municipality)
 (Comté, district, municipalité régionale)
 TORONTO

4. Address of clubhouse or similar premises (if any) is:

Adresse du local de l'association ou autre endroit utilisé aux mêmes fins, s'il y a lieu:

N/A

(Street & Number or R.R. Number & if Multi-Office Building give Room No.)
 (Rue et numéro ou R.R. et numéro et, s'il s'agit d'un édifice à bureaux, numéro du bureau)

(Postal Code/Code postal)

5. The applicants who are to be the first directors of the corporation are:

Requérants appelés à devenir les premiers administrateurs de l'association:

Name in full, including all first, middle names
 Nom et prénoms au complet

Residence address, giving Street & No or R.R. No & Municipality or Post Office and Postal Code
 Adresse personnelle y compris la rue et le numéro ou la R.R. et le numéro, le nom de la municipalité ou du bureau de poste et le code postal

RICHARD S. YOON
 WON H. LEE
 STEPHEN IM
 DOHUN KIM
 HELEN HUH
 YOON-JAE LEE
 MATTHEW KIM

195 GLENVIEW AVENUE, TORONTO, ONT. M4R 1R4
 1211 STREAMBANK DRIVE, MISSISSAUGA, ONT. L5H 1X1
 220 HILLCREST AVENUE, NORTH YORK, ONT. M2N 3P2
 1232 MISSISSAUGA ROAD, MISSISSAUGA, ONT. L5H 2J2
 101 VALLEYMEDE DRIVE, RICHMOND HILL, ONT. L4B 1T6
 1 TAHOE COURT, DON MILLS, ONT. M3B 3M6
 57 CITATION DRIVE, WILLOWDALE, ONT. M2K 1S5

6. The objects for which the corporation is incorporated are:
Objets pour lesquels l'association est constituée:

- a) to provide and operate residential accommodation for senior citizens of low and modest income, the majority of whom are members of the Korean Community.
- b) to provide and operate a Nursing Home licensed under the Nursing Home Act, R.S.O. 1980 c320 as amended, or any successor of that act, for senior citizens of low and modest income, the majority of whom are members of the Korean Community.

7. The special provisions are/Dispositions particulières:

1. For the above objects, and as incidental and ancillary thereto, to exercise any of the powers as prescribed by the Corporations Act, or by any other statutes or laws from time to time applicable, except where such power is contrary to the statutes or common law relating to charities, and in particular, without limiting the generality of the foregoing:
 - a. the corporation shall be carried on without the purpose of gain for its members, and any profits or other accretions to the corporation shall be used in promoting its objects;
 - b. upon the dissolution of the corporation and after the payment of all debts and liabilities, its remaining property shall be distributed or disposed of to charitable organizations which carry out their work solely in Canada;
 - c. the corporation shall be subject to the Charities Accounting Act and the Charitable Gifts Act;
 - d. the directors shall serve as such without remuneration and no director shall directly or indirectly receive any profit from his/her position as such, provided that directors may be paid reasonable expenses incurred by them in the performance of their duties;
 - e. the borrowing power of the corporation pursuant to any bylaw passed and confirmed in accordance with section 59 of the Corporations Act shall be limited to borrowing money for current operating expenses, provided that the borrowing power of the corporation shall not be so limited if it borrows on the security of real or personal property;
 - f. if it is made to appear to the satisfaction of the Minister, upon report of the Public Trustee, that the corporation has failed to comply with any of the provisions of the Charities Accounting Act or the Charitable Gifts Act, the Minister may authorize an inquiry for the purpose of determining whether or not there is sufficient cause for the Lieutenant Governor to make an Order under subsection 317 (1) of the Corporations Act to cancel the Letters Patent of the corporation and declare it to be dissolved;
 - g. to provide such public, community and recreational space as is appropriate to the housing accommodation and Nursing Home services in such a manner that it is usable and accessible to other non-resident seniors, and to the resident's families and friends so as to encourage interaction between the residents and the wider Korean Community;

- h. to acquire by purchase, lease, devise, gift or otherwise, real property, and to hold such real property or interest therein necessary for the actual use and occupation of the corporation or for carrying on its charitable undertaking, and, when no longer so necessary, to sell, dispose of and convey the same or any part thereof;
 - i. to raise money through subscriptions, donations, gifts, endowments and testaments for the purpose of carrying out these objects;
 - j. to enter into rental or occupancy agreements with the residents upon such terms as it may deem advisable.
-

8. The names and residence addresses of the applicants are:
Noms et adresses personnelles des requérants:

Name in full, including all first, middle names Nom et prénoms au complet	Residence address, giving Street & No. or R.R. No. & Municipality or Post Office and Postal Code Adresse personnelle y compris la rue et le numéro ou la R.R. et le numéro et la municipalité ou le bureau de poste et le code postal	Calling (occupation) Profession
RICHARD S. YOON	195 GLENVIEW AVENUE TORONTO, ONTARIO M4R 1R4	ENVIRONMENTAL COORDINATOR
WON H. LEE	1211 STREAMBANK DRIVE MISSISSAUGA, ONTARIO L5H 1X1	CHARTERED ACCOUNTANT
STEPHEN IM	220 HILLCREST AVENUE NORTH YORK, ONTARIO M2N 3P2	M.D. OBSTETRICIAN
DOHUN KIM	1232 MISSISSAUGA ROAD MISSISSAUGA, ONTARIO L5H 2J2	M.D. NEPHROLOGIST
HELEN HUH	101 VALLEYMEDE DRIVE RICHMOND HILL, ONTARIO L4B 1T6	PHARMACIST
YOON-JAE LEE	1 TAHOE COURT DON MILLS, ONTARIO M3B 3M6	M.D. GASTROENTEROLOGIST
MATTHEW KIM	57 CITATION DRIVE WILLOWDALE, ONTARIO M2K 1S5	M.D. FAMILY PHYSICIAN

This application is executed in duplicate.
Cette requête est faite en double exemplaire.

Signatures of applicants/Signature des requérants

Richard S. Yoon
Won H. Lee
Stephen Im
Dohun Kim
Helen Huh
Yoon-Jae Lee
Matthew Kim

The Letters Patent of the Corporation are hereby amended as follows:

1. By amending paragraph 6 thereof so the objects for which the corporation is incorporated are:

a. to provide and operate non-profit residential accommodation and incidental facilities thereto exclusively for:

- (i) persons of low income;
 - (ii) senior citizens primarily of low or modest income;
 - (iii) disabled persons primarily of low or modest income;
- or any combination of (i), (ii), and (iii).

b. to provide and operate a Nursing Home licensed under the Nursing Home Act, R.S.O. 1990, c. N.7.

2. By deleting all of the special provisions set out in paragraph 7 and replacing them with the following:

" 7. The special provisions are:

For the above objects, and as incidental and ancillary thereto, to exercise any of the powers as prescribed by the Corporation Act, or by any other statutes or laws from time to time applicable, except where such power is contrary to the statutes or common law relating to charities, and in particular, without limiting the generality of the foregoing:

a. the corporation shall be carried on without the purpose of gain for its members, and any profit or other accretion to the corporation shall be used in promoting its objects;

b. the directors, and those directors who also serve as officers, shall serve as directors and officers without remuneration and no director shall directly or indirectly receive any profit or remuneration from his or her position as director or in any other capacity, provided that a director, including those who are also officers, may be paid reasonable expenses incurred by them in the performance of his or her duties;

c. the membership of the corporation shall consist of two groups, a resident member group consisting of members who are resident in accommodations owned by the corporation and a non-resident group consisting of all other members, all of which may be further defined in the By-Laws;

d. within one (1) year after eighty percent (80%) of the units

Page 2 of 4
 #8219
 SEP 9 1994

1(b)

in any residential accommodation owned by the corporation have become occupied by tenants or other residents, not less than one third of the directors of the corporation shall be elected by and from among that group of the members of the corporation who consist of persons who are resident in accommodations owned by the corporation;

e. the corporation shall be subject to the Charities Accounting Act and the Charitable Gifts Act;

f. the borrowing power of the corporation pursuant to any by-law passed and confirmed in accordance with Section 59 of the Corporations Act shall be limited to borrowing money for current operating expenses, provided that the borrowing power of the corporation shall not be limited if it borrows on the security of real or personal property;

g. if it is made to appear to the satisfaction of the Minister of Consumer and Commercial Relations, upon report of the Public trustee, that the corporation has failed to comply with any provisions of the Charities Accounting Act or the Charitable Gifts Act, the Minister may authorize an inquiry for the purpose of determining whether or not there is sufficient cause for the Lieutenant Governor to make an Order under subsection 317(1) of the Corporations Act to cancel the Letters Patent of the Corporation and declare it to be dissolved;

h. upon dissolution of the corporation and after payment of all debts and liabilities, its remaining property and assets shall be distributed or disposed of to a charitable non-profit housing corporation with housing as one of its objects, such corporation to be solely in Canada;

i. to provide such public, community and recreational space as is appropriate to the housing accommodation and nursing home services in such a manner that it is usable and accessible to other non-resident seniors, and to the resident's families and friends so as to encourage interaction between the residents and the surrounding community;

j. to acquire by purchase, lease, devise, gift or otherwise, real property, and to hold such real property or interest therein necessary for the actual use and occupation of the corporation or for carrying on its charitable undertaking, and, when no longer so necessary, to sell, dispose of and convey the same or any part thereof;

k. to raise money through subscriptions, donations, gifts, or endowments and testaments for the purpose of carrying out these objects;

l. to enter into rental or occupancy agreements with residents upon such terms as it may deem advisable."

To: Corporation, 100 St. Lawrence Street East, Toronto, Ontario M5C 1A6, Ministry of Consumer & Commercial Relations
From: Canada's Charitable Foundation, Office of the Public Trustee
Issuance of Letters Patent/Supplementary Letters Patent conforming to this application is ascribable to the Public Trustee.

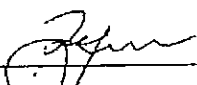
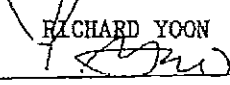
Page 3 of 4 Pages
8219
Examiner

SEE 133

02/19/94

This application is executed in duplicate.
Cette requête est faite en double exemplaire.

ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY
(Name of corporation/Nom de la compagnie ou association)

By: Par		(Description of Office/ Fonction)
	RICHARD YOON - Director	
		(Description of Office/ Fonction)
	MATTHEW KIM - Director	
		- Vice President

Corporate seal
(apposer le sceau de la
compagnie ou association)

RESOLVED that the Corporation apply for Supplementary Letters Patent to the Supplementary Letters Patent dated September 12, 1994, by deleting paragraph 1. of those Supplementary Letters Patent and substituting therefor the following:

1. By amending paragraph 6 of the Letters Patent of the Corporation so the objects for which the Corporation is incorporated are:

- 6. (a) to provide and operate non-profit residential accommodation and incidental facilities thereto for senior citizens and disabled persons mainly of the Korean-Canadian Community;
- (b) to provide and operate a nursing home licensed under the Nursing Home Act, R.S.O. 1990, c.N.7
- (c) to utilize all excess funds obtained from operations and donations for charitable purposes, namely, the alleviation of poverty, education and cultural programs for the Korean-Canadian community in general and the residents of the residential accommodation and nursing home operated by the Corporation in particular.

To: Canadian Council, Ministry of Consumer and Commercial Affairs
100 Wellington Street West, Toronto, Ontario M5G 1L2
Attention: Registrar of Companies
This application is made pursuant to the provisions of the
Companies Act, R.S.O. 1990, c.51, and is subject to the
provisions of the Companies Act, R.S.O. 1990, c.51, and is
subject to the provisions of the Companies Act, R.S.O. 1990, c.51.

Page 2 of 2 Pages
Examiner

This application is executed in duplicate.
La présente requête est faite en double exemplaire.

ROSE OF SHARON (ONTARIO)
RETIREMENT COMMUNITY

(Name of corporation/Dénomination sociale de la personne morale)

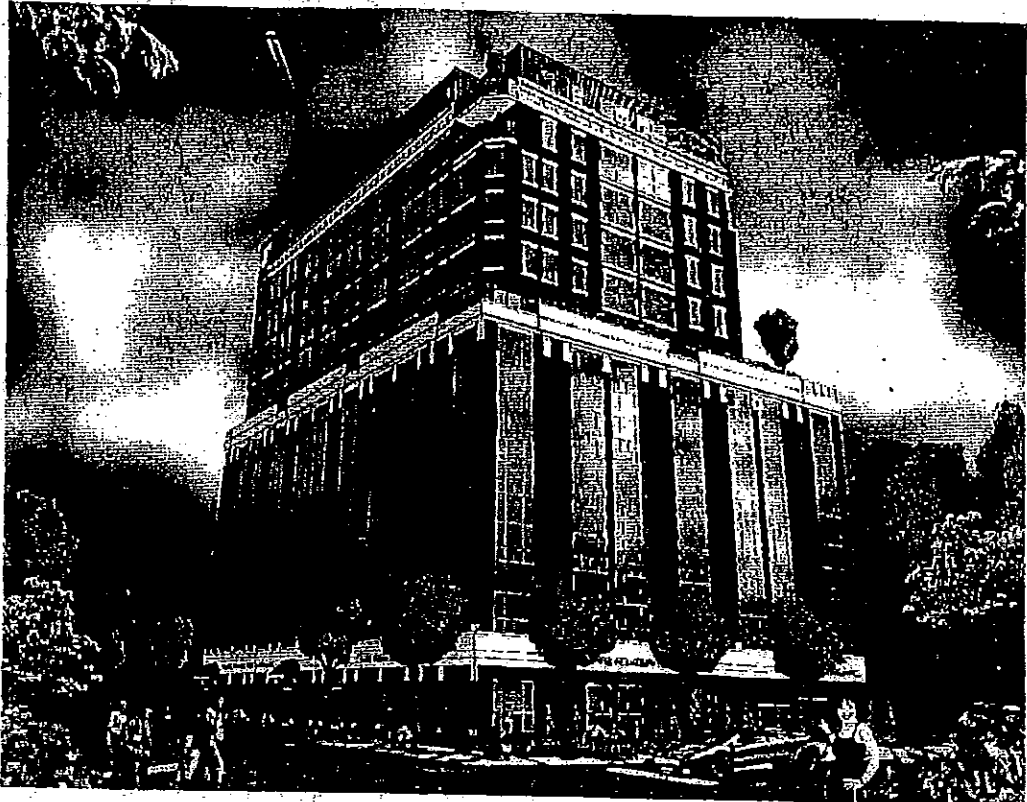
By/Par: _____, President
 (Signature) Richard Yoon (Description of Office)
 (Signature) (Function)

_____, Vice-President
 (Signature) _____ (Description of Office)
 (Signature) Matthew Kim (Function)

(corporat seal)
(scell de la
personne morale)

TAB H

ROSE OF SHARON COMMUNITY INFORMATION PACKAGE

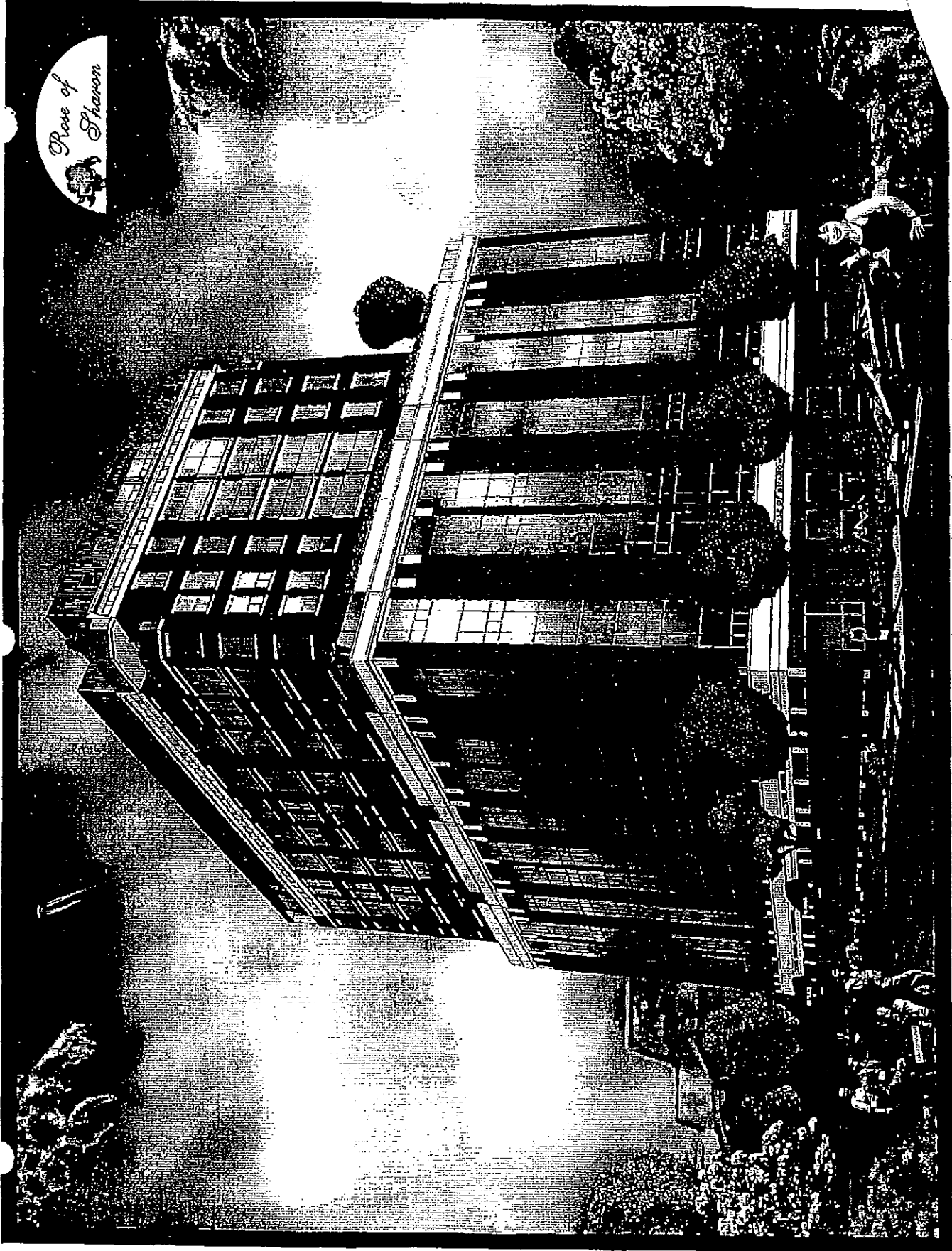


Rose of Sharon Community
Residences – 15 Maplewood Avenue
Long Term Care – 17 Maplewood Avenue
Toronto, Ontario

Rose of Sharon Development Office
920 Yonge Street
Toronto, Ontario
M4W 3C7

Phone 416-979-7027
Email: roseofsharon@jegotech.com
Web: www.roseofsharon-home.com

Rose of Sharon

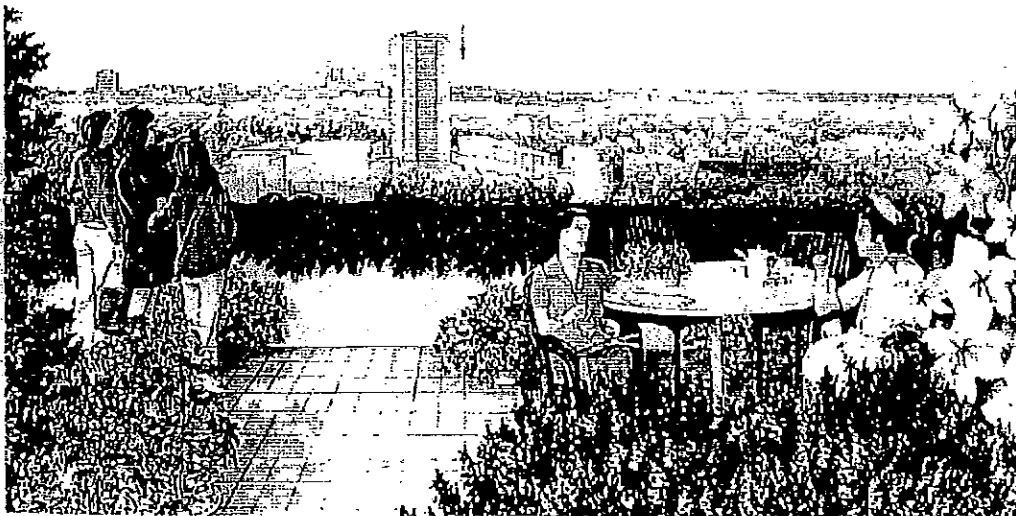


ROSE OF SHARON A COMMUNITY TO MEET YOUR CHANGING NEEDS

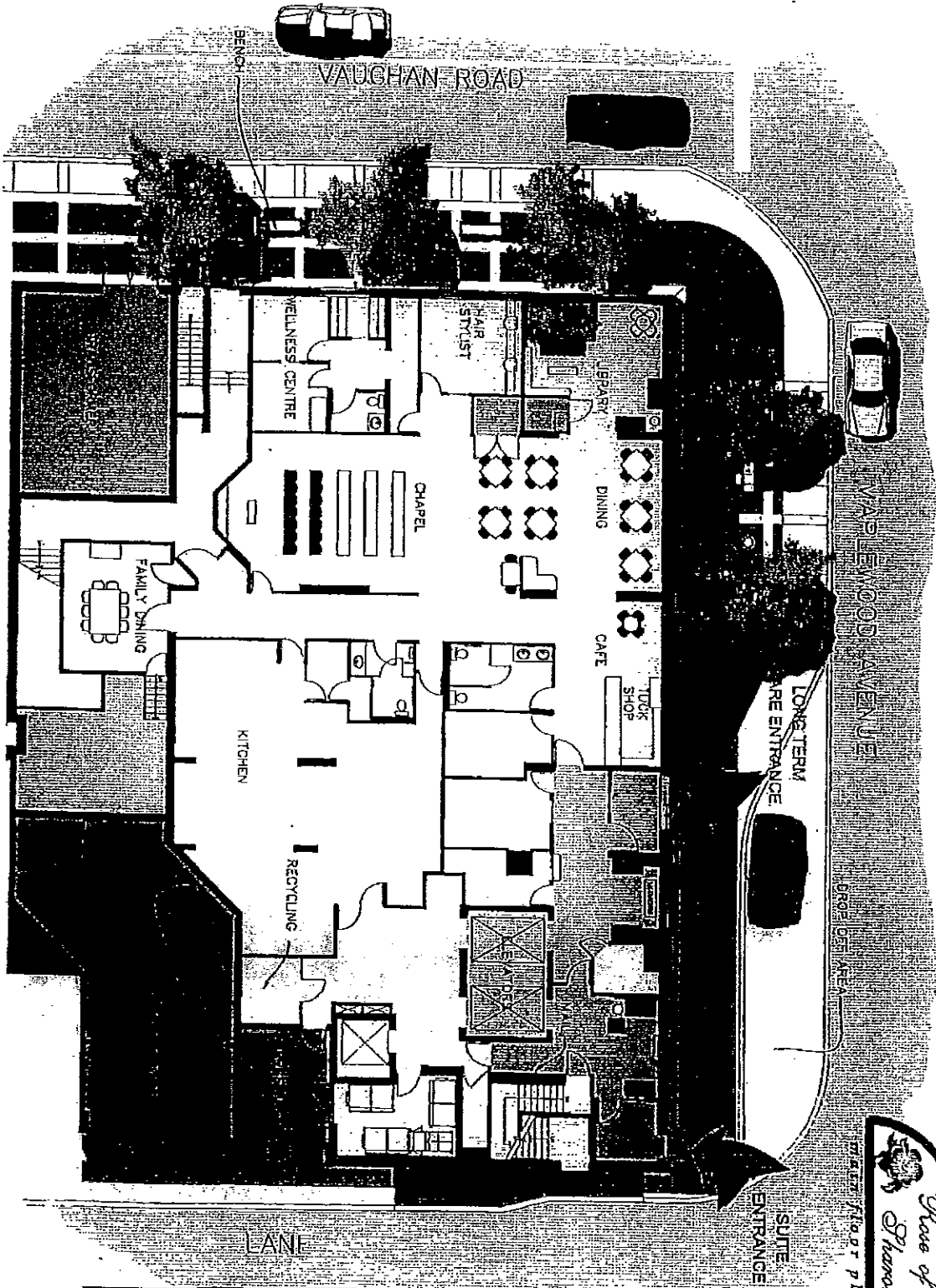
Rose of Sharon is an exciting new community that will cater to the needs of seniors seeking an independent lifestyle and those seeking care. It is a place where residents can live with dignity and comfort knowing that the assistance they need is close at hand. With special design features and on-site services, Rose of Sharon is a place where residents can live with a sense of safety and security. The community will have large common areas where the residents can enjoy meals, activities and special events.


WHO IS ROSE OF SHARON?

The community is being developed by Rose of Sharon (Ontario) Retirement Community, a Korean-Canadian non-profit organization whose roots began with a dream in 1981. In 1990 Rose of Sharon received an award from the Province of Ontario to develop a 50 resident long-term care facility. In 1996 Rose of Sharon secured the site that the community will be built on. The same year Rose of Sharon obtained planning approvals from the City of Toronto to build the community. In 2003 the Province of Ontario expanded Rose of Sharon's award so that the long-term care facility can serve 60 residents. Over the last year Rose of Sharon has been working closely with the Province of Ontario on details design of the long-term care facility and the City of Toronto on overall design issues.



The Rooftop Patlo





 Grace of Sharon

 First Floor Plan

ROSE OF SHARON DETAILS

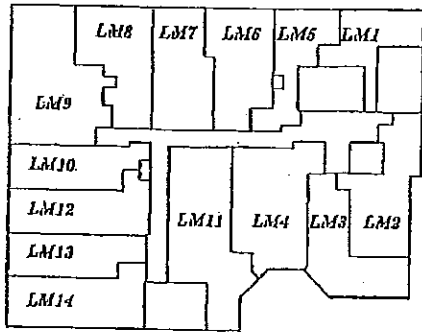
The community will offer a full continuum of care with ⁷⁰84 life lease suites for independent seniors and a 60 resident long-term care facility, licensed by the Province of Ontario, for those seeking full nursing care. The project boasts 2 levels of underground parking and the following amenities:

- lobby lounge
- café
- library
- family dining room
- chapel / meeting room,
- fitness Centre (with whirlpool, sauna & exercise equipment)
- penthouse party room
- rooftop patio
- rooftop garden area
- residential laundry
- lockers

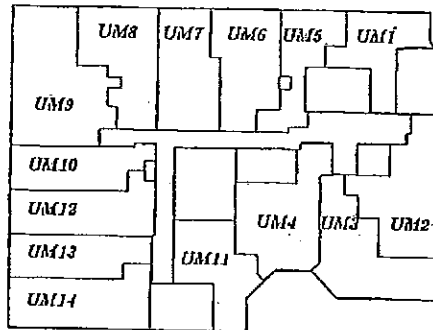
The program advisor will assist in organizing clubs and appropriate meeting locations & time. These could include bible study, chess, flower arranging, book study, card making & yoga. The dining room will have special community meals for major holidays. Individual families can have their own celebrations for birthdays, anniversaries, etc. Other care services are also available to the residents of the Rose of Sharon.

WHAT IS A LIFE LEASE APARTMENT?

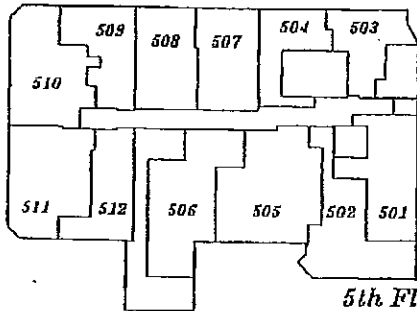
A life lease apartment provides a purchaser with the right to occupy their suite for the remainder of their life. The suites typically include a living room, kitchen and bedroom. Through a monthly maintenance fee, owners of life lease suites help maintain the common areas, similar to the operation of a condominium. Included in this maintenance fee is a membership to the Rose of Sharon club programs and amenities. While life lease residents will likely be fully independent when moving in, residents have the option to purchase services as needed to help them live an independent lifestyle. The optional services include meals, housekeeping, laundry, grooming, bathing assistance, nurse supervision, transportation, hair salon, dry cleaning and nightly security checks.



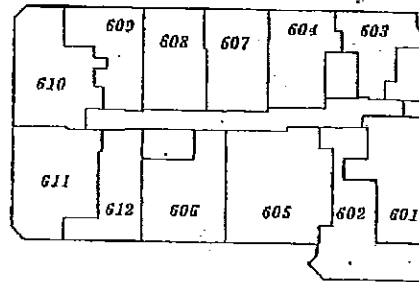
Lower Mezzanine



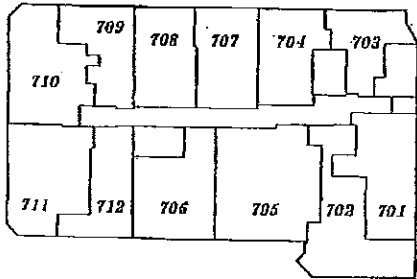
Upper Mezzanine



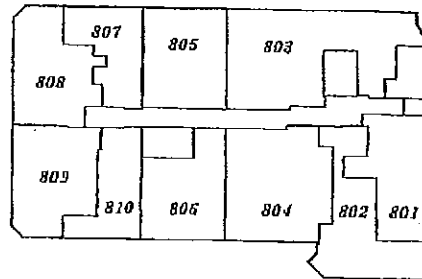
5th Floor



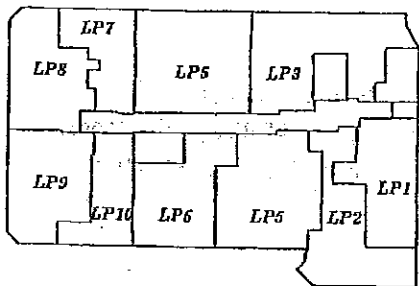
6th Floor



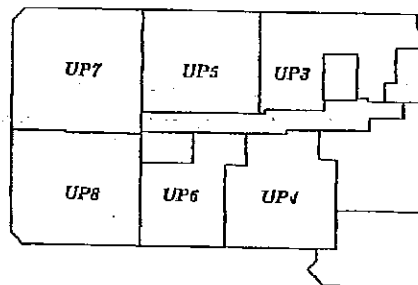
7th Floor



8th Floor



Lower Penthouse



Upper Penthouse



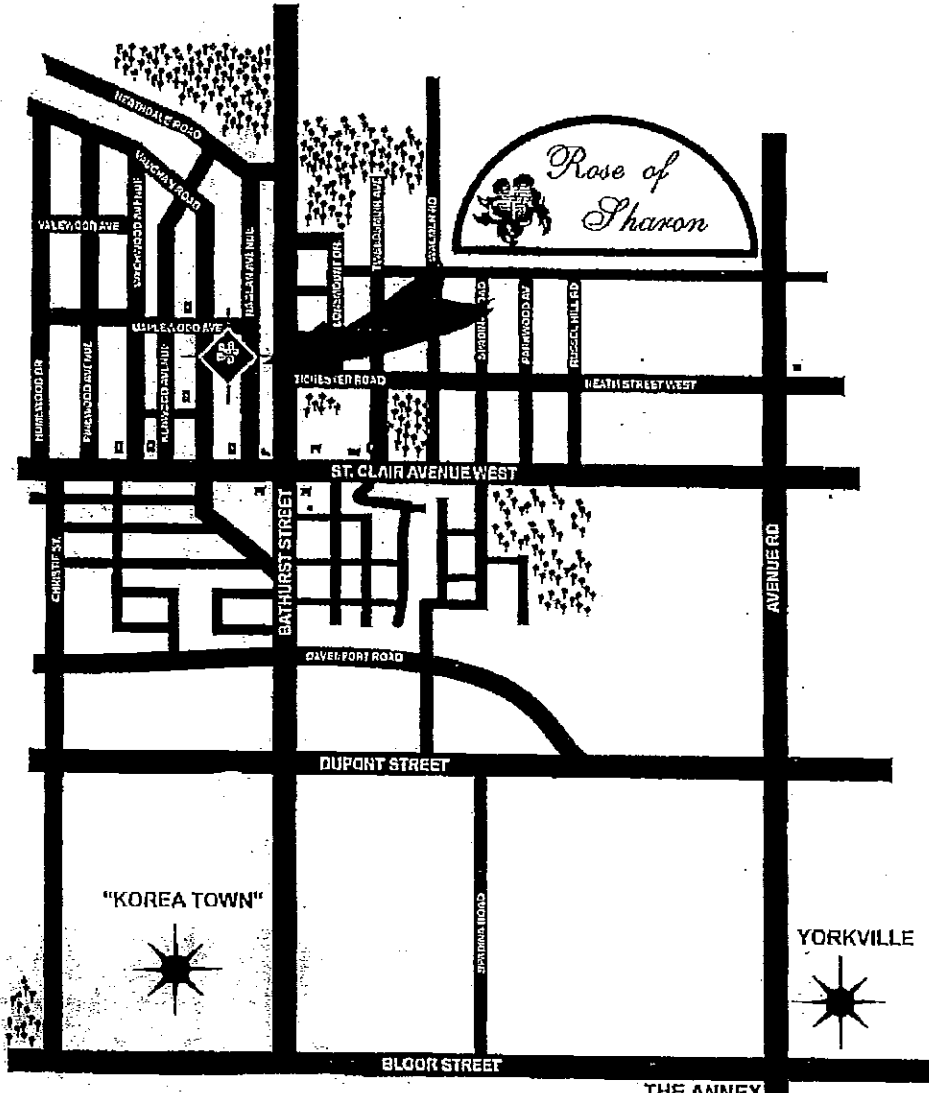
THE ROSE OF SHARON
A KOREAN COMMUNITY IN TORONTO

All measurements and specifications are approximate and subject to change without notice.
2005 04 03

VICTOR J.
HEINRICHS
INC.
ARCHITECT

THE LOCATION OF THE ROSE OF SHARON

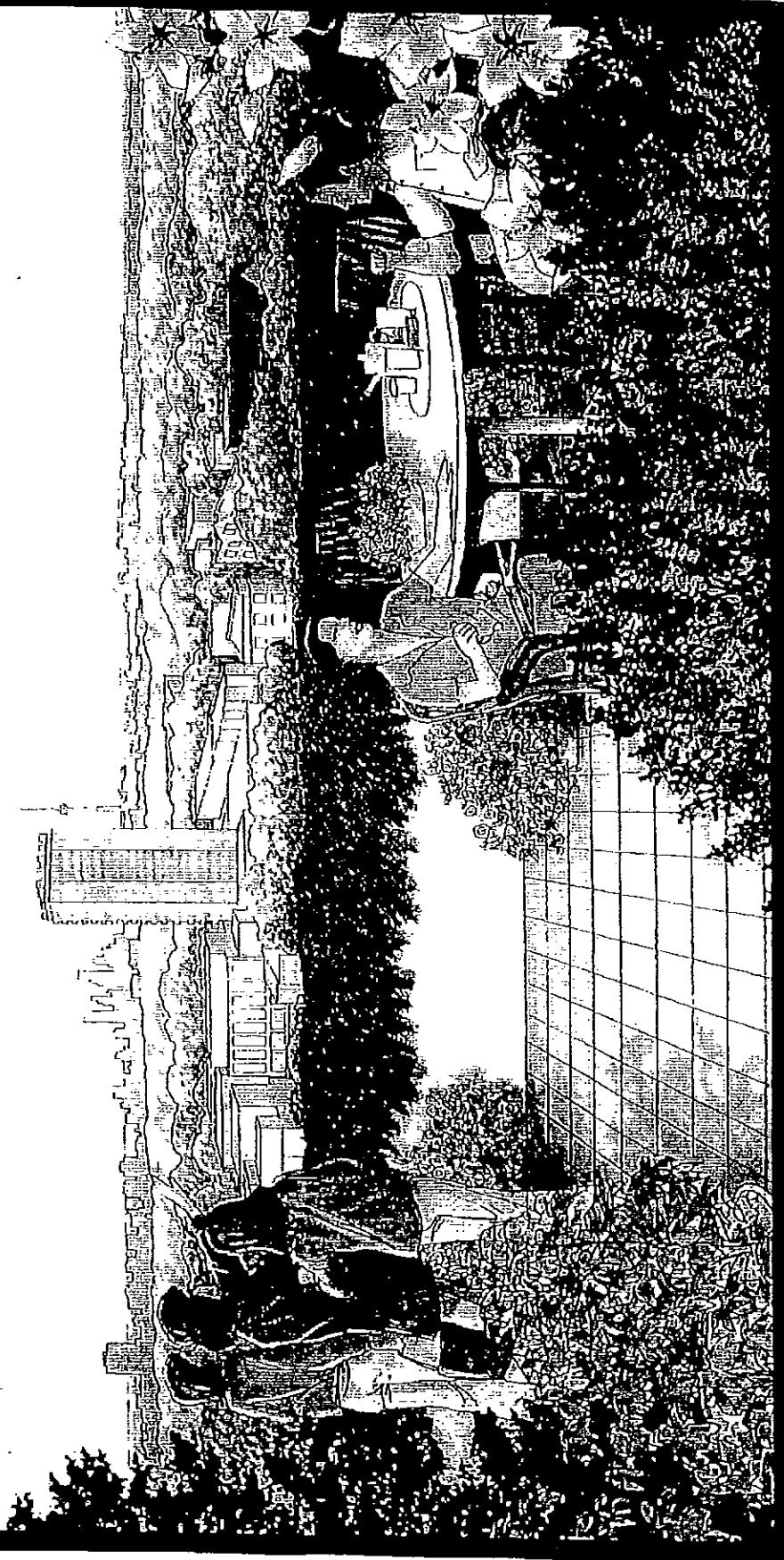
Rose of Sharon will be located just north of St.Clair Avenue West and west of Bathurst Street at the corner of Vaughan Road and Maplewood Avenue.



LEGEND	
	CHURCH
	BREWERY
	CLEANERS
	SHOPPING
	LIBRARY
	PARK
	KOREAN CONSULATE
	BANK

TORONTO, ONTARIO

Rose of Sharon
PROF. DR. P. L. L. L.



ROSE OF SHARON APARTMENT STANDARD COSTS & SERVICE PACKAGES

Apartment Monthly Charges (All Residents must pay for the following:) *
 *Subject to change without notice

1. Standard Condo Fees: \$ 0.40 per square foot area of Apartment
 - Includes all common area charges, including: maintenance, utilities of common areas, administration, deferred maintenance, elevator maintenance, insurance, common property taxes, cleaning etc.
 - Resident Board at their annual meeting establishes this cost
2. Standard Utilities \$ 0.18 per square foot area of Apartment (estimated)
 - Includes cost of Heating, Cooling, Water, Sewage & Electricity of Apartment
3. Standard Property Tax \$ 0.48 per square foot area of Apartment (estimated)
 - Established by the city
4. Standard Telecom Charges \$ variable based on options & use
 - Telephone, Television & Internet (Rose of Sharon is offering extended services at below market rates)

5. Rose of Sharon Club Options \$ variable based on options & use

- Choose ONE of the Service Packages below:

Basic Service Package: (for 55 years old and over)
 \$75.00 per month for one resident (\$100.00 per month for two residents)

- Covers club programs and amenities (see below)
- Building security system & entrance system

Personal Care Service Package
 \$325.00 per month for one resident (\$600.00 per month for two)

- Covers club programs and amenities (see below)
- Building security system & entrance system
- 15 meals (dinners) per month
- Bi-weekly housekeeping
- Bi-weekly linen service

Full Care Service Package
 \$900.00 per month for one resident (\$1700.00 per month for two) (Generally designed to serve the needs of individuals who require daily assistance)

- Covers club programs and amenities (see below)
- Building security system & entrance system
- 3 meals and snacks per day
- Daily chambermaid
- Weekly linen service
- Medication administration
- Weekly personal laundry
- Personal grooming assistance
- Bathing assistance
- Nurse supervision

ROSE OF SHARON CLUB PROGRAMS & AMENITIES

- Social events
- Entertainment
- Tuck shop
- Community newsletter
- Educational events
- Community rooms
- Outdoor patios

ROSE OF SHARON OPTIONAL SERVICES

Additional Optional Services that can be purchased

- Parking
- Organized trips
- Transportation for medical and social appointments
- Hair salon
- Nightly security checks
- Dry cleaning and mending

Rose of Sharon

At Home In the City

We age, no matter who we are. One of the lessons we learn as we grow older is that there is value in being close to family, friends and having a community which we enjoy. The Rose of Sharon is a 12 storey retirement community designed to cherish for the rest of your life. Conveniently located in the Bathurst - St. Clair area of Toronto, it has 90 independent living apartments, and a 60 bed long term care facility. The community offers international cuisine, a common Penthouse Lounge, Fitness Centre and much, much more.

Comfort

Whether you prefer living in your own apartment or find that it is no longer practical, the Rose of Sharon offers the comfort of services that promote wellness, provide security and ensure that medical staff is always available on-site.

Convenience

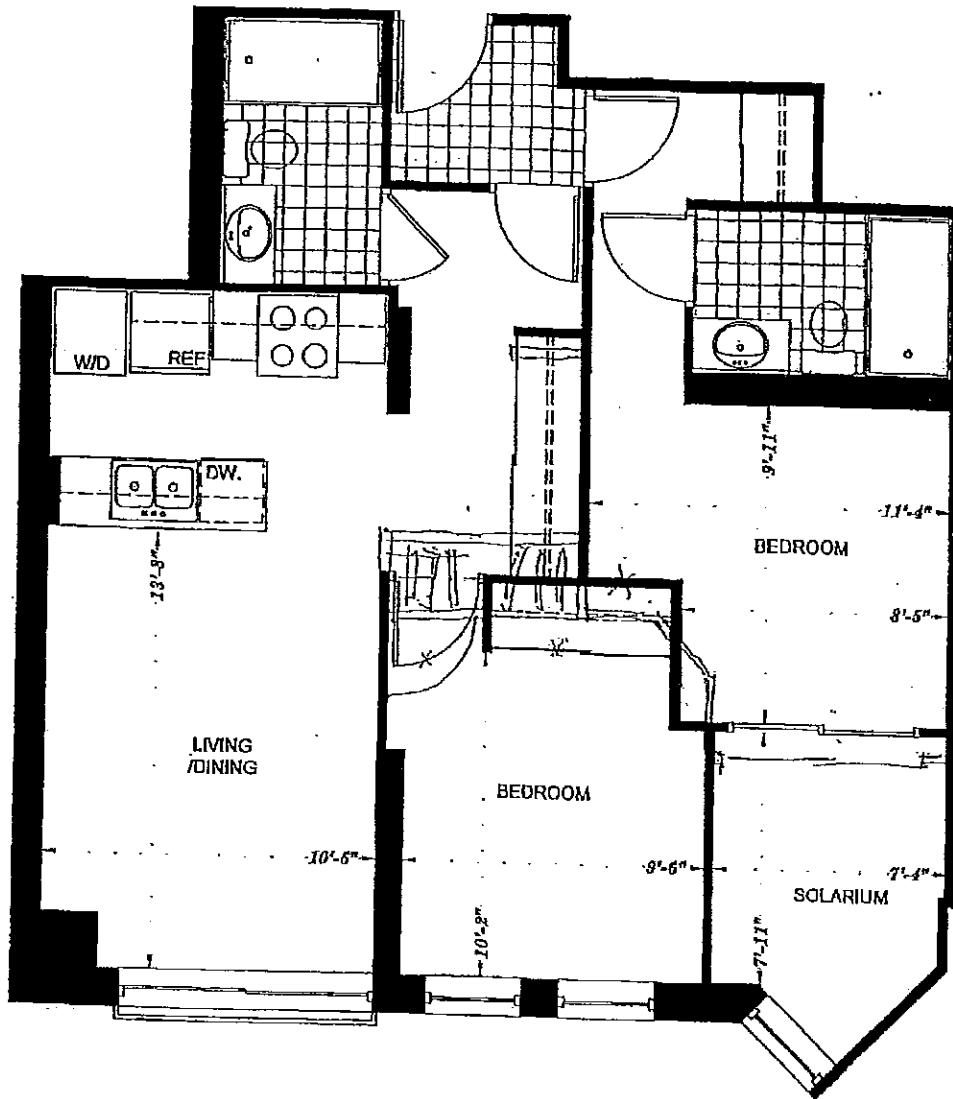
The Rose of Sharon is situated so that you are just minutes away from the subway, shopping, and parks. With the St. Clair West subway close by and a bus stop in front of the building it is easily accessible to the rest of the city. There are a rich variety of shops on St. Clair Avenue West, churches nearby, as well as a general store and hair salon conveniently situated within the building. For those who enjoy walking, there are leafy neighbourhoods to walk through, or the Cedarvale Ravine and Belt Line Railway park areas.

Care

The Rose of Sharon is designed to be a community where you will know the care and dignity that comes with the needs of aging. Here you will find helpful support in your daily tasks, whether doing the laundry, cleaning your own home, or cooking. The Rose of Sharon Dining Room will prepare "western" and "eastern" cuisine to satisfy the tastes of its international clientele, and any special dietary concerns. The Wellness services include medical and paramedical personnel, with a nurse on staff 24 hours/day in the long-term care facility, and doctors scheduled regularly. Massage, shiatsu, and acupuncture therapies will be available along with manicure and pedicure services on the main floor of the Rose of Sharon.

Community

The community of the Rose of Sharon will enjoy the Penthouse Lounge, which provides a stunning view of the city, a kitchenette and large, landscaped terrace, as well as a common Library. Community members can also freely use the Fitness Centre, which offers exercise equipment, a sauna and whirlpool bath. The Rose of Sharon Café will make a wonderful gathering place for residents, with its complimentary coffee and tea in the morning and afternoon. Other features that the Rose of Sharon community will include a Music Program, a Cultural Program with movie evenings and book club meetings, and a non-denominational Spiritual Program with pastoral visitation and chapel services.



GOLD BANDED LILY

6TH, 7TH, 8TH & Lower Penthouse Floor

One Bedroom & Solarium

820 sq. ft.

note

We are in the process of modifying this unit for better.

\$326,810
w/ parking space

505

SUITE 605 Sold

\$332,250
w/ parking space

705

804 & LP4
SOLD

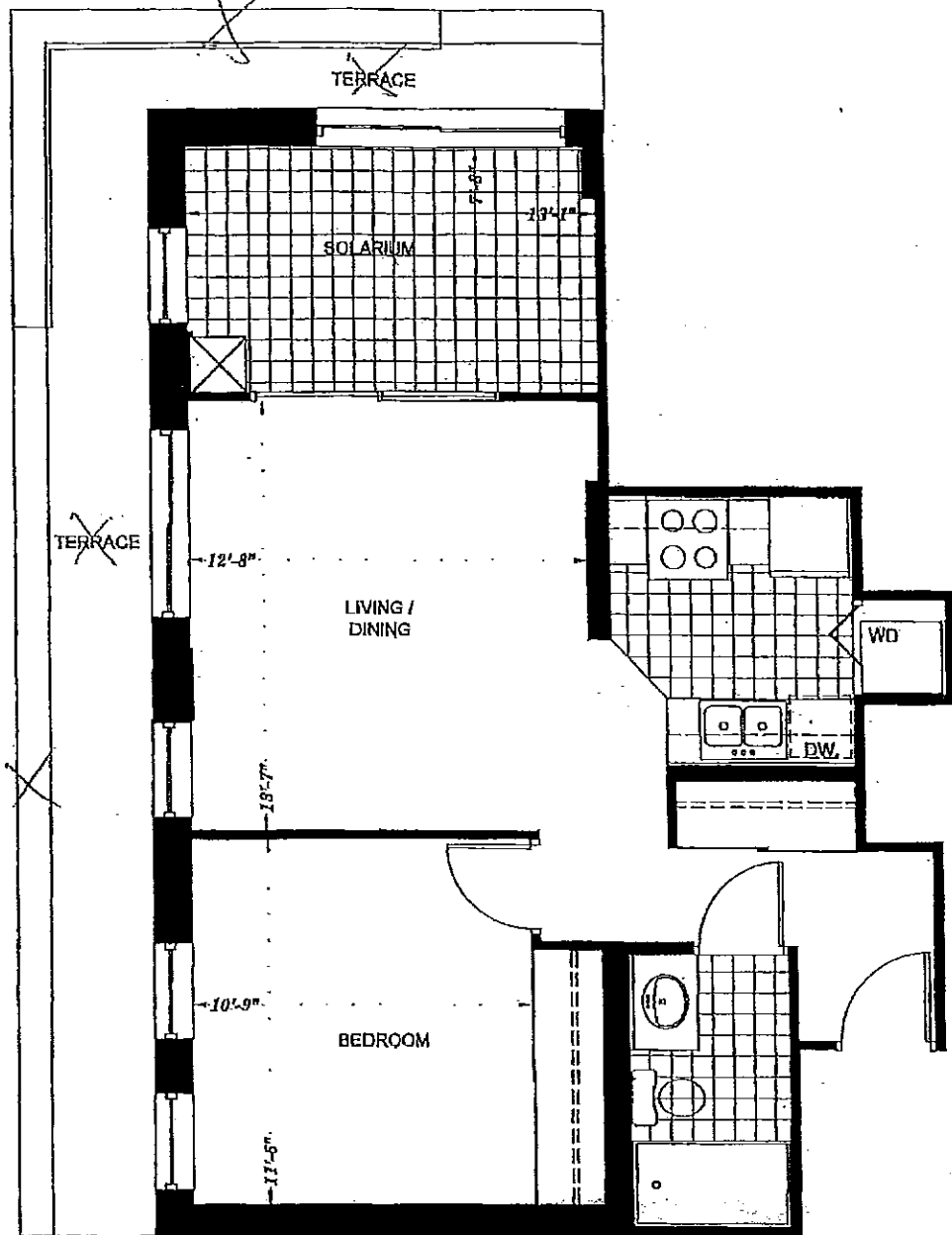


THE ROSE OF SHARON
A KOREAN COMMUNITY IN TORONTO

All measurements and specifications are approximate and subject to change without notice.

2005 04 00

VICTOR J. HEINRICHS
INC.
ARCHITECT



ROSE R - "B"

5TH, 6TH, 7TH, 8TH & Lower Penthouse Floor

One Bedroom

703 sq. ft.

218 sq. ft. Terrace

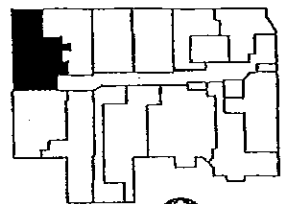
3/16" = 1'-0"

SUITE ~~510~~ sold

~~610~~ sold

710 \$282,870 w/parking space

808 & LP7 SOLD



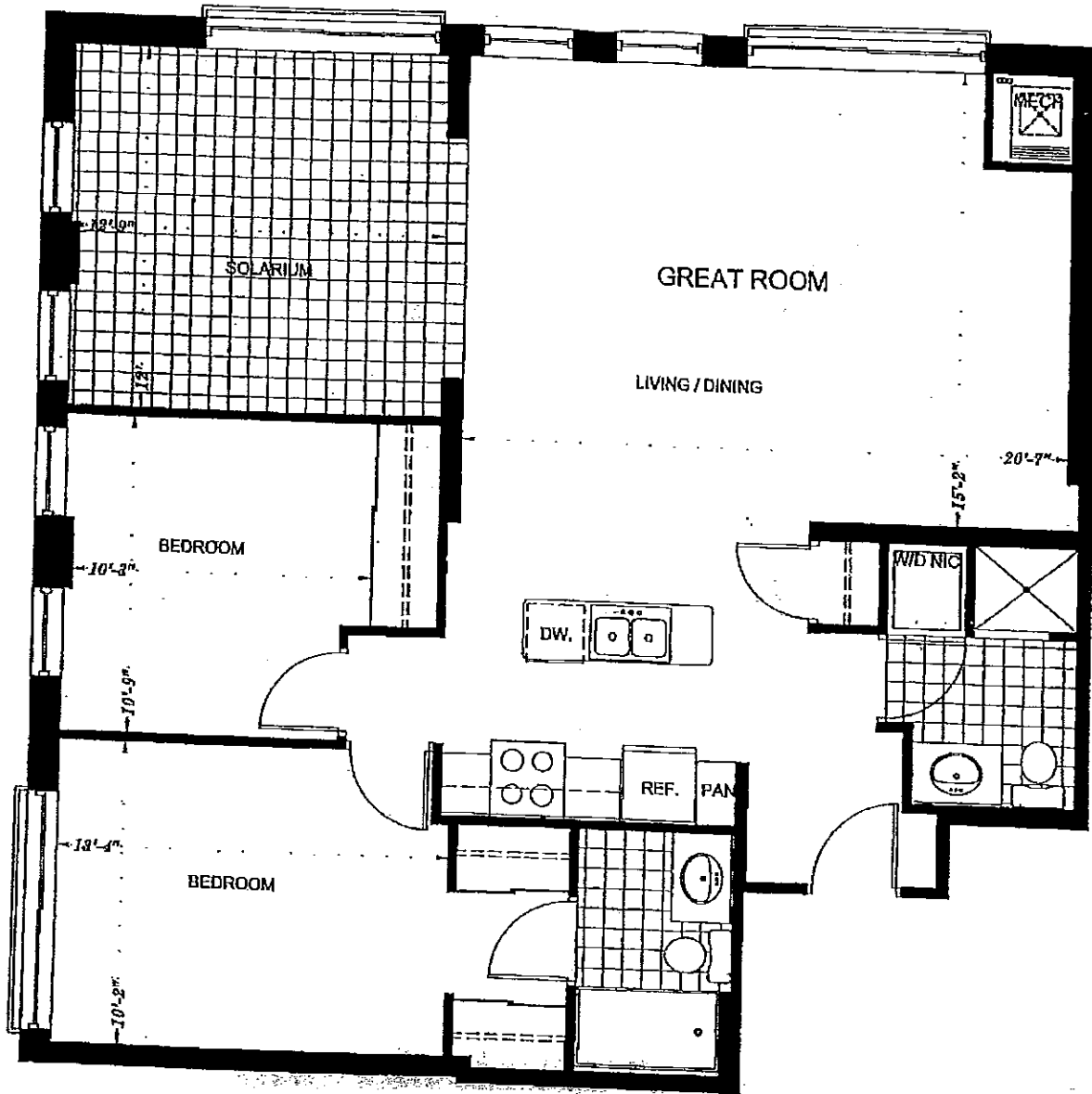
THE ROSE OF SHARON
A KOREAN COMMUNITY IN TORONTO

\$284,940 w/parking space

All measurements and specifications are approximates and subject to change without notice.

2005 04 06

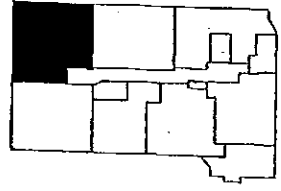
VICTOR J. HEINRICHS
INC.
ARCHITECT



" upper penthouse unit
9' ceiling Height "

ROSE R
Upper Penthouse
Two Bedroom
1164 sq. ft.
3/16" = 1'-0"

\$ 615,230
w/parking space



THE ROSE OF SHARON
A KOREAN COMMUNITY IN TORONTO

All measurements and specifications are approximate and subject to change without notice.

2005 04 06

SUITE UP-7

VICTOR J. HEINRICHS
INC.
ARCHITECT

TAB I

6. Other business
Introduction of Leon Hui, President of Unimac Group Ltd and Mikal-Calladan Construction Inc and discussion on the project startup and schedule.
7. Next Meeting
Regular meetings to be scheduled for the 1st Saturday of each month at the Korean Cultural Centre located at 1133 Leslie Street.
Next meeting 9:00 a.m. Saturday December 3, 2005 at the Korean Cultural Centre, 1133 Leslie Street, Toronto.
8. The meeting adjourned at 10:15 a.m.

TAB J

Memorandum of Understanding
between
Rose of Sharon (Ontario) Retirement Community
and
Unimac Group Ltd.

Re: Construction of Rose of Sharon building
165 Vaughan Road, Toronto

Rose of Sharon (Ontario) Retirement Community has entered into a CCDC 2 construction contractor with Unimac Group for the construction of the building at 165 Vaughan Road.

This Memorandum of Understanding between Rose of Sharon and Unimac Group states the responsibilities of each party to undertake the following work:

Rose of Sharon (Ontario) Retirement Community:

1. Pay the total amount of the Change Orders 10 to 14 inclusive (approximate amount \$ 700,000.) to Unimac Group by Oct. 25, 2008
2. Pay all the progress draws, as approved, net 20 days after submission
3. Ensure that the Architect and Consultants will perform their duties in a timely manner
4. Pledge the unsold Life Lease units (minimum of 6 units) as security to Unimac Group Ltd. and its sub-trades, for all payments certified by project architect.
5. Acknowledges that there is a shortfall of approximate 1,263,923.31 (includes GST) in progress payments to Unimac Group Ltd. (up to Sept.29, 2008) and this amount will be paid as soon as possible by fundraising efforts by Rose of Sharon, but by no later than 30 days after substantial completion.

Unimac Group Ltd:

1. Complete the construction of the building to attain Substantial Completion and an Occupancy Permit from the City of Toronto by March 31, 2009

Agreed this 17th day of October, 2008:

Rose of Sharon (Ontario) Retirement Community

X

I have authority to bind the corporation. Name: Richard YOON

Unimac Group Ltd.

X

I have authority to bind the corporation Name: LEON HUI

ADDENDUM TO THE RIGHT TO OCCUPY AGREEMENT

Dated the 17th day of Oct, 2008

BETWEEN:

ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY INC.
("Community")

AND

UNIMAC GROUP LIMITED ("Purchaser")

Whereas the Parties have entered into the above-noted agreement (the "Agreement") as security for monies owing to the Purchaser for the construction of the Rose of Sharon project at 165 Vaughan Road Toronto, Ontario;

And Whereas there is currently *one million two hundred* Dollars (\$ ^{1,263,923.21})
owing to the Purchaser (the "Debt"); *sixty three thousand, and nine hundred and twenty three.*

And Whereas the parties wish to set out the terms and conditions relating to the security and the Debt; ²⁰⁰⁸

Now Therefore the parties agree as follows:

1. In the event that the Debt is not paid when the unit is ready for occupation, the Purchaser may close the purchase and use some or all of the Debt then outstanding in payment of the purchase price and adjustments for the unit.
2. Community may continue to offer the unit for sale to third parties and use the net proceeds of sale to pay the Purchaser and redeem the unit.
3. Unless and until Community redeems the unit, the Purchaser shall be entitled to receive all income derived from the unit and shall be entitled to sell the unit, subject to the usual terms and conditions governing resale of units in the project.

ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY INC.

PER _____

PER _____

UNIMAC GROUP LIMITED

PER _____

(c) Agreement
dated Dec. 10, 2009

Agreement

Between:

Rose of Sharon
and
Unimac Group Ltd.

The agreement between the above parties is as follows:

Unimac Group Ltd. agrees to complete the balance of the construction schedule to achieve completion and occupancy of floors 1 to 6 by January 31, 2010 including an Occupancy Permit from the City of Toronto, and then completion and total Occupancy approval for the total building by February 28, 2010.

Rose of Sharon agrees to make payments to Unimac based on the total completion (less deficiency) of blocks of work based on floors . If the floor is not totally complete by the proposed date, then there will be no payment on that date. Furthermore, the payment will be made later when the block/floors of work is complete. The blocks of work and the payments are established and agreed to by both parties in accordance with the table on page 2 of this agreement.

* Unimac confirms that it will ensure that there will be an adequate work force to attain this schedule. If Unimac does not achieve the Occupancy Permit for floors 1-6 by January 31, 2010, then Unimac will compensate the Rose of Sharon for all interim interest charges on the construction loan, to be deducted from the amount of the Construction Contract.

If the Rose of Sharon fails to make any of the payments on page 2 by the specified date, and the respective work is completed by Unimac, then the completion date will be adjusted (extended) by the number of days that the payment is late and the Rose of Sharon shall pay a penalty of 15% of the required payment to Unimac forthwith.

The assessment and verification of the completion of the blocks/floors of work will be determined and decided by the Architect with no right of appeal by either party.

[Signature]
Per Unimac Group Ltd.

[Signature] Richard Yoon
Per Rose of Sharon President & Chairman

[Signature]
Witness

[Signature] John Yoon
Per Rose of Sharon CEO

Proposed Date	Block of Work (floors)	Payment(\$)
December 11, 2009	Initial Payment, (compensation for October 2009 progress draw)	100,000
December 18, 2009	Floors 4-6 Long Term Care	70,000
December 31, 2009	Main Floor	10,000
January 15, 2010	Floors 2-3	50,000
January 29, 2010	Floors 1-6, c/w Occupancy Permit from City of Toronto	70,000
February 26, 2010	Floors 7-12 c/w Occupancy Permit for total building from City of Toronto	50,000

[Signature] KIRK LY
Per Unimac Group Ltd. Project Director

Date: Dec. 10/2009

[Signature] Richard Yoon
Per Rose of Sharon President & Chairman

Date: Dec. 10/2009

[Signature] Smardina
Witness

Date: Dec 10/09

[Signature] JOHN YOON
Per Rose of Sharon CEO

Date: Dec. 14/2009

TAB K

RIGHT TO OCCUPY AGREEMENT
(Purchaser Type C)

THIS AGREEMENT made in duplicate this 8th day of April, 2005.

BETWEEN:

THE ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY INC.
Proposed Project 165 / 171 Vaughan Road, Toronto (the Property)

(hereinafter referred to as the "Community")

- and -

ANNE MARIE HEINRICHS

of the City of Guelph,

in the Province of Ontario.

(hereinafter referred to as the "Purchaser")

WHEREAS the Community is in the process of developing and subsequently constructing a nursing home and housing accommodations consisting of units described as the Residences at the **Rose of Sharon;**

AND WHEREAS the Purchaser is desirous of purchasing the "right to occupy" one of the units to be constructed;

AND WHEREAS the buildings will be operated on a non-profit basis.

NOW WITNESSETH in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

THE UNIT

1. The Community agrees to use its best efforts to construct in accordance with the plans and specifications as prepared by Victor J. Heinrichs Inc. Architect, the unit being identified as **#LM2** (the "Unit") along with the options and modifications as specified and described in the Schedule of Options and Modifications attached hereto.

The Purchaser agrees to purchase from the Community the right to use, occupy and enjoy the Unit for the purchase price of **One Hundred Eighty One Thousand Five Hundred Seventy Dollars (\$181,570), including Zero (0) parking space(s)** (all being hereinafter called the "Right to Occupy Cost") in accordance with paragraph 6 hereof.

3. The plans, specifications and Schedule of Options and Modifications shall be maintained at the office of the Community and be available for inspection during regular office hours.

4. The Unit shall be completed and ready for occupancy by the Purchaser on or before the **31st day of November, 2006** (the "Date of Possession"). Provided however, that if the Unit is not

ready for occupancy on the Date of Possession as a result of any cause beyond the control of the Community, then the Community shall be entitled to extend the Date of Possession for one or more periods not exceeding ninety (90) days as may be necessary.

5. The Community shall be entitled to terminate this contract on thirty (30) days' written notice, if the Community in its absolute discretion determines that this contract cannot be fulfilled. Upon such notice being given, the Purchaser shall be entitled to receive a refund of all moneys paid without interest.

6. The Purchaser agrees to pay the Right to Occupy Cost to the Community as follows:
(Complete and cross out as appropriate)

(a) One percent (1%) of the Right to Occupy Cost upon execution of this agreement; being One Thousand Eight Hundred Sixteen Dollars (\$1,816)

(b) Nine percent (9%) of the Right to Occupy Cost 10 days after the signing of this Right to Occupy Agreement; being Sixteen Thousand Three Hundred Forty One Dollars (\$16,341)

(c) Ten percent (10%) of the Right to Occupy Cost within 90 days after the signing of this Right to Occupy Agreement; being Eighteen Thousand One Hundred Fifty Seven Dollars (\$18,157)

(d) Ten percent (10%) of the Right to Occupy Cost upon footings completed; being Eighteen Thousand One Hundred Fifty Seven Dollars (\$18,157)

(e) Ten percent (10%) of the Right to Occupy Cost upon Main Floor Slab poured; being Eighteen Thousand One Hundred Fifty Seven Dollars (\$18,157)

(f) The final payment is due upon Occupancy permit; being One Hundred Eight Thousand Nine Hundred Forty Two Dollars (\$108,942)

The Purchaser shall pay the above-noted sums upon ten (10) days' notice of the appropriate events.

COMMON AREAS

1. The Purchaser shall have the non-exclusive right to the use of the areas designated by the Community as common areas, facilities and amenities, for the purposes for which they are intended by the Community. Common areas include general space such as halls, elevators and parking areas other than designated parking space(s) under a Right to Occupy Agreement. Common areas and elements also include specific spaces for cultural, social, worship & recreational activities. These areas are for the use and enjoyment of the community as a whole, and only secondarily for private functions when available and under specified conditions. These areas are the rooftop party room, rooftop patio, café, chapel / meeting room, spa and library.

2. The Purchaser acknowledges that the facilities and amenities are to be developed for the enhancement of the total community and they will open for use by the total community. The Community shall be entitled to make changes, improvements or alterations in regard thereto as the Community in its absolute discretion may deem desirable.

3. If as a result of the exercise by the Community of its discretion the facilities and amenities are changed, diminished or abolished, the Community shall not be subject to any liability or damages, nor is the Purchaser entitled to any compensation or abatement.

MONTHLY MAINTENANCE FEES

1. The Purchaser shall pay to the Community, in advance, a monthly maintenance fee commencing on the date of possession and thereafter on the 1st day of each and every calendar month.
2. The monthly maintenance fee is calculated based on the area of the unit. This includes the gross floor area of the unit, the area of the exterior wall assemblies, the area of any wall that separates the unit from any common spaces (corridor, staircase, duct, or plumbing space) and half the area of any wall that separates two units.
3. The monthly maintenance unit fee is to include, but not limited, to the following:
 - (a) Costs of operation, maintaining, repairing and managing the residential building, the Unit (the purchaser pays for unit damage & insurance), the common areas, the amenities and facilities, as well as the visitor parking areas, including snow and garbage removal, sewer and water, gas, insurance, building maintenance, landscaping, ground maintenance, elevator maintenance contract, equipment costs, equipment replacement reserves, major repairs and major capital repair reserves and management fees.
 - (b) Costs of providing services for the residents, including amenity space charges, activity and program co-ordination costs.
4. The monthly maintenance unit fee excludes all areas within and including the drywall of the party, exterior and corridor walls, but includes the plumbing, mechanical, and electrical (excluding the fixtures). Fenestration is a common element as are Suite entry doors including hardware.
5. Municipal taxes, electricity and any optional services such as communications and entertainment will be billed separately by the Community and paid for by the unit holder in addition to the foregoing.
6. The monthly maintenance fee for the parking spaces are assessed separately. The monthly maintenance fee shall be based on a proportionate share in relation to the area of the Unit space to the total of the Unit spaces in the building.

TERMS OF THE AGREEMENT

1. The term of this Agreement is the lifetime of the Purchaser or if there are two Purchasers, upon the death of the survivor. This Agreement terminates earlier upon the occurrence of one of the following:
 - (a) The Purchaser gives to the Community ninety (90) days' written notice of his/her intention to sell/transfer his/her interest;
 - (b) Failure of the Purchaser to comply with the terms hereof or the rules and regulations as declared by the Community from time to time;
2. Upon the Purchaser, who has given notice in accordance with paragraph 1 (a) above, giving vacant possession of the Unit to the Community, the Community shall proceed to sell the Right to Occupy the Unit in accordance with paragraph 5 below.
3. Upon the death of the Purchaser or the survivor of the Purchasers or the occurrence of paragraph 5 for which the Community shall provide the Purchaser or his/her representative with written notice, the Purchaser or his/her representative shall upon the happening of such event or receipt of such notice provide the Community within ninety (90) days possession of the Unit and the Community shall be entitled to proceed to sell the Right to Occupy Unit in accordance with paragraph 19 below.
4. If vacant possession is not given within ninety (90) days of such notice, the Community shall be entitled to enter the Unit and recover possession.

5. Upon termination of this Agreement in accordance with paragraph 1 above, the Community shall be entitled to sell the Right to Occupy Unit to another party of its selection.
6. The Community shall use its best efforts to obtain the fair market value of such Right. Further, the Association shall use its best efforts to sell the Right as quickly as is reasonable. Upon the closing of the sale, the Purchaser shall be entitled to receive the sale proceeds less a three percent (3%) fee which shall be retained by the Community, less any amount outstanding to the Community. The purchaser shall not be entitled to the receipt of anything further, and shall no longer have any interest in the Unit, common areas, facilities or amenities.
7. Community shall be entitled to purchase the Right itself at fair market value as determined by the parties, or failing such agreement by the average price of two appraisals: one obtained by the Community and one obtained by the Purchaser. The Community retains the right, acting reasonably, to select which purchasers are acceptable, which are not.
8. This agreement shall not create any direct ownership in the real property or building of the Community and the Purchaser agrees not to register notice of this Agreement against title to the lands upon which the building sits, until Occupancy and then only in accordance with the form of notice approved by the Community acting reasonably and in accordance with applicable registration regulations. The property may be subject to a number of agreements with the Municipality, utility providers and others which requires for the regulation and functioning of property. Any encumbrances in favour of lenders will be discharged or a non-disturbance agreement obtained for the Unit on Occupation or as soon as reasonably possible thereafter.
9. The Purchaser shall only be able to sell his/her rights hereunder in accordance with paragraphs 1 and 10 hereof. The Purchaser shall not otherwise sell, grant, transfer or assign this Agreement or any rights hereunder to any person other than the Community.
10. However, if the community does not sell the unit within 90 days after there is vacant possession, then the purchaser may endeavor to sell the unit as he / she sees fit, and not pay the community the 3% fee.
11. The Purchaser shall use the Unit for residential purposes only.
12. This Agreement shall not be changed or modified except by written instruction, signed by both the Purchaser and the Community.
13. This Agreement and every term herein contained, shall be binding upon the Purchaser and his/her respective heirs, executors and administrators.
14. Where there are two or more Purchasers bound by the same terms herein contained, their obligations shall be joint and several.
15. If any clause or section of this Agreement shall be determined to be illegal or unenforceable, then such clause or section shall be considered separate or severable from this Agreement and the remaining provisions hereof shall be binding upon the Purchaser and the Community.

INSURANCE

1. The Community is required to obtain and maintain all risk insurance coverage for the common elements and the units but not for improvements or betterments made by an owner to his unit or for furnishing, fixtures, equipment, decorating and personal property and chattels of the unit owner. The Corporation assumes no obligation with respect to insurance which may be obtained and maintained by an owner. Each owner is advised to inquire as to additional insurance coverage that may be required by him from his issuance advisors.
2. Proof of the insurance stated above, must be supplied by the purchaser to the Community.

3. The Community shall not be liable for injury or death arising from or out of, any occurrence in, upon, at or relating to the Community's lands or the Unit, or damage to the property of the Purchaser or others; nor shall the Community be responsible for any injury or loss or damage to the Purchaser, or any property of the Purchaser from any cause whatsoever, whether or not any such acts, damage, injury, loss or death results from the negligence of the Community, its agents, servants, employees or any other party for whom the Community is, in law, responsible.
4. No member shall do or permit to be done anything that will in any way increase the risk of fire or the rate of fire insurance for the Association.
5. All property of the Purchaser kept or stored at the Unit or elsewhere in the building shall be at the sole risk of the Purchaser and the Purchaser shall hold the Community harmless from and against any claims arising out of damages and loss to the same, including subrogation claims by the Purchaser's Insurers.
6. The Purchaser shall keep the Unit clean and well maintained and shall not modify it in any way, without the Community's written consent, interior decorating and carpeting excluded.
7. The Purchaser shall comply with all provisions of law, including and without limiting the generality of the foregoing, the requirement of all federal, provincial or municipal legislative enactments, by-laws and regulations now or hereinafter in force, which relate to the project, the unit and its use and occupation thereof.
8. Members shall be careful not to permit water to be left running unattended. Apartment residents in particular shall be responsible for the good condition of hoses on appliances.
9. Each unit owner agrees to indemnify the Corporation against any liability, loss, cost, damage or injury to any unit and to the common elements as a result of any act or omission by such unit owner or by his residents, tenants, or guests.

MAINTENANCE

1. The Purchaser shall grant access to the Unit to the Community, its servants, employees or agents and prospective purchasers at reasonable times, upon reasonable notice, during daylight hours, and at all times in case of emergency.
2. The Purchaser shall not do, or omit to do, or permit to be done, anything in respect of the Unit, the doing or omission of which, as the case may, shall be or result in a nuisance or menace to the Community or to any other residents of other dwellings within the retirement community.
3. No member shall alter any exterior part or paint colour of a structure inhabited under a Right to Occupy Agreement, including balcony or designated parking area in the parking garage, without written permission of the Board.
4. No interior changes to any unit shall be undertaken which could affect the structural integrity of the unit or any building.
5. The maintenance of and alteration to common space will be under the authority of The Board and not carried out by any individual member(s).
6. The Community shall remain the owner of the building and of the Unit and shall have the right of entry to the Unit at reasonable times, upon reasonable notice, during daylight hours and at all times in case of emergency.
7. The Community shall have exclusive control and management of the common areas, facilities and amenities.

8. The Community shall maintain and repair when necessary the Unit, its electrical, plumbing systems, Community supplied appliances and Heating, Ventilation and Air Conditioning System. The costs of such repairs shall be borne by the Purchaser if the damage has been caused by the Purchaser or his/her guests.

OPERATION

1. The Purchaser / Occupant may keep pets in the Unit. No pet that is deemed a nuisance or unsuitable by the Community shall be kept by the Purchaser. Pets form part of this community on the understanding that they will be kept under control when outside their home unit, not create disturbing noise, and cause no damage to property. Their owners will clean up litter immediately.
2. Moving of household effects & furniture in or out of the building shall be before 7AM & after 11PM, by appointment only. Note that the elevator cannot be held for exclusive use for more than 10 minutes.
3. Garbage will be disposed of only in accordance with posted regulations. Members will ensure that common areas they have used are left secured. Keys and access cards will not be duplicated without authorization.
4. There are staff onsite at all times in case of need – members are expected to use discretion in the use of their time so that they are available for emergencies.
5. Barbeques may be used on the Roof Garden & the Penthouse terraces and in other areas upon approval by the Board.
6. Smoking is not permitted in the building.
7. Members will be considerate of their neighbours when playing music or creating noise.
8. The Community shall report, on an annual basis, to the Purchaser with respect to the management of the residences and the provision of common areas, facilities and amenities.

Notice may be given to the Community at:

Rose of Sharon (Ontario) Retirement Community
920 Yonge Street, Suite 500.
Toronto, Ontario
M4W 3C7

Notice may be given to the Purchaser at:

5163 Guelph Road #1
Ontario, N1H 6J4

In both instances, notice shall be deemed effective on the date that the notice is delivered or mailed.

DISPUTE RESOLUTION

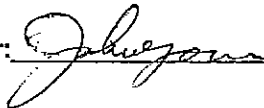
1. Should a dispute about any of the above rules or regulations involve only a few members, the parties will endeavor in good faith to resolve the dispute.
2. Should a breach or infraction or disregard for any rule or regulation occur without the identity of the offender being known or ascertainable, any member may ask the Board, or its Committee to post a reminder as the Board sees fit.

3. Should disputes remain unresolved despite the efforts of the parties, the Board will set up a dispute resolution mechanism. The Board's decision in all cases is final.

4. Amendments, deletions and additions to these Rules and Regulations shall be proposed by the Board to any general meeting, and ratified by a simple majority of those present and voting.

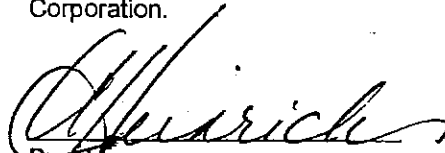
IN WITNESS WHEREOF the parties hereto have hereunto executed this Agreement this 8th day of April, 2005.

ROSE OF SHARON (ONTARIO)
RETIREMENT COMMUNITY INC

Per:  _____

Per: _____

We have authority to bind the
Corporation.


Purchaser

Purchaser

ROSE OF SHARON - ACKNOWLEDGEMENT AND CONSENT AGREEMENT

In consideration of the sum of \$1.00 and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) and in consideration of the covenants contained herein and in the Right to Occupy Agreement attached to this Agreement, the undersigned, ANNE MARIE HEINRICHS individually and collectively called the "Purchaser"), acknowledges and agrees as follows:

1. The Purchaser has been advised by Rose (the "Community") that there are two parts to the development of the Property:
 - (i) a long term care component (the "Long Term Care Project"); and
 - (ii) a residential life lease component consisting of a number of apartment units and related amenities (the "Life Lease Project"), (collectively referred as the "Project")
2. The Purchaser has signed the Agreement to purchase a life lease unit from the Community in the Life Lease Project, dated the 8th day of April, 2005. Pursuant to the Agreement, the Purchaser is obligated to pay deposit installments totaling (\$72,628) (the "Deposit") on account of the purchase price as described in the Agreement.
3. The Purchaser acknowledges and agrees that, such Agreement is a good and valid agreement of purchase and sale enforceable against the Purchaser by the Community and its successors and assigns. In addition, on the date of executing this Agreement, the Purchaser acknowledges that he / she has received from the Community and subsequently reviewed with his/her solicitor a draft copy of the Agreement (the "Right to Occupy Agreement"). The Purchaser acknowledges that the Agreement is substantially settled but the Community has the right to amend the Agreement, in its sole and absolute discretion, from time to time, until it is in a form acceptable to the Community, its lender and any regulatory authority. Notwithstanding any provision of the Agreement to the contrary, the Purchaser agrees to execute the final version of the Agreement forthwith after receiving execution copies from the Community provided that there are no amendments to the purchase price, the exclusive right to occupy the unit and entitlement to net sale proceeds on sale or other substantive provisions of such agreements that would have material adverse effect on the Purchaser. The Purchaser waives any right to claim that the Agreement is void for uncertainty or subject to any right of rescission because the Agreement will not be finalized and / or executed by the parties until a future date.
4. The Deposits paid by the Purchaser may be used by the Community in the construction for the Project. The Deposits are not insured under the Ontario New Home Warranty program or otherwise. There is a builder's warranty of one year, with some elements with an extended warranty.
5. As required by Canada Mortgage and Housing Corporation, the Purchaser acknowledges and agrees that he / she has been advised that the construction lender has the legal right, in its sole and absolute discretion but without any obligation, to insist that the Life Lease Project be registered as a condominium corporation. Further, the Purchaser acknowledges and agrees that he/she has been advised that, in this event, the Purchaser may be required to acquire, but he/she is not entitled to require, a condominium unit rather than a life lease unit on terms and conditions that have been fully explained to the Purchaser at the time of executing this Agreement, which terms and conditions will be reflected in the final version of the Agreement.
6. The Purchaser has received independent legal advice prior to his/her signing this Acknowledgment and Consent Agreement.
7. As required by Canada Mortgage and Housing Corporation, on the date of executing this Agreement and from time to time, the Purchaser agrees to provide to the Community all financial and other information as the Community may reasonably require in order to confirm the credit worthiness of the Purchaser and the Purchaser's ability to complete the transaction of purchase and sale.
8. The Purchaser acknowledges that this Agreement is incorporated into and shall form part of the Agreement to Purchase.

9. The Purchaser agrees that this Acknowledgement and the Agreement are binding on the Purchaser and his/her heirs, executors, administrators, personal legal representatives, successors and assigns. This Acknowledgement and the Agreement shall be for the benefit of and be binding upon each of the parties and their successors and assigns.

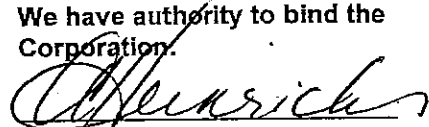
IN WITNESS WHEREOF the parties hereto have hereunto executed this Agreement this 8th day of April, 2005.

ROSE OF SHARON (ONTARIO)
RETIREMENT COMMUNITY INC

Per: 

Per: _____

We have authority to bind the
Corporation.


Purchaser

Purchaser

TAB L

ACKNOWLEDGEMENT AND POSTPONMENT

LMZ ✓

TO: PEOPLES TRUST COMPANY

AND TO: TRAUB • MOLDAVER, its solicitors

RE: PEOPLES TRUST COMPANY (the "Lender")
loan to ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY ("Community")
15 and 17 Maplewood Avenue Toronto (the "Property")

WHEREAS:

- A. Community as vendor has entered into a Right To Occupy Agreement (the "Agreement") with the undersigned whereby the undersigned has/have agreed to purchase the right to use, occupy and enjoy a residential dwelling unit (the "Unit") at the Property;
- B. The undersigned has/have paid and will pay to Community certain deposits as portions of the Right to Occupy Costs as set out in the Agreement;
- C. Community has entered into a loan arrangement (the "Loan") with the Lender with respect to the Property and has or will grant to the Lender certain security for the Loan including a Charge/Mortgage of the Property and an assignment of the Agreement (collectively, the "Lender's Security").

NOW THEREFORE, in consideration of One (\$1.00) Dollar and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the undersigned, the undersigned acknowledges, covenants and agrees as follows:

- 1. The undersigned acknowledge(s) that Community has assigned to the Lender, all of Community's right, title and interest in the Agreement including its right to receive all deposits paid or to be paid thereunder and all proceeds due to Community thereunder; and
- 2. The undersigned agree(s) and acknowledge(s) that all deposits paid and to be paid under the Agreement are subordinated and postponed to, and shall not rank in priority to, the Loan and the Lender's Security.

The covenants and agreements contained herein shall extend to and be binding upon the undersigned and their heirs, personal representatives, successors and assigns.

This Acknowledgement and Postponment may be executed and delivered by facsimile or email transmission and, when so executed and delivered, shall be binding on the undersigned effective upon such execution and delivery.

DATED this 20 day of April, 2007.

WITNESS:

Mary Yantz

LMZ Anne Marie Heinrichs

Name:
Unit Number:

Name:
Unit Number:

TAB M

**AMENDMENT TO
RIGHT TO OCCUPY AGREEMENT**

THIS AGREEMENT made this 1st day of April, 2010.

BETWEEN:

**ROSE OF SHARON (ONTARIO) RETIREMENT
COMMUNITY INC.**

(herein "Rose")

- and -

*Berg, Robert Assured Care
Consulting Inc*

(herein "Purchaser")

WHEREAS a Right to Occupy Agreement was entered into between Rose and the Purchaser on the 1st day of April, 2010; in respect of unit 203 (LM3) including One (1) parking space.

AND WHEREAS the parties are desirous of amending the terms of the Right to Occupy Agreement.

NOW WITNESSETH that in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. The Purchaser has requested and Rose is prepared to close the life lease purchase and defer the payment of One Hundred Sixty Eight Thousand Dollars (\$168,000.00) (the "Balance") in accordance with the terms and conditions contained in this agreement.
2. The Balance will be secured by a promissory note from the Purchaser having the following terms and conditions:
 - a. Principal amount of One Hundred Thirty Seven Thousand and Nine Hundred Fifty Eight Dollars (\$137,958.00);
 - b. Term of two (2) years;
 - c. Interest rate 6.75% calculated half yearly not in advance;
 - d. Blended monthly payments based on a twenty-five amortization plan;
 - e. Open at any time or times without notice or bonus;

f. Immediately due and payable in the event the Unit is sold or in the event the Purchaser is in default of the terms and conditions of the Right to Occupy Agreement.

- 3. This Agreement shall be construed in accordance with the laws of the Province of Ontario and treated in all respects as an Ontario contract.
- 4. This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective heirs, administrators, successors and permitted assigns.
- 5. Notice may be given to the parties at the following addresses:

Vendor
 Rose of Sharon (Ontario) Retirement Community Inc.
 165 Vaughan Road, Toronto, ON M6C 2L9


Purchaser

Address : ACC Assured Care Consulting Inc.

113 Yorkville Ave., Suite 300, Toronto, Ontario M5R1C1

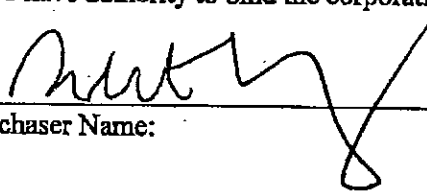
IN WITNESS WHEREOF the parties have hereunto set their hands and seals this 1st day of April, 2010.


SIGNED, SEALED AND DELIVERED) ROSE OF SHARON (ONTARIO)
) RETIREMENT COMMUNITY INC.

) Per: 

Per: _____

) I/We have authority to bind the corporation.

) 
Purchaser Name:


 Witness

Witness

) _____
Purchaser Name:

PROMISSORY NOTE

Amount: \$137,958.00

Date: April 1, 2010

FOR VALUE RECEIVED \$137,958.00 ("the Maker") acknowledges him/her/themselves indebted and hereby promises to pay to **ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY INC.** ("the Lender") at its address noted below or at such other place as the Lender may designate in writing to the Maker from time to time, the principal sum of One Hundred Thirty Seven Thousand and Nine Hundred Fifty Eight Dollars (\$137,958.00) (the "principal sum") in lawful money of Canada together with interest thereon as hereinafter provided, in respect of unit 203 (LM3).

1. **ADDRESSES OF PARTIES:**

The Maker declares its address to be: ACC Assured Care Consulting Inc.

113 Yorkville Ave., Suite 300, Toronto, Ontario M5R1C1

The Lender declares its address to be: 165 Vaughan Road, Toronto, ON M6C 2L9

2. **INTEREST:**

The Principal Sum hereunder shall bear interest at the rate of 6.75 per cent (6.75%) per annum, calculated semi-annually, not in advance, as well after as before maturity both before and after default on such portion of the Principal Sum as remains from time to time unpaid.

3. **PAYMENTS**

- (a) **Blended Payments of Principal and Interest:** Principal and interest from the date hereof shall be payable by the Maker in blended equal consecutive monthly instalments of Nine Hundred Thirty Nine Dollars and Eighty Seven Cents (\$939.87) each on the 1st day of each and every month, commencing on the 1st day of April, 2010, until the 1st day of April, 2012, in each year, and the balance, if any, of the Principal Sum shall be due on the 1st day of April, 2012.

Provided that the aforesaid instalments are to be applied first in payment of the interest due from time to time, calculated at the aforementioned rate of interest and the balance to be applied in reduction of the Principal Sum, subject however to the provisos hereinafter contained.

- (b) **Due on Demand:** Notwithstanding anything else contained herein the Principal Sum and interest owing hereunder shall be due on demand. In the event the Maker is in breach of their obligations contained in the Right to Occupy Agreement between the parties dated the 1st day of April, 2010.
- (c) **Open:** Provided that the indebtedness of the Maker hereunder shall be open to prepayment in whole or in part on any regular payment date without notice, bonus or

penalty.

- (d) **Prepayment Penalty:** The Maker shall be entitled to prepay any part of the Principal Sum ~~upon payment to the Lender of an amount equal to three months' interest.~~
~~without penalty.~~ *RB*
- (e) **Acceleration:** Provided that in default of a payment of interest or in default of a payment of instalments of principal or in default of the performance of any of the obligations of the Maker hereunder, the balance of the Principal Sum and interest shall immediately become due and payable at the option of the Lender. The Maker shall not be relieved from such default without the Lender's written consent first being obtained.
- (f) **Death of Maker:** Entire balance of principal, interest and any other costs owing under the terms hereof shall become immediately due and payable at the option of the Lender on the death of the Maker or any one of them.

4. **COVENANTS BY MAKER:**

The Maker covenants and agrees with the Lender as follows:

- (a) **Right to Occupy Agreement:** To abide by the terms and conditions of the Right to Occupy Agreement dated the 1st day of April, 2010; To provide to the Lender a full copy of its financial statements within 90 days of its fiscal year end.

5. **COSTS:**

And the Maker hereby covenants with the Lender that he will pay the costs, charges and expenses of and incidental to the taking, preparation, execution and filing of Notice of this Note and any documents relating thereto and of every renewal thereof, and also all costs which the Lender may incur by reason of the default of the Maker in payment of the moneys advanced hereunder, including costs between solicitor and client, and all bailiff's and other fees and expenses and bank charges.

6. **DEFAULT:**

Upon the occurrence of any default on the part of the Maker as hereinafter defined, all indebtedness hereunder shall, at the option of the Lender, forthwith become due and payable.

The Maker shall be in default under this Promissory Note upon the occurrence of any of the following events:

- (a) the Maker shall fail to pay any of the indebtedness when due or to observe or perform any of the covenants contained herein;
- (b) the Maker shall become insolvent or commit an act of bankruptcy or make an assignment in bankruptcy.
- (c) the Maker shall breach the covenant in paragraph 4 above;

7. **LIMITATIONS:**

- (a) This Promissory Note is made for business purposes and is a "business agreement" as defined in the Limitations Act, 2002 (herein "the Act"); and
- (b) No limitation periods found in the Act, other than the ultimate limitation period found in Section 15 of that Act, shall apply to this Promissory Note and to the obligations imposed by this Promissory Note.

8. **INTERPRETATION AND GENERAL:**

- (a) **Proof of Compliance:** The Lender may require reasonable proof that the borrower is not in default under the terms of this Promissory Note and failing the Maker providing such reasonable proof, the Lender may take whatever steps are necessary to obtain such proof and the costs of obtaining such proof shall be added to the principal amount outstanding on this Note.
- (b) **Judgments:** Provided and it is hereby agreed, that the taking of a judgment or judgments on any of the covenants herein contained shall not operate as a merger of the said covenants or affect the Lender's right to interest at the rate and times herein provided; and further that said judgment shall provide that interest thereon shall be computed at the same rate and in the same manner as herein provided until the said judgment shall have been fully paid and satisfied.
- (c) **Advance of Funds:** This Promissory Note is issued pursuant to the advance of funds by the Lender to the Maker in the amount of the face value of this Promissory Note, the receipt of which is acknowledged by the Maker.
- (d) **Successors:** This Promissory Note and all of its provisions, terms and conditions shall be binding upon and enure to the benefit of the Lender, its successors and assigns and the Maker and its successors. The term "successors" shall include, without limitation, any company resulting from the amalgamation of a party hereto with any other company.
- (e) **Waiver of Presentment:** The Maker of this Promissory Note does hereby waive presentment for payment, notice of nonpayment, protest and notice of protest and does hereby consent to all extensions and renewals hereto, without notice.
- (f) **Laws of Ontario:** The provisions of this Promissory Note shall be governed by and interpreted in accordance with the laws of the Province of Ontario.
- (g) **Number - Gender:** Provided and it is hereby agreed that in construing these presents the words "Maker" and "Lender" and the personal pronoun "it" or "its" relating thereto and used therewith, shall be read and construed as "Maker or Makers," "Lender or Lenders," and "his," "her," "its" or "theirs," respectively, as the number and gender of the party or parties referred to in each case require, and the number of the verb agreeing therewith shall be construed as agreeing with the said word or pronoun so substituted; and that all rights, advantages, privileges, immunities, powers and things hereby secured to the Lender or Lenders shall be equally secured to and exercisable by his, her, its or their heirs, executors, administrators and assigns, or successors and assigns as the case may be; and that all covenants, liabilities and obligations entered into or imposed hereunder upon the Maker or Makers shall be equally binding upon his, her or their heirs, executors, administrators and permitted assigns, or successors and assigns as the case may be; and that all such covenants and liabilities and obligations shall be joint and several.

- (i) **Joint and Several Liability:** All the covenants, liability and obligations entered into or imposed hereunder upon the Maker or Makers shall be joint and several.
- (h) **Severability:** Provided that if any of the covenants or conditions in this Promissory Note contained shall be void for any reason if shall be severed from the remainder of the provisions hereof and such remainder shall remain in full force and effect notwithstanding such severance;

DATED at Toronto, Ontario, this 1st day of April, 2010



The Maker -



The Lender -

JOHN YOON, CEO
ROSE OF SHARON

TAB N

Rose of Sharon Apartments (Sorted by Structure)

Unit #	2007 05 28 18:19 Name of the Purchaser	Purchase Price	Deposit Received to Date	Agreements in effect	Occupancy Date	List of Exception Conditions
506	Olivia Yoon	\$ 103,693.20	\$ 75,936.00	Yes	December 31, 2007	
511	Young Jeon	\$ 114,439.00	\$ 84,081.97	Yes	December 31, 2007	
512	Young Jeon	\$ 127,407.00	\$ 49,626.03	Yes	December 31, 2007	
602	Bog Shim Shin	\$ 126,500.00	\$ 94,000.00	Yes	December 31, 2007	
803	Brenda Ha	\$ 191,183.00	\$ 103,552.45	Yes	December 31, 2007	
806	Lawrence Kim	\$ 108,201.60	\$ 76,643.00	Yes	December 31, 2007	
LP2	Soon -Sup Lee	\$ 146,775.00	\$ 95,403.00	Yes	December 31, 2007	
LP9	Sang Hyun An	\$ 114,680.00	\$ 97,393.00	Yes	December 31, 2007	
"A"	8 Units	\$ 1,032,779.80	\$ 676,535.45			

507	Sung Yoon	\$ 111,195.00	\$ 31,770.00	Yes	December 31, 2007	
508	Gwang Yup Choi	\$ 111,195.00	\$ 31,769.00	Yes	December 31, 2007	
509	Hyun Hwang	\$ 74,550.00	\$ 20,970.00	Yes	December 31, 2007	
510	Daniel Yoon	\$ 146,000.00	\$ 43,800.00	Yes	December 31, 2007	
605	Han Kang	\$ 195,000.00	\$ 58,700.00	Yes	December 31, 2007	
606	Kyoung Yoo	\$ 180,000.00	\$ 54,000.00	Yes	December 31, 2007	
608	Chang Kim	\$ 132,980.00	\$ 38,280.00	Yes	December 31, 2007	
609	Sun Lee	\$ 100,000.00	\$ 10,000.00	Yes	December 31, 2007	
610	Sun Lee	\$ 197,000.00	\$ 59,100.00	Yes	December 31, 2007	
811	Sang Hyun An	\$ 170,105.00	\$ 51,031.43	Yes	December 31, 2007	
812	Sang Hyun An	\$ 100,195.00	\$ 30,058.57	Yes	December 31, 2007	
708	Han H. Lee/Hae J. Kang	\$ 107,600.00	\$ 32,280.00	Yes	December 31, 2007	
711	Hyang Hong	\$ 182,600.00	\$ 44,260.00	Yes	December 31, 2007	
801	Albert Yoon	\$ 100,866.00	\$ 24,888.89	Yes	December 31, 2007	
802	Albert Yoon	\$ 112,674.00	\$ 27,802.31	Yes	December 31, 2007	
809	John Yoon	\$ 97,644.00	\$ 29,263.31	Yes	December 31, 2007	
810	John Yoon	\$ 57,456.00	\$ 17,236.69	Yes	December 31, 2007	
"Afc"	17 Units	\$ 2,176,960.00	\$ 605,210.20			

LM2	Anne Marie Heinrichs	\$ 181,570.00	\$ 54,471.00	Yes	December 31, 2007	
LM3	Robert Berg	\$ 168,000.00	\$ 30,042.00	Yes	December 31, 2007	
LM4	Anne Marie Heinrichs	\$ 250,585.00	\$ 81,169.50	Yes	December 31, 2007	
LM5	Mike Ridley	\$ 137,685.00	\$ 41,305.50	Yes	December 31, 2007	
LM6	Aaron & Helen Klassen	\$ 192,810.00	\$ 63,783.00	Yes	December 31, 2007	
LM7	Tim Schaner	\$ 184,250.00	\$ 55,275.00	Yes	December 31, 2007	
LM8	Mike Ridley	\$ 182,240.00	\$ 54,672.00	Yes	December 31, 2007	
LM9	Mike Ridley	\$ 308,870.00	\$ 66,774.00	Yes	December 31, 2007	
LM10	Mike Ridley	\$ 159,795.00	\$ 31,960.00	Yes	December 31, 2007	
LM12	Hans Goetze	\$ 174,200.00	\$ 52,260.00	Yes	December 31, 2007	
LM13	Hans Goetze	\$ 157,115.00	\$ 31,424.00	Yes	December 31, 2007	
LM14	Tim Schaner	\$ 187,935.00	\$ 37,587.00	Yes	December 31, 2007	
702	York Health Care	\$ 207,367.53	\$ 124,416.00	Yes	December 31, 2007	
709	Anne Marie Heinrichs	\$ 145,562.00	\$ 33,169.20	Yes	December 31, 2007	
"C"	14 Units	\$ 2,637,754.53	\$ 757,308.20			

UM4	Bill Campbell	\$ 250,000.00	\$		December 31, 2007	
UP6	Turfpro	\$ 332,000.00	\$		December 31, 2007	
UP8	Turfpro	\$ 529,280.00	\$		December 31, 2007	
"T"	3 Units	\$ 1,111,280.00	\$			

Sale Summary 28/05/2007

Unit #	Name of the Purchaser	Purchase Price	Deposit Received to date	Agreements in effect	Occupancy Date	List of Exception Conditions.
UM8	Youngsook Cha	\$ 182,240.00	\$ 54,672.00	Yes	December 31, 2007	
UM11	Esther Yoon	\$ 176,378.00	\$ 17,637.80	Yes	December 31, 2007	
501	Choo-Kooock Chang	\$ 203,905.60	\$ 10,195.28	Yes	December 31, 2007	
502	Jang Hoon Lee	\$ 200,000.00	\$ 10,000.00	Yes	December 31, 2007	
505	Eun Y. Lee/ Hee Lee	\$ 306,005.00	\$ 92,166.10	Yes	December 31, 2007	
705	Jang Heon Lee	\$ 301,860.00	\$ 90,558.00	Yes	December 31, 2007	
706	Myung Kim/Sung Do	\$ 221,000.00	\$ 66,300.00	Yes	December 31, 2007	
707	Woo Sam Park	\$ 163,000.00	\$ 48,900.00	Yes	December 31, 2007	
710	Tae-Young Kim	\$ 256,580.00	\$ 76,974.00	Yes	December 31, 2007	
808	Mi Kyung Lee	\$ 255,298.00	\$ 76,589.40	Yes	December 31, 2007	
LP3	John Cho	\$ 327,740.00	\$ 98,322.00	Yes	December 31, 2007	
LP5	Jae Won Byun	\$ 329,810.00	\$ 98,946.00	Yes	December 31, 2007	
LP6	Dae Heon Kye	\$ 244,250.00	\$ 73,275.00	Yes	December 31, 2007	
LP7	Mal Hwa Kim	\$ 146,625.00	\$ 43,987.50	Yes	December 31, 2007	
LP8	H.J.Park/ N.Choi	\$ 209,600.00	\$ 62,880.00	Yes	December 31, 2007	
LP10	Esther Yoon	\$ 142,390.00	\$ 42,717.00	Yes	December 31, 2007	
" M "	16 Units	\$ 3,666,681.60	\$ 964,120.08			

LM1	Chang-Yong An	\$ 127,300.00	\$ 38,190.00	Yes	December 31, 2007	
UM1	Meera Choi	\$ 148,405.00	\$ 44,521.25	Yes	December 31, 2007	
UM5	Mary Chon	\$ 137,685.00	\$ 41,304.85	Yes	December 31, 2007	
UM6	Mary Chon	\$ 189,610.00	\$ 56,885.00	Yes	December 31, 2007	
UM7	Kim Hong Yang	\$ 184,250.00	\$ 55,275.00	Yes	December 31, 2007	
UM10	Myung Hee Yu	\$ 159,795.00	\$ 47,938.75	Yes	December 31, 2007	
UM12	John Chon	\$ 174,200.00	\$ 52,260.00	Yes	December 31, 2007	
UM13	Tae-Young Kim	\$ 157,115.00	\$ 47,134.50	Yes	December 31, 2007	
UM14	Richard Yoon	\$ 190,935.00	\$ 57,280.50	Yes	December 31, 2007	
503	Sang-Hoon Lee	\$ 135,005.00	\$ 40,501.50	Yes	December 31, 2007	
504	Sang-Hoon Lee	\$ 157,335.00	\$ 47,200.50	Yes	December 31, 2007	
601	Steve Yu	\$ 201,825.00	\$ 60,547.00	Yes	December 31, 2007	
603	Mjung Shin	\$ 129,955.00	\$ 38,990.00	Yes	December 31, 2007	
604	Klara Kim	\$ 157,950.00	\$ 47,388.00	Yes	December 31, 2007	
607	Eun Yim/M.Gawalko	\$ 182,838.00	\$ 54,851.00	Yes	December 31, 2007	
701	Yun Ok Lee	\$ 203,320.00	\$ 60,996.00	Yes	December 31, 2007	
703	Soon Ki Chang	\$ 127,160.00	\$ 7,272.00	Yes	December 31, 2007	
704	Kyung Hwan Lee	\$ 159,120.00	\$ 47,736.00	Yes	December 31, 2007	
712	Mi-Kyung Lee	\$ 134,980.00	\$ 40,494.00	Yes	December 31, 2007	
805	Jin Sook Park	\$ 234,773.00	\$ 70,431.90	Yes	December 31, 2007	
807	Gyeseon Kim	\$ 204,000.00	\$ 61,200.00	Yes	December 31, 2007	
LP1	Byung Cho	\$ 226,310.00	\$ 67,893.00	Yes	December 31, 2007	
LP12	Leon Hui	\$ 320,000.00	\$ 96,000.00	Yes	December 31, 2007	
UP4	Sam Chang	\$ 501,560.00	\$ 5,015.60	Yes	December 31, 2007	
" Mb "	24 Units	\$ 4,545,436.00	\$ 1,187,306.35			

LM11		\$ 287,750.00			December 31, 2007	
UM2		\$ 243,800.00			December 31, 2007	
UM3		\$ 237,850.00			December 31, 2007	
UM9		\$ 345,310.00			December 31, 2007	
804		\$ 312,250.00			December 31, 2007	
UP3		\$ 451,840.00			December 31, 2007	
UP5		\$ 454,730.00			December 31, 2007	
UP7		\$ 585,980.00			December 31, 2007	
" U "	8 Units	\$ 2,899,510.00			December 31, 2007	

90 Units	18,070,402	4,190,480.28
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TAB O

Bricks, Hartley (CA - Toronto)

From: John Yoon <john.yoon@sympatico.ca>
Sent: Wednesday, February 25, 2009 9:07 AM
To: Woo Kim; Lawrence Kim; JongHo Lee; Jeongmin Ryu; Jane Kim; Jae Hoon Cho; Helen Huh; Adam Yoo; Richard Yoon
Cc: John Yoon; Bill Mardimae; Robert Gore
Subject: \$500,000 loan
Attachments: Agreement Between ROS & Vace.doc

As you know, we did not have enough sales to be qualified for Peoples Trust Construction loan. After 9 months of reviewing our application (we submitted our budget), CMHC came back to us with a couple of conditions:

1. The Korean Community has to raise \$288,000 (this figure was later changed to \$302,000).

We launched a newspaper campaign to borrow this amount instead of fundraising, as we could not fundraise this amount in a short time. We were allowed to borrow and pay back after we raised this amount. It took us a few months to borrow \$426,000, pay for construction and loan for down-payments for purchasers who could not pay on time.

2. Peoples Trust wanted to see a minimum 80 sales out of 90 units. At that time we barely made 40 sales to Koreans and 40 sales to non-Koreans. CMHC approved only 18 non-Koreans and we had to look for 22 Koreans. I managed to get 22 additional Koreans to sign on, as well as make some real sales, bringing this number down to 20 and non-Koreans down to 17 from 18.

3. We had to collect \$4,170,000 as down-payments to be qualified for CMHC approval for getting construction loan.

The most difficult part was how to collect \$4,170,000 as down-payments from the purchasers. CMHC made the conditions 40% downpayments for the non-Korean purchasers and 30% for the Korean purchasers. Please put yourself in my position as if you were trying to satisfy all these requirements.

Here is some simple math: If 40 Korean purchasers put down 30% of the purchase price, the maximum amount we could collect was only \$2.2 M. But they were not paying 30%. They were paying according to the payment schedule of 1%, 9%, 10% and 10%. The only way to achieve these requirements in such a short period of time was to pay the professional fees and let them buy the units.

Some people seem to have a knee-jerk reaction to what we did. If you think it was not right, buy them out. We paid as much as we could, whenever the money was available, and got it back right away as downpayments of the units.

It was still far cry from the required amount, just short of \$1M. I had to sell at least 12 units to make this project work, which was near impossible. I begged and pleaded everywhere to borrow money. Be reminded that I am not a salesperson. In addition, I was a volunteer.

We asked Victor if he could lend us money. This was not the ideal scenario, but it was a last pitch we tried as we waited for some down-payment money to come in. We loaned him some amount, and he put it back as down-payment of the units. This occurred three times, totalling \$500,000. For this amount, we were supposed to collect 1% compound monthly since March 2006. (Refer to attached agreement. I believe the date is incorrect, printed as one year later than signed.) I do not remember seeing this, but I just found this file. Our accountant reminded me of this file, and later Victor, after he did the audit at the end of 2007, and again after the end of last year. We were trying to come up with the best time for us to collect, which included taking some units back. At this point, taking back the units is not a good idea, because as we wait until the units are closed, the interest amount will increase to our advantage. Next month, it will be about \$720,000. I found that Vic owes us another \$50,000. All together, Vic owes about \$770,000.

Also, if we let Vic increase his units as his brother proposed, we could collect another \$1.2M. (There may be a better solution than this.) I need detailed information for our auditor regarding Vace, as he is now auditing. As requested by Robert Gore, I asked Vic to provide some information about Vace, which I am still waiting for an answer. Our auditor also wants to see the agreement between RoS and Iwok. Please send him and me the copy of the agreement.

We have been audited by the Revenue Canada three times regarding G.S.T. in the past, and have been audited by Robert Gore and Assoc. every year. If we can collect \$600,000 for P.S.T., then the project will be viable. The cost of the land was only \$450,000, 19 years ago and now it is assessed at the value of \$3.4M. This does not help in terms of the cash flow but it is good to know.

Please understand how we struggled. The key to the project's success now is in selling the units. Right now, we need to borrow another \$500,000 to get this project finished. At the previous meeting, the board is offering 2% as a finders fee to anybody bringing some funds. The finders fee is allowed. We are offering 12% to match Iwok's. We can secure some units for this amount.

I almost secured \$300,000 until some negative rumours started to circulate. We need everyone to be supportive, united and positive with each other. Let's make history for our Community, shall we? I hope we will keep this information to ourselves.

Regards,

John Yoon
CEO
(416)998-2777(c)

TAB P

Rose of Sharon

Five Units - Loaned from Rose of Sharon

Dec. 31, 2008

Type	Unit #	Area	Name of Apt.	Name of Purchaser	Purchase of Price	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008	Total Payment	To Be Paid
M	#JM 11	419	Douglas Fir II	Esther Yoon	\$ 176,378.00						\$ 17,637.80		\$ 17,637.80	\$ 158,740.20
M	#506	650	Rhododendron	David Kye	\$ 244,250.00						\$ 10,195.30		\$ 10,195.30	\$ 234,054.70
Afc	#508	484	Red Peach Blossom	G. Choi	\$ 111,195.00						\$ 7,090.00		\$ 7,090.00	\$ 104,105.00
Afc	#509	462	Rose "B"	H. Hwang	\$ 74,550.00						\$ 4,000.00		\$ 4,000.00	\$ 70,550.00
Afc	#602	645	Sunflower "B"	Bog Shim Shin	\$ 129,965.00						\$ 54,500.00		\$ 54,500.00	
Mb	#603	417	Water Lily "A"	Mijung Shin	\$ 129,995.00						\$ 38,994.00		\$ 38,994.00	\$ 90,971.00
Mb	#UP 4	916	Gold Banded Lily	Sam Jang/John Yod	\$ 501,560.00						\$ 5,015.60		\$ 5,015.60	\$ 496,544.40
7 Units					\$ 1,367,863.00	\$	\$	\$	\$	\$	\$ 137,432.70	\$	#####	#####

(1) Unit #508 - Jan. 1/07 Loan Receivable \$2,090 and \$5,000 = \$7,090.00

(2) Unit #509 - Feb. 28/07 Loan Receivable \$4,000

(3) Unit #603 - Jan. 30/07 Loan Receivable \$38,994

(4) Unit #506 - Jan. 1/07 Loan Receivable \$10195.30

(5) Unit #JM11 - Jan. 30/07 Loan Receivable \$17637.80

(6) Unit #UP 4 - Feb. 26/07 Loan Receivable \$5,015.60

(7) Unit #602 - Feb. 22/06 Loan Receivable \$54,500

Total Loan Receivable = \$137,432.70

TAB Q

AGREEMENT BETWEEN "THE VACE INVESTMENTS INC. AND "THE PURCHASER"
(To be read in conjunction with the Right to Occupy Agreement dated the 8th day of April, 2005.

Agreement between Vace Investments Inc. (VACE) and Mike Ridley the purchaser of Apartment in the Rose of Sharon (Ontario) Retirement Community (ROSE), in Toronto, Ontario, Canada.

1. VACE agrees to lend #LM9 an amount equal to **40%** of the purchase price of the unit. (Purchase price is **(\$308,870)**). These payments will be in place prior to the first draw of the construction mortgage. These payments will be secured by an assignment of the Right to Occupy Agreement and by a second mortgage.

People's Trust has agreed to provide First Mortgage Financing to purchasers. The Purchaser agrees to apply for a First Mortgage in the amount of **(\$185,322)** at such time as a Rose of Sharon representative completes the necessary documents on behalf of the purchaser **Mike Ridley**.

2. Terms of Vace's Second Mortgage Loan
Loan Amount - **(\$123,548)**

Interest Rate – 8% per annum calculated and compounded monthly

Payment – Prior to receiving rental income the interest will be accumulated.

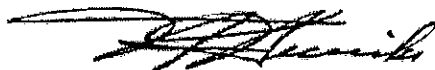
Payment – Available cash flow will be used to pay the principal and interest of the First Mortgage supplied by People's Trust or equivalent. When the unit is rented, if the cash flow is inadequate to cover the First Mortgage principal and interest payments, Vace will pay the balance and that amount will be added to the principal due when VACE exercises it's option to purchase the unit

3. VACE will manage the property so that the purchaser has a carefree investment. Vace is authorized to represent the purchaser in all management affairs, including signing documents and voting at Member or Condo Owner's meetings.
4. The purchaser will receive 2% of the principal amount of the first mortgage after the first year. This annual payment will be paid at the end of each year.
5. VACE has the option at any time to acquire the unit by taking over the first mortgage and canceling Vace's second mortgage.
6. The purchaser will not encumber or pledge his / her ownership of the apartment with any debts other than the People's Trust Mortgage and Vace's second mortgage.
7. The purchaser can, at any time, at his / her option, subject to 90 days notice to Vace, turn the property over to VACE, as long as the purchaser's first mortgage is in an amount equal to **60%** of the original purchase price & the interest rate is at the original or at the current rate at the time of sale and Vace has the right to assume the First Mortgage.
8. I/We authorize VACE to deposit the funds as set out in the Right to Occupy Agreement directly into the ROSE account, and to notify me/us of the payments. (Note that a 1% deposit as set out in the Right to Occupy Agreement has been made on your unit by Vace)
9. If the First mortgagee requires a cosigner (or will make a 50% but not a 60% mortgage loan) VACE will provide at its option, either a cosigner on the mortgage or will lend a further 10% of the purchase price so a first mortgage can be obtained by the Purchaser. In this case the 2% referred to in item #5 will be reduced to 1%.
10. The purchaser hereby appoints Vace Investments Inc. as the purchaser's lawful attorney for the purpose of signing all documents required by Vace or Rose to implement this agreement including any required documentation to facilitate the registration of the property as a condominium corporation in which the unit is situate.

11. This acknowledgement / agreement shall enure to the benefit of and be binding upon the undersigned respective heirs, executors, personal representatives, successors and assigns.

IN WITNESS WHEREOF the undersigned has hereunto set his/her/their hands and seals this 8th day of April, 2005.

SIGNED, SEALED, AND DELIVERED
In the presence

 **CHAIRMAN**

Vace Investments Inc.

Date



Purchaser

Purchaser

TAB R

Letter of Release

Chang Yong AN

Please accept this letter as my confirmation that I claim no ongoing financial or legal interest in unit # 202 (LM1) at the Rose of Sharon Retirement Community project.

This is in respect to the agreement to purchase the above unit(s) dated:

May 01, 2010

I release Rose of Sharon from any obligations to me in respect of the above mentioned unit(s).

I understand also that Rose of Sharon will release me of any obligations I may have in respect of the unit(s).

SIGNED

X

Name:

Date: May 01, 2010

COUNTERSIGNED

X

Name:

Date: May 01, 2010

(on behalf of Rose of Sharon)

TAB S

Bricks, Hartley (CA - Toronto)

From: Bob Gore <bob.gore@goreca.com>
Sent: Thursday, March 01, 2007 1:19 PM
To: Rose of Sharon Mail
Subject: Re: Purchasers (confidential)

Thanks for the update...

Bob

Rose of Sharon Mail wrote:

> Hi Bob,
>
> CMHC required minimum 80 sales out of 90 units for their financial
> endorsement and I had to get about 24(?) signatures from many of my friends
> for unit purchases in order to make the number as you know. Nobody knows
> that Vic's fee has been used for the down payments of those units
> except you, Richard, Olivia and Vic. CMHC wanted to see Korean end-users buying
> and moving in. I appreciated their request for Koreans but in the other
> hands, we could not make the required number of sales. I do not
> believe that there was anything wrong as these Koreans paid down
> payments even though they borrowed money from him and signed loan agreements.
> As Bill has close relationship with CMHC, I did not want to make CMHC
> and Peoples Trust unhappy about it.
> Just to let you know that Bill is not aware of it for now.
>
> Thanks,
>
> John Yoon
> (416)979-7027
> (416)998-2777(c)
>
>
>
>
>
>
>
>

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Robert Gore & Associates
Chartered Accountants

Tel. (416) 699-8070
Fax (416) 694-3373

www.goreca.com
bob@goreca.com

TAB T

9356

Agreement between Vace Investments and Rose of Sharon

1. Rose will provide services as per attached list with additions or changes in services and costs as per mutual agreement
2. Any unit owner can join the "rental pool" and Vace will ensure that all owners of units that join the rental pool will have a "carefree investment" ie Vace will ensure that all costs including mortgage payments (assuming a 70% mortgage at a bank mortgage rate) are paid.

Vace will

- Receive all net services revenues with no overhead for Rose – the apartments have paid for most of the capital cost.
- Prior to Vace's taking any profit all rental pool participants receive a return on their equity at 6% per annum – calculated monthly.
- Further profit will be divided When Vace makes a profit after ??? this is divided equally between Vace and the unit owner participants
- The main floor amenity areas are primarily for the apartment residents, so they should pay for the cleaning, set-up and maintenance. In lieu of this the apartment common charges include \$0.10 per square foot per month that goes to the LTC facility.

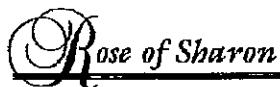
Sales

Any sales-of units that have a "Vace" down payment need to be properly documented. I.e. Vace receives agreement for approval, receives downpayment (if agreement is acceptable) and the funds (if a Korean purchaser) are immediately given to Turfpro * If Rose wishes to retain these funds as a loan then said funds may be loaned to another unit provided Vace Agrees. Rose assumes the interest cost.
 Rental income of rental pool units is part of the pool.

* Turfpro loaned Rose \$500,000 for downpayments. Rose loaned to Vace for deposit on units

for loans to purchasers for downpayments. Any downpayments made on units sold after this loan were to be paid to Turfpro to repay their loan.

from Turfpro



Mar,26.2007

Agreement Between
Rose of Sharon (ONTARIO) Retirement Community(ROS)
and
VACE INVESTMENTS INC(VACE)

1. ROS has loaned VACE \$500,000.
2. The monies are used by Vace to loan to purchasers for deposits on units in the ROS facility under construction at Maplewood and Vaughan Road in Toronto.
3. Vace will pay ROS 1% per month interest on the money borrowed, the interest compounding monthly and accumulating until the units are sold.
4. When the units are sold the monies owing ROS by Vace is paid to ROS, ROS will immediately repay Turfpro the same amount.
5. Addresses:

ROS c/o-Richard Yoon, President
920 Yonge St. Unit 500
Toronto ON M4W 3C7

VACE- 5163 Guelph Road
Guelph, ON
N1H 6J4

6. Signed

Rose of Sharon

VACE

RICHARD YOON
President

VERN HEINRICHS

Date

Date

TAB U



Deloitte & Touche Inc.
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-775-4724
Fax: 416-601-6690
www.deloitte.ca

October 19, 2011

Via registered mail

Anne Marie Heinrichs
[REDACTED]
[REDACTED]

Dear Sir/Madam;

Subject: Rose of Sharon (Ontario) Retirement Community (“Rose of Sharon”) – In Receivership

On September 27, 2011, pursuant to an Order of the Ontario Superior Court of Justice (“**Appointment Order**”), Deloitte & Touche Inc. was appointed as receiver and manager (the “**Receiver**”) of Rose of Sharon’s assets, undertakings and properties (“**Assets**”). A copy of the Appointment Order can be accessed at: <http://www.deloitte.com/ca/insolvency>

Rose of Sharon’s records indicate that you are the Purchaser under a Right to Occupy Agreement of unit #201. The Receiver is in the process of reviewing the status of the “life-lease” portion of the building including the agreements that Rose of Sharon and purchasers have entered into with regard to the units. This information is needed for the Receiver to carry out its mandate under the Appointment Order. In this regard, we request that you provide the Receiver (at the address referred to below) with a copy of all agreements and documents you have regarding the unit including:

1. the Right To Occupy or other purchase agreement and any other document relating to your purchase;
2. other agreements you may have made with Rose of Sharon and related documents; and
3. agreements you may have made with others regarding the unit including any transfer, participation or other ownership interest, any postponement, and any lease or other agreement regarding occupancy of the unit and related documents.

In addition, the Receiver is in the process of engaging a property manager to manage the day-to-day operations of Rose of Sharon. We will provide you with the name of, and contact information for, the property manager once one has been engaged by the Receiver.

You are hereby advised that pending further written notification, all outstanding, current and future payments in respect of your unit for monthly maintenance fees and promissory note payments are to be paid, without set off, to:

October 19, 2011

Page 2

**Deloitte & Touche Inc., Receiver and Manager of
Rose of Sharon (Ontario) Retirement Community
181 Bay Street, Suite 1400
Toronto, ON M5J 2V1**

Attention: Mr. Jim Cook

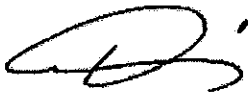
Please note that, until you are advised otherwise in writing by the Receiver, the receipt of requested documents and acceptance of payments by the Receiver should not be construed as binding the Receiver to any agreement.

If you have any questions or require further information, please contact the writer or Mr. Cook of our office at 416-775-7284.

Yours very truly,

Deloitte & Touche Inc.,
solely in its capacity as Court
Appointed Receiver and Manager of
Rose of Sharon (Ontario) Retirement
Community and not in its personal
capacity

Per:



Daniel R. Weisz, CA•CIRP, CIRP
Senior Vice-President

TAB V

Re: Unit 1011(809) (Unit 1009(810) provided for reference only)

	Unit: 1011(809) with one parking Parking #5	Unit: 1009(810) (resold, reference only)
John Yoon & Moon Yoon 20 Dukinfied Crescent Toronto ON M3A 2S1		
Agreement Price: \$155,000 (\$99,000+\$56,000)	\$ 99,000	\$ 56,000
Price reduction (rebate) for two units 1009 & 1011 per agreement (originally one unit)	- 15,500	
Paid: Sep. 30/00	-500.00 #504	
Nov. 1/00	-1,550.00 #469	
Apr. 30/03	-14,000.00 #088	
June 4/04	-14,950.00 #230	
July 14/06	-15,500.00 #664	
Total paid as downpayment as of July 10/06	- 27,900	- 18,600
Paid: Oct. 24/08	- 5,000 #833	
Nov. 20/09	- 30,000 #001	
Nov. 23/09	- 20,000 #002	
On June 14, 2011, Unit 1009 is resold at the price of \$155,000. The profit on resale of Unit 1009 to John & Moon Yoon is \$99,000. \$18,600 down payment related to Unit 1009 is returned to John Yoon		
Balance for Unit 1011 (809)	600	
Reconciled as amortized	- 600 (principal paid in monthly fees)	
Balance	0	
Extra invoices:	1,740.38	1,874.79
Paid: Oct.14/09 #874	- 1,740.38	
Oct. 14/09 #875		- 1,874.79
Appliances:	2,834.04	1,285.94
Installation Fee:	100.00	100.00
Paid:	- 2,934.04	- 1,385.94

Units 1009 and 1011 were one unit at the time of purchase (refer to architect's sketch) and the architect divided the units by splitting it into two units to lessen the burden of the purchasers. Unit 1009 is resold. Unit 1011 is rented to Young Seob Park.

Re: Unit 1011(809)

		Unit: 1011(809) with one parking Parking #5	Note
Overpaid:	July 24, 2009	- \$ 25,000.00	Credit Union loan
	April 1, 2010	- 10,189.92	Credit for reduced unit area of 71sqft x \$143.52/sqft (1009 sq.ft. from 1080 sq.ft.)
	June 12, 2011	- 1,200.00	Refer to Rose of Sharon rental account #2008282. Rose of Sharon started a program, sharing rental income among renters to reduce the burden of empty units. This amount was from John's unit.
	Sept. 1, 2011	- 5,650.00	RoS#451
	Sept. 1, 2011	- 701.40	RoS#450
Total Overpaid for Unit 1011(809):		<u>-\$42,741.32</u>	

After reviewing the transaction history, I have a better understanding regarding the sale.

After the sale of Unit 1009, John has been reimbursed for the \$18,600 down payment amount. After then, John could have been paid \$99,000 as profit (new sale price \$155,000 - original price \$56,000) if the new owner of Unit 1009 had paid more as down payment (new owner paid \$65,000). John has paid Rose of Sharon the full 3% sales price fee.

Amount of early payment to John Yoon:	47,950.00	= 18,600 + 99,000 - 4,650 - 65,000 Refer to Note 1 below.
John Yoon Overpaid for Unit 1011(809):	- 42,741.32	
Amount of early payment to John Yoon:	<u>\$5,208.68</u>	

The new owner is paying interest for the balance amount of \$90,000 (\$155,000-\$65,000). Assuming the new owner will close (date unknown to me), the new owners could be left as they are. If it does not close, it is the new owner's problem, however it is not causing any loss to Rose of Sharon, as new owner is making their interest payments.

I will ask the new owner to pay more down payment, at least to cover the \$5,208.68 paid too early, or make arrangements with the new owner as they are paying monthly interest for the balance owed. Of the \$90,000 balance amount for Unit 1009, John Yoon receives \$42,741.32 (amount of overpayment) and Rose of Sharon retains the remainder of \$47,258.68.

After reviewing this sale, I understand now why Bob Gore mentioned that it is complicated. I consulted Bob Gore before the sale, but we did not realize that the new owner is not paying the price in full.

I consulted with lawyer Ron Crane for his advice after Bob Gore pointed this out. His advice was that the way the new agreement was made was fine and nothing was wrong. When I raised the issue of early payment received, and he advised that an arrangement between new purchaser and seller for interest

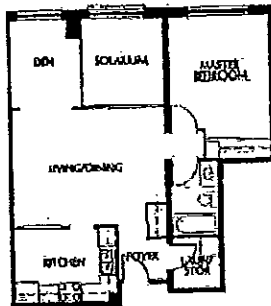
payment could be made. This would require a revision of the purchase agreement among three parties (Rose of Sharon, John Yoon, and the new owner) in which John Yoon collects interest from her on the \$42,741.32 owed to him and on the \$47,258.68 owed to Rose of Sharon, and transfer the interest payment to Rose of Sharon.

To avoid this additional complexity, in my opinion, my original suggestion is to leave the new owner as they are and allow Rose of Sharon to collect interest directly from them.

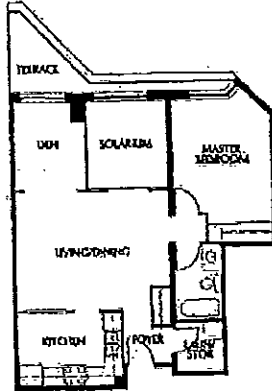
Note 1:

From the sale of Unit 1009, John received two cheques totalling \$97,450 (\$49,500 ROS cheque #414 issued Aug. 16/11, \$47,950 ROS cheque #427 issued Aug. 25/11). This amount is \$1,550 less than the \$99,000 for John Yoon, since John pays a 3% sales price fee of \$4,650 (as income to Rose of Sharon), but gets paid 2% or \$3,100 as a fee for sale ($\$4,650 - 3,100 = 1,550$).

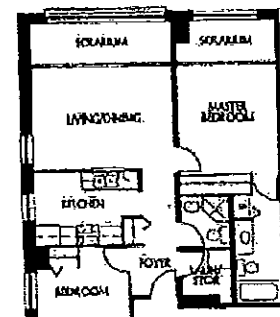
The bookkeeping was not brought up to date since April 2011 as David had a busy workload. The confusion could have been avoided if it was updated then. It could have been recorded as three transactions: (1) \$99,000 payment, (2) paying \$4,650 to Rose of Sharon or 3% fee of \$155,000 for the sale as income to Rose of Sharon as per purchase agreement, and (3) paying \$3,100 to John Yoon as a 2% fee for the sale.



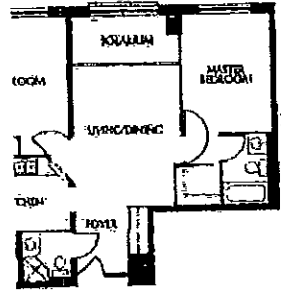
GOLD-BANDED LILY
822 SQ. FT.



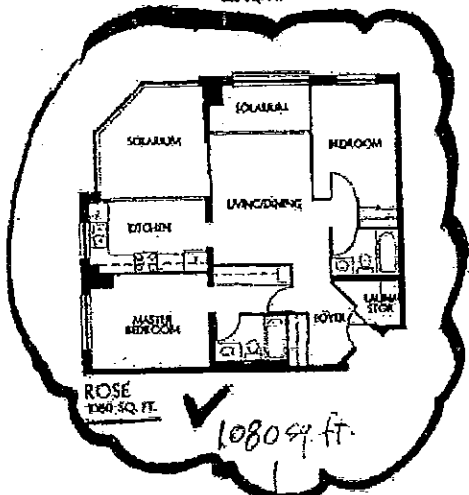
GOLD-BANDED LILY I
822 SQ. FT.



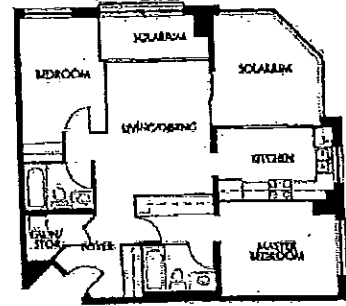
SUNFLOWER
944 SQ. FT.



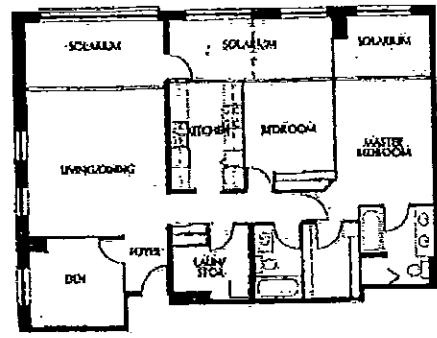
ROSE
1084 SQ. FT.



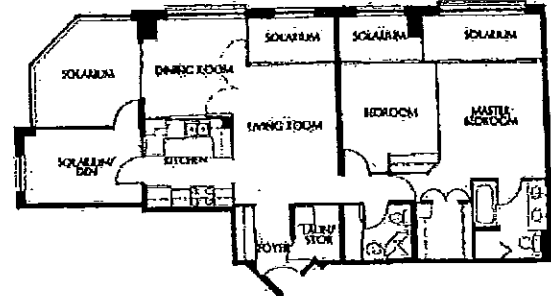
ROSE
1080 SQ. FT.
✓ 1080 sq. ft.
↓ reduced to
1009 sq. ft.



ROSE R
1092 SQ. FT.



LILY
1508 SQ. FT.



SWEET BRIER
1154 SQ. FT.

All measurements and specifications are approximate and subject to change.

Sweet Plans

TAB W

RIGHT TO OCCUPY AGREEMENT
(Purchaser Type Mb)

THIS AGREEMENT made in duplicate this _____ day of November, 2008.
BETWEEN:

301

THE ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY INC.
Proposed Project 165 / 171 Vaughan Road, Toronto (the Property)

(hereinafter referred to as the "Community")

- and -

Unimac Group Ltd

of the City of Vaughan

in the Province of Ontario.

(hereinafter referred to as the "Purchaser")

WHEREAS the Community is in the process of developing and subsequently constructing a nursing home and housing accommodations consisting of units described as the Residences at the Rose of Sharon;

AND WHEREAS the Purchaser is desirous of purchasing the "right to occupy" one of the units to be constructed;

AND WHEREAS the buildings will be operated on a non-profit basis.

NOW WITNESSETH in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

THE UNIT

1. The Community agrees to use its best efforts to construct in accordance with the plans and specifications as prepared by Victor J. Heinrichs Inc. Architect, the unit being identified as # UM2 (the "Unit") along with the options and modifications as specified and described in the Schedule of Options and Modifications attached hereto.

The Purchaser agrees to purchase from the Community the right to use, occupy and enjoy the Unit for the purchase price of Two Hundred Sixty Nine Thousand Nine Hundred Dollars (\$269,900.00), including None (0) parking space(s) (all being hereinafter called the "Right to Occupy Cost") in accordance with paragraph 6 hereof.

3. The plans, specifications and Schedule of Options and Modifications shall be maintained at the office of the Community and be available for inspection during regular office hours.

4. The Unit shall be completed and ready for occupancy by the Purchaser on or before the 28th day of February, 2009 (the "Date of Possession"). Provided however, that if the Unit is not ready for occupancy on the Date of Possession as a result of any cause beyond the control of the

Community, then the Community shall be entitled to extend the Date of Possession for one or more periods not exceeding ninety (90) days as may be necessary.

5. The Community shall be entitled to terminate this contract on thirty (30) days' written notice, if the Community in its absolute discretion determines that this contract cannot be fulfilled. Upon such notice being given, the Purchaser shall be entitled to receive a refund of all moneys paid without interest.

6. The Purchaser agrees to pay the Right to Occupy Cost to the Community as follows:
(Refer to the attached **Addendum, Promissory Note and Memorandum of Understanding**. The following payment schedule is only for reference. Complete and cross out as appropriate)

- (a) One percent (1%) of the Right to Occupy Cost upon execution of this agreement;
_____)
- (b) Nine percent (9%) of the Right to Occupy Cost 10 days after the signing of this Right to Occupy Agreement; _____)
(\$ _____)
- (c) Ten percent (10%) of the Right to Occupy Cost within 30 days after the signing of this Right to Occupy Agreement; _____)
(\$ _____)
- (d) Ten percent (10%) of the Right to Occupy Cost within 60 days after the signing of this Right to Occupy Agreement; _____)
(\$ _____)
- (e) The final payment is due upon Occupancy permit _____)
(\$ _____)

The Purchaser shall pay the above-noted sums upon ten (10) days' notice of the appropriate events.

COMMON AREAS

1. The Purchaser shall have the non-exclusive right to the use of the areas designated by the Community as common areas, facilities and amenities, for the purposes for which they are intended by the Community. Common areas include general space such as halls, elevators and parking areas other than designated parking space(s) under a Right to Occupy Agreement. Common areas and elements also include specific spaces for cultural, social, worship & recreational activities. These areas are for the use and enjoyment of the community as a whole, and only secondarily for private functions when available and under specified conditions. These areas are the rooftop party room, rooftop patio, café, chapel / meeting room, spa and library.

2. The Purchaser acknowledges that the facilities and amenities are to be developed for the enhancement of the total community and they will open for use by the total community. The Community shall be entitled to make changes, improvements or alterations in regard thereto as the Community in its absolute discretion may deem desirable.

3. If as a result of the exercise by the Community of its discretion the facilities and amenities are changed, diminished or abolished, the Community shall not be subject to any liability or damages, nor is the Purchaser entitled to any compensation or abatement.

MONTHLY MAINTENANCE FEES

1. The Purchaser shall pay to the Community, in advance, a monthly maintenance fee commencing on the date of possession and thereafter on the 1st day of each and every calendar month.
2. The monthly maintenance fee is calculated based on the area of the unit. This includes the gross floor area of the unit, the area of the exterior wall assemblies, the area of any wall that separates the unit from any common spaces (corridor, staircase, duct, or plumbing space) and half the area of any wall that separates two units.
3. The monthly maintenance unit fee is to include, but not limited, to the following:
 - (a) Costs of operation, maintaining, repairing and managing the residential building, the Unit (the purchaser pays for unit damage & insurance), the common areas, the amenities and facilities, as well as the visitor parking areas, including snow and garbage removal, sewer and water, gas, insurance, building maintenance, landscaping, ground maintenance, elevator maintenance contract, equipment costs, equipment replacement reserves, major repairs and major capital repair reserves and management fees.
 - (b) Costs of providing services for the residents, including amenity space charges, activity and program co-ordination costs.
4. The monthly maintenance unit fee excludes all areas within and including the drywall of the party, exterior and corridor walls, but includes the plumbing, mechanical, and electrical (excluding the fixtures). Fenestration is a common element as are Suite entry doors including hardware.
5. Municipal taxes, electricity and any optional services such as communications and entertainment will be billed separately by the Community and paid for by the unit holder in addition to the foregoing.
6. The monthly maintenance fee for the parking spaces are assessed separately. The monthly maintenance fee shall be based on a proportionate share in relation to the area of the Unit space to the total of the Unit spaces in the building.

TERMS OF THE AGREEMENT

1. The term of this Agreement is the lifetime of the Purchaser or if there are two Purchasers, upon the death of the survivor. This Agreement terminates earlier upon the occurrence of one of the following:
 - (a) The Purchaser gives to the Community ninety (90) days' written notice of his/her intention to sell/transfer his/her interest;
 - (b) Failure of the Purchaser to comply with the terms hereof or the rules and regulations as declared by the Community from time to time;
2. Upon the Purchaser, who has given notice in accordance with paragraph 1 (a) above, giving vacant possession of the Unit to the Community, the Community shall proceed to sell the Right to Occupy the Unit in accordance with the following provisions.
3. Upon the death of the Purchaser or the survivor of the Purchasers or the occurrence of paragraph 1(b) above for which the Community shall provide the Purchaser or his/her representative with written notice, the Purchaser (which in the case of death shall mean the estate of the Purchaser) or his/her representative shall upon the happening of such event or receipt of such notice provide the Community within ninety (90) days possession of the Unit and the Community shall be entitled to proceed to sell the Right to Occupy Unit in accordance with paragraph the following provisions.

4. If vacant possession is not given within ninety (90) days of such notice, the Community shall be entitled to enter the Unit and recover possession.
5. Upon termination of this Agreement in accordance with paragraph 1 above, the Community shall be entitled to sell the Right to Occupy Unit to another party of its selection.
6. The Community shall use its best efforts to obtain the fair market value of such Right. Further, the Association shall use its best efforts to sell the Right as quickly as is reasonable. Upon the closing of the sale, the Purchaser shall be entitled to receive the sale proceeds less a three percent (3%) fee which shall be retained by the Community, less any amount outstanding to the Community. The Purchaser shall not be entitled to the receipt of anything further, and shall no longer have any interest in the Unit, common areas, facilities or amenities.
7. Community shall be entitled to purchase the Right itself at fair market value as determined by the parties, or failing such agreement by the average price of two appraisals: one obtained by the Community and one obtained by the Purchaser. The Community retains the right, acting reasonably, to select which purchasers are acceptable, which are not.
8. This agreement shall not create any direct ownership in the real property or building of the Community and the Purchaser agrees not to register notice of this Agreement against title to the lands upon which the building sits, until Occupancy and then only in accordance with the form of notice approved by the Community acting reasonably and in accordance with applicable registration regulations. The property may be subject to a number of agreements with the Municipality, utility providers and others which requires for the regulation and functioning of property. Any encumbrances in favour of lenders will be discharged or a non-disturbance agreement obtained for the Unit on Occupation or as soon as reasonably possible thereafter.
9. The Purchaser shall only be able to sell his/her rights hereunder in accordance with paragraphs 1 and 10 hereof. The Purchaser shall not otherwise sell, grant, transfer or assign this Agreement or any rights hereunder to any person other than the Community.
10. However, if the community does not sell the unit within 90 days after there is vacant possession, then the purchaser may endeavor to sell the unit as he / she sees fit, and not pay the community the 3% fee.
11. The Purchaser shall use the Unit for residential purposes only.
12. This Agreement shall not be changed or modified except by written instruction, signed by both the Purchaser and the Community.
13. This Agreement and every term herein contained, shall be binding upon the Purchaser and his/her respective heirs, executors and administrators.
14. Where there are two or more Purchasers bound by the same terms herein contained, their obligations shall be joint and several.
15. If any clause or section of this Agreement shall be determined to be illegal or unenforceable, then such clause or section shall be considered separate or severable from this Agreement and the remaining provisions hereof shall be binding upon the Purchaser and the Community.

INSURANCE

1. The Community is required to obtain and maintain all risk insurance coverage for the common elements and the units but not for improvements or betterments made by an owner to his unit or for furnishing, fixtures, equipment, decorating and personal property and chattels of the unit owner. The Corporation assumes no obligation with respect to insurance which may be obtained and maintained by an owner. Each owner is advised to inquire as to additional insurance coverage that may be required by him from his issuance advisors.

2. Proof of the insurance stated above, must be supplied by the purchaser to the Community.
3. The Community shall not be liable for injury or death arising from or out of, any occurrence in, upon, at or relating to the Community's lands or the Unit, or damage to the property of the Purchaser or others; nor shall the Community be responsible for any injury or loss or damage to the Purchaser, or any property of the Purchaser from any cause whatsoever, whether or not any such acts, damage, injury, loss or death results from the negligence of the Community, its agents, servants, employees or any other party for whom the Community is, in law, responsible.
4. No member shall do or permit to be done anything that will in any way increase the risk of fire or the rate of fire insurance for the Association.
5. All property of the Purchaser kept or stored at the Unit or elsewhere in the building shall be at the sole risk of the Purchaser and the Purchaser shall hold the Community harmless from and against any claims arising out of damages and loss to the same, including subrogation claims by the Purchaser's Insurers.
6. The Purchaser shall keep the Unit clean and well maintained and shall not modify it in any way, without the Community's written consent, interior decorating and carpeting excluded.
7. The Purchaser shall comply with all provisions of law, including and without limiting the generality of the foregoing, the requirement of all federal, provincial or municipal legislative enactments, by-laws and regulations now or hereinafter in force, which relate to the project, the unit and its use and occupation thereof.
8. Members shall be careful not to permit water to be left running unattended. Apartment residents in particular shall be responsible for the good condition of hoses on appliances.
9. Each unit owner agrees to indemnify the Corporation against any liability, loss, cost, damage or injury to any unit and to the common elements as a result of any act or omission by such unit owner or by his residents, tenants, or guests.

MAINTENANCE

1. The Purchaser shall grant access to the Unit to the Community, its servants, employees or agents and prospective purchasers at reasonable times, upon reasonable notice, during daylight hours, and at all times in case of emergency.
2. The Purchaser shall not do, or omit to do, or permit to be done, anything in respect of the Unit, the doing or omission of which, as the case may, shall be or result in a nuisance or menace to the Community or to any other residents of other dwellings within the retirement community.
3. No member shall alter any exterior part or paint colour of a structure inhabited under a Right to Occupy Agreement, including balcony or designated parking area in the parking garage, without written permission of the Board.
4. No interior changes to any unit shall be undertaken which could affect the structural integrity of the unit or any building.
5. The maintenance of and alteration to common space will be under the authority of The Board and not carried out by any individual member(s).
6. The Community shall remain the owner of the building and of the Unit and shall have the right of entry to the Unit at reasonable times, upon reasonable notice, during daylight hours and at all times in case of emergency.
7. The Community shall have exclusive control and management of the common areas, facilities and amenities.

8. The Community shall maintain and repair when necessary the Unit, its electrical, plumbing systems, Community supplied appliances and Heating, Ventilation and Air Conditioning System. The costs of such repairs shall be borne by the Purchaser if the damage has been caused by the Purchaser or his/her guests.

OPERATION

1. The Purchaser / Occupant may keep pets in the Unit. No pet that is deemed a nuisance or unsuitable by the Community shall be kept by the Purchaser. Pets form part of this community on the understanding that they will be kept under control when outside their home unit, not create disturbing noise, and cause no damage to property. Their owners will clean up litter immediately.
2. Moving of household effects & furniture in or out of the building shall be before 7AM & after 11PM, by appointment only. Note that the elevator cannot be held for exclusive use for more than 10 minutes.
3. Garbage will be disposed of only in accordance with posted regulations. Members will ensure that common areas they have used are left secured. Keys and access cards will not be duplicated without authorization.
4. There are staff onsite at all times in case of need – members are expected to use discretion in the use of their time so that they are available for emergencies.
5. Barbeques may be used on the Roof Garden & the Penthouse terraces and in other areas upon approval by the Board.
6. Smoking is not permitted in the building.
7. Members will be considerate of their neighbours when playing music or creating noise.
8. The Community shall report, on an annual basis, to the Purchaser with respect to the management of the residences and the provision of common areas, facilities and amenities.

Notice may be given to the Community at:
Rose of Sharon (Ontario) Retirement Community
165 Vaughan Road
Toronto, Ontario
M6C 2L9

Notice may be given to the Purchaser at:

7616 Yonge St,
Thornhill, On
L4J 1V9

In both instances, notice shall be deemed effective on the date that the notice is delivered or mailed.

DISPUTE RESOLUTION

1. Should a dispute about any of the above rules or regulations involve only a few members, the parties will endeavor in good faith to resolve the dispute.
2. Should a breach or infraction or disregard for any rule or regulation occur without the identity of the offender being known or ascertainable, any member may ask the Board, or its Committee to post a reminder as the Board sees fit.

3. Should disputes remain unresolved despite the efforts of the parties, the Board will set up a dispute resolution mechanism. The Board's decision in all cases is final.

4. Amendments, deletions and additions to these Rules and Regulations shall be proposed by the Board to any general meeting, and ratified by a simple majority of those present and voting.

IN WITNESS WHEREOF the parties hereto have hereunto executed this Agreement this this ____ day of 200 .

ROSE OF SHARON (ONTARIO)
RETIREMENT COMMUNITY INC

Per: [Signature]

Per: [Signature]

We have authority to bind the Corporation.

[Signature]
Purchaser

Purchaser

ROSE OF SHARON - ACKNOWLEDGEMENT AND CONSENT AGREEMENT

In consideration of the sum of \$1.00 and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) and in consideration of the covenants contained herein and in the Right to Occupy Agreement attached to this Agreement, the undersigned, _____ individually and collectively called the "Purchaser"), acknowledges and agrees as follows:

1. The Purchaser has been advised by Rose (the "Community") that there are two parts to the development of the Property:
 - (i) a long term care component (the "Long Term Care Project"); and
 - (ii) a residential life lease component consisting of a number of apartment units and related amenities (the "Life Lease Project"), (collectively referred as the "Project")
2. The Purchaser has signed the Agreement to purchase a life lease unit from the Community in the Life Lease Project, dated the ___ day of _____, 200_. Pursuant to the Agreement, the Purchaser is obligated to pay deposit installments totaling (\$ _____) (the "Deposit") on account of the purchase price as described in the Agreement.
3. The Purchaser acknowledges and agrees that, such Agreement is a good and valid agreement of purchase and sale enforceable against the Purchaser by the Community and its successors and assigns. In addition, on the date of executing this Agreement, the Purchaser acknowledges that he / she has received from the Community and subsequently reviewed with his/her solicitor a draft copy of the Agreement (the "Right to Occupy Agreement"). The Purchaser acknowledges that the Agreement is substantially settled but the Community has the right to amend the Agreement, in its sole and absolute discretion, from time to time, until it is in a form acceptable to the Community, its lender and any regulatory authority. Notwithstanding any provision of the Agreement to the contrary, the Purchaser agrees to execute the final version of the Agreement forthwith after receiving execution copies from the Community provided that there are no amendments to the purchase price, the exclusive right to occupy the unit and entitlement to net sale proceeds on sale or other substantive provisions of such agreements that would have material adverse effect on the Purchaser. The Purchaser waives any right to claim that the Agreement is void for uncertainty or subject to any right of rescission because the Agreement will not be finalized and / or executed by the parties until a future date.
4. The Deposits paid by the Purchaser may be used by the Community in the construction for the Project. The Deposits are not insured under the Ontario New Home Warranty program or otherwise. There is a builder's warranty of one year, with some elements with an extended warranty.
5. As required by Canada Mortgage and Housing Corporation, the Purchaser acknowledges and agrees that he / she has been advised that the construction lender has the legal right, in its sole and absolute discretion but without any obligation, to insist that the Life Lease Project be registered as a condominium corporation. Further, the Purchaser acknowledges and agrees that he/she has been advised that, in this event, the Purchaser may be required to acquire, but he/she is not entitled to require, a condominium unit rather than a life lease unit on terms and conditions that have been fully explained to the Purchaser at the time of executing this Agreement, which terms and conditions will be reflected in the final version of the Agreement.
6. The Purchaser has received independent legal advice prior to his/her signing this Acknowledgment and Consent Agreement.
7. As required by Canada Mortgage and Housing Corporation, on the date of executing this Agreement and from time to time, the Purchaser agrees to provide to the Community all financial and other information as the Community may reasonably require in order to confirm the credit worthiness of the Purchaser and the Purchaser's ability to complete the transaction of purchase and sale.

8. The Purchaser acknowledges that this Agreement is incorporated into and shall form part of the Agreement to Purchase.

9. The Purchaser agrees that this Acknowledgement and the Agreement are binding on the Purchaser and his/her heirs, executors, administrators, personal legal representatives, successors and assigns. This Acknowledgement and the Agreement shall be for the benefit of and be binding upon each of the parties and their successors and assigns.

IN WITNESS WHEREOF the parties hereto have hereunto executed this Agreement this ___ day of _____, 200_.

ROSE OF SHARON (ONTARIO)
RETIREMENT COMMUNITY INC

Per: [Signature]

Per: [Signature]

We have authority to bind the Corporation.

[Signature]
Purchaser

Purchaser

TAB X

Date: Dec 19, 2012
 Time: 09:51:26 ET
 User: Susan Sirju

Rose of Sharon
 Summary Statement of Income
 11/1/2012 to 11/30/2012

Include Adjustment Periods: NO Include Closing Periods: NO

	CURRENT PERIOD						YEAR TO DATE					
	Actual\$	P.R.D.	Budget\$	P.R.D.	Var\$	P.R.D.	Actual\$	P.R.D.	Budget\$	P.R.D.	Var\$	P.R.D.
Resident Days	1,789		1,800		(11)		20,046		20,100		(54)	
Envelope Revenue	162,785	90.99	164,808	91.56	(2,023)	(0.57)	1,791,085	89.35	1,803,447	89.72	(12,362)	(0.37)
MOH - Nursing	15,828	8.74	15,836	8.80	(208)	(0.06)	171,972	8.58	173,263	8.62	(1,291)	(0.04)
MOH - Programming	14,016	7.83	13,926	7.74	90	0.10	152,212	7.59	151,542	7.54	670	0.05
	192,429	107.56	194,570	108.09	(2,141)	(0.53)	2,115,269	105.52	2,128,252	105.88	(12,983)	(0.36)
Envelope Expenses	162,785	90.99	157,749	88.18	(6,500)	(90.99)	1,784,945	89.04	1,801,127	89.61	0	88.80
Nursing Envelope	(5,036)		0.00		0		16,182	0.81				
Nurs Env Over(Under)	15,829	8.74	14,588	8.10	0	8.10	171,406	8.55	166,800	8.30	0	8.53
Program Envelope	(1,041)						(4,606)	(0.23)				
Prog Env Over(Under) Spent	14,016	7.83	13,697	7.61	(310)	7.61	152,211	7.59	151,314	7.53	354	7.52
Raw Food Envelope	1,115						148	0.01				
Food Env Over(Under) Spent												
	187,468	107.56	186,034	103.35	(1,434)	(4.21)	2,120,286	105.77	2,119,241	105.43	(1,045)	(0.34)
Envelope Net Income	4,961	2.77	8,536	4.74	(3,575)	(1.97)	(5,017)	(0.25)	9,011	0.45	(14,028)	(0.70)
Other Revenue	95,208	53.22	95,160	52.87	48	0.35	1,038,417	51.80	1,036,856	51.57	1,761	0.23
MOH - Accomodation	4,845	2.71	8,945	4.97	(4,100)	(2.26)	39,171	1.95	98,395	4.90	(59,224)	(2.94)
MOH - Realty Tax Allowance	1,510	0.84	1,514	0.84	(4)	0.00	16,610	0.83	16,654	0.83	(44)	0.00
Moh Structural Comp	4,562	2.55	4,562	2.53	0	0.02	50,182	2.50	50,182	2.50	0	0.01
Residents' Basic Revenue	83,832	46.86	90,361	50.21	(6,549)	(3.35)	906,390	45.22	976,828	48.60	(70,438)	(3.39)
MOH - Estimate Basic Rev	(55,734)	(31.15)	(89,231)	(49.57)	33,497	18.42	(596,214)	(29.74)	(981,541)	(48.83)	385,327	19.09
MOH - Basic Revenue Adjust	(28,402)	(15.88)	(1,150)	(0.64)	(27,252)	(15.24)	(313,521)	(15.64)	4,713	0.23	(318,234)	(15.87)
Preferred Revenue	16,907	9.45	18,615	10.34	(1,708)	(0.89)	180,431	9.00	190,531	9.48	(10,100)	(0.48)
Residents' Basic Revenue	1,490	0.83	1,200	0.67	290	0.17	15,140	0.76	13,200	0.68	1,940	0.10
TOTAL Other Revenue	124,218	69.43	129,996	72.22	(5,778)	(2.79)	1,336,606	66.88	1,405,818	69.83	(69,012)	(3.25)
Other Expense	51,754	28.93	58,668	32.59	6,914	3.66	622,294	31.04	645,269	32.10	22,975	1.06
Wages and Benefits	3,471	1.94	2,052	1.14	(1,419)	(0.80)	22,343	1.11	22,912	1.14	569	0.03
Supplies	3,332	1.86	2,175	1.21	(1,157)	(0.65)	21,472	1.07	23,925	1.19	2,453	0.12
Repairs and Maintenance	1,307	0.73	1,955	1.09	648	0.36	15,225	0.76	21,505	1.07	6,280	0.31
Maintenance Contracts	8,329	4.66	11,800	6.56	3,471	1.90	98,431	4.91	129,800	6.46	31,369	1.55
Leased and Rented Equipment	2,069	1.16	2,426	1.35	357	0.19	25,549	1.27	26,686	1.33	1,137	0.05
Office and General	7,532	4.21	9,180	5.10	1,648	0.89	95,763	4.78	102,211	5.09	6,448	0.31
Utilities	3,623	2.03	10,523	5.85	6,900	3.82	39,852	1.99	115,753	5.76	75,901	3.77
Realty Tax	498	0.28	933	0.52	435	0.24	4,985	0.25	10,263	0.51	5,278	0.26
Insurance	1,083	0.61	1,083	0.60	0	(0.00)	14,649	0.73	11,913	0.59	(2,736)	(0.14)
Professional Fees	8,528	4.77	12,880	7.16	4,352	2.39	130,888	6.52	139,854	6.96	9,266	0.44
Management Fees	91,526	51.16	113,875	63.15	22,149	11.99	1,091,251	54.44	1,250,191	62.20	158,940	7.76
Net Operating Income	37,653	21.05	24,857	13.81	12,796	7.24	240,338	11.99	164,438	8.18	75,900	3.81
Moh Construct Funding	(3,148)	(1.76)	(3,157)	(1.76)	(9)	(0.01)	(34,628)	(1.73)	(34,727)	(1.73)	(99)	(0.00)
	(3,148)	(1.76)	(3,157)	(1.75)	(9)	0.01	(34,628)	(1.73)	(34,727)	(1.73)	(99)	(0.00)
Net Cash Flow	40,800	22.81	28,014	15.66	(12,786)	(7.15)	274,340	13.69	199,165	9.94	(74,870)	(3.75)

TAB Y

**IN THE MATTER OF THE RECEIVERSHIP OF
ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY**

**Receiver's Interim Statement of Receipts and Disbursements
for the period September 27, 2011 to December 31, 2012**

Receipts

1. Ministry of Health funding	\$ 3,916,495
2. Receipts from preferred accommodation re: nursing home residents	1,492,520
3. Receiver borrowings	500,000
4. Receipts from life lease tenants (Life lease payments and common area maintenance payments)	461,927
5. Cash in bank	200,428
6. Property tax refund	139,700
7. Other	24,650
8. Total receipts	<u>\$ 6,735,720</u>

Disbursements

9. Funding of nursing home	\$ 4,873,337
10. Receiver fees (paid to September 30, 2012)	644,254
11. Repairs & maintenance	192,011
12. Legal fees (paid to August 31, 2012 for Gowlings and July 31, 2012 for Blaneys)	175,248
13. Utilities	127,461
14. HST	123,613
15. Property management fees	91,854
16. Buyout of kitchen equipment lease	60,913
17. Property taxes	57,894
18. Cable TV, internet & telephone	45,593
19. Building Condition Assessment	41,270
20. Insurance	22,755
21. Appraisal fees	17,505
22. Consulting fees	5,600
23. Accounting services	5,140
24. Ministry of Health & Long-Term Care fees	3,750
25. Other (Bank charges, filing fees)	1,467
26. Total disbursements	<u>\$ 6,489,665</u>
27. Excess of receipts over disbursements	<u>\$ 246,055</u>

This schedule forms part of the Third Report of Deloitte Touche Inc., Receiver and Manager of Rose of Sharon (Ontario) Retirement Community, and should be read in conjunction therewith.

TAB Z

District of Ontario
Division No.: Toronto
Estate No.: 31-456894

In the matter of the receivership of Rose of Sharon (Ontario) Retirement Community (the
"Debtor")


INTERIM REPORT OF THE RECEIVER
(pursuant to S.246 (2) and Rule 126 of the Bankruptcy & Insolvency Act)

- a) On the 27th day of September, 2011, the undersigned Deloitte & Touche Inc. was appointed Receiver and Manager ("Receiver") in respect of the property, assets and undertaking of the Debtor.
- b) Attached hereto is a copy of the Receiver's Interim Statement of Receipts and Disbursements for the period September 27, 2011 to March 31, 2012.
- c) The Receiver commenced to exercise its powers in respect to that appointment on the 27th day of September, 2011 and has taken possession of the property located at 15 and 17 Maplewood Avenue, Toronto, Ontario, M6C 4B4.
- d) The Receiver is operating the nursing home and life-lease residence and is in the process of developing a realization plan for the assets of the Debtor. At this time, it is uncertain as to when the realization of the assets will be completed.

Dated at Toronto this 21st day of November, 2012

DELOITTE & TOUCHE INC.

in its capacity as Receiver and Manager of
Rose of Sharon (Ontario) Retirement Community and not in its
personal capacity



Hartley Bricks, MBA, CA, CA•CIRP
Vice President

**IN THE MATTER OF THE RECEIVERSHIP OF
ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY**

**Receiver's Interim Statement of Receipts and Disbursements
for the period September 27, 2011 to March 31, 2012**

Receipts	Cumulative
1. Ministry of Health funding	\$ 1,617,928
2. Receipts from preferred accommodation re: nursing home residents	587,148
3. Receiver borrowings	500,000
4. Receipts from life lease tenants (Life lease payments and common area maintenance payments)	205,840
5. Cash in bank	200,428
6. Other	893
7. Total receipts	\$ 3,112,237
Disbursements	
8. Funding of nursing home (note 1)	2,098,736
9. Receiver fees	374,057
10. HST	66,880
11. Legal fees	66,526
12. Buyout of kitchen equipment lease	60,913
13. Repairs & maintenance	53,797
14. Utilities	39,736
15. Property management fees	32,812
16. Cable TV, internet & telephone	19,219
17. Property taxes	28,838
18. Insurance	10,199
19. Consulting fees	5,600
20. Accounting services	4,810
21. Ministry of Health & Long-Term Care fees	3,750
22. Bank charges	440
23. Postage and courier	96
24. Total disbursements	\$ 2,866,409
25. Excess of receipts over disbursements	\$ 245,828

Notes:

- 1** This funding is directed to a separate nursing home bank account managed by Assured Care Consulting Inc. ("ACC"), as agent on behalf of the Receiver. Details of the disbursements made by ACC to manage the home are not set out in this Statement of Receipts and Disbursements. As at March 31, 2012, the balance in the Receiver's agent account is \$381,984.

District of Ontario
Division No.: Toronto
Estate No.: 31-456894

In the matter of the receivership of Rose of Sharon (Ontario) Retirement Community (the
"Debtor")

INTERIM REPORT OF THE RECEIVER
(pursuant to S.246 (2) and Rule 126 of the Bankruptcy & Insolvency Act)

- a) On the 27th day of September, 2011, the undersigned Deloitte & Touche Inc. was appointed Receiver and Manager ("Receiver") in respect of the property, assets and undertaking of the Debtor.
- b) Attached hereto is a copy of the Receiver's Interim Statement of Receipts and Disbursements for the period September 27, 2011 to September 30, 2012.
- c) The Receiver commenced to exercise its powers in respect to that appointment on the 27th day of September, 2011 and has taken possession of the property located at 15 and 17 Maplewood Avenue, Toronto, Ontario, M6C 4B4.
- d) The Receiver is operating the nursing home and life-lease residence and is in the process of developing a realization plan for the assets of the Debtor. At this time, it is uncertain as to when the realization of the assets will be completed.

Dated at Toronto this 21st day of November, 2012

DELOITTE & TOUCHE INC.
in its capacity as Receiver and Manager of
Rose of Sharon (Ontario) Retirement Community and not in its
personal capacity



Hartley Bricks, MBA, CA, CA-CIRP
Vice President

**IN THE MATTER OF THE RECEIVERSHIP OF
ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY**

**Receiver's Interim Statement of Receipts and Disbursements
for the period September 27, 2011 to September 30, 2012**

Receipts	Cumulative
1. Ministry of Health funding	\$ 3,151,596
2. Receipts from preferred accommodation re: nursing home residents	1,184,019
3. Receiver borrowings	500,000
4. Receipts from life lease tenants (Life lease payments and common area maintenance payments)	382,203
5. Cash in bank	200,428
6. Other	23,769
7. Total receipts	\$ 5,442,015
Disbursements	
8. Funding of nursing home (note 1)	3,902,426
9. Receiver fees	610,286
10. Legal fees	157,978
11. Repairs & maintenance	156,403
12. HST	116,909
13. Utilities	90,884
14. Property management fees	72,228
15. Property taxes	67,010
16. Buyout of kitchen equipment lease	60,913
17. Building Condition Assessment	41,270
18. Cable TV, internet & telephone	37,100
19. Appraisal fees	17,505
20. Insurance	10,199
21. Consulting fees	5,600
22. Accounting services	4,810
23. Ministry of Health & Long-Term Care fees	3,750
24. Other (Bank charges, filing fees)	1,237
25. Total disbursements	\$ 5,356,508
26. Excess of receipts over disbursements	\$ 85,507

Notes:

- 1 This funding is directed to a separate nursing home bank account managed by Assured Care Consulting Inc. ("ACC"), as agent on behalf of the Receiver. Details of the disbursements made by ACC to manage the home are not set out in this Statement of Receipts and Disbursements. As at September 30, 2012, the balance in the nursing home account is \$438,140.

PEOPLES TRUST COMPANY

and

ROSE OF SHARON (ONTARIO) RETIREMENT COMMUNITY

Applicant

Respondent

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding Commenced at **TORONTO**

**MOTION RECORD - VOLUME II
(Returnable February 28, 2013)**

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Lawyers for Deloitte & Touche Inc., in its capacity as court
appointed receiver and manager of Rose of Sharon
(Ontario) Retirement Community