

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

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

OCTOBER 1, 2020

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INTRODUCTION AND PURPOSE OF THIS REPORT

1. On April 30, 2020, Deloitte Restructuring Inc. ("**Deloitte**") was appointed Receiver and Manager (in such capacity, the "**Receiver**") without security, of all of the assets, undertakings and properties of Civic Homes Limited ("**Civic**") acquired for, or used in relation to a business carried on by Civic pursuant to the order (the "**Appointment Order**") of the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**").
2. On June 26, 2020, the Receiver filed its first report (the "**First Report**") with the Court which, amongst other things, outlined the Receiver's plans to market the assets of Civic for sale (the "**SISP**"). A copy of the First Report is enclosed as **Appendix A**.
3. On July 6, 2020, the Court approved an order (the "**Sale Process Order**") authorizing the Receiver to complete the SISP as outlined in the First Report. A copy of the Sale Process Order is enclosed as **Appendix B**.
4. The sole purpose of this second report (the "**Second Report**") is to provide information to the Court with respect to:
 - a) the Receiver's activities and its administration of the estate since the filing of the First Report;
 - b) the Receiver's recommendation that the Court approve the results of the SISP;
 - c) the Receiver's recommendation that the Court issue a sale approval and vesting order (the "**Sale Approval and Vesting Order**");
 - d) the Receiver's recommendation that certain aspects of the SISP, mainly details of the offers received, be provided to the Court in a confidential supplemental report and that such report be sealed for six months pursuant to an order of the Court (the "**Sealing Order**");
 - e) the Receiver's recommendation that the Court issue an order adjudging Civic bankrupt (the "**Bankruptcy Order**"); and
 - f) security opinions obtained by the Receiver.
5. The Receiver has provided the Court with a confidential supplement to the Second Report (the "**Confidential Supplement**") that provides an overview of the offers received on the Civic assets. At the time of filing, the Receiver has obtained an interim sealing order for the Confidential Supplement for the period until the hearing of the Receiver's present motion. The Receiver moves for a Sealing Order from the Court regarding the Confidential Supplement for a period of six months.

TERMS OF REFERENCE

6. In preparing this Second Report, Deloitte has been provided with, and has relied upon, unaudited, draft and/or internal financial information, Civic's books and records, discussions with management, and information from third-party sources (collectively, the "**Information**"). Except as described in this Second Report:
 - a) Deloitte has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, Deloitte has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Audit Standards ("**CAS**") pursuant to the

Chartered Professional Accountants Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CAS in respect of the Information.

- b) Deloitte has prepared this Second Report in its capacity as Receiver solely to support the Court's approval of the Receiver's activities to date, the Sale Approval and Vesting Order, the Sealing Order, and the Bankruptcy Order. Parties using the Second Report other than for the purposes outlined herein are cautioned that it may not be appropriate for their purposes.

7. Unless otherwise stated, all dollar amounts contained in this Second Report are expressed in Canadian Dollars.

ACTIVITIES OF THE RECEIVER

8. Since the First Report, the Receiver's activities have included, but were not limited to:
- a) engaging service providers to address maintenance deficiencies identified by the tenants;
 - b) collecting rent payments from tenants and other property management activities;
 - c) executing the SISP in accordance with the Sale Process Order including, but not limited to, the following:
 - i. preparing marketing materials and placing advertisements in local newspapers and online mediums;
 - ii. finalizing SISP related documents including the tender package and non-disclosure agreement;
 - iii. contacting potential interested parties;
 - iv. holding discussions with interested parties as they completed their due diligence;
 - v. facilitating site visits of the property;
 - vi. providing regular updates to the senior secured creditors;
 - vii. reviewing bids received and selecting the successful bid;
 - viii. holding discussions with Royal Bank of Canada ("**RBC**"), the appointing creditor, legal counsel to RBC ("**Stewart McKelvey**"), and legal counsel to the Receiver ("**Cox and Palmer**") regarding the Receiver's recommendation from the SISP; and
 - ix. discussions with Loon Lake and its counsel.
 - d) holding discussions with representatives of RBC, Stewart McKelvey and Cox and Palmer regarding estate administrative issues, including borrowings; and
 - e) holding discussions with representatives from the Halifax Regional Municipality ("**HRM**") planning and development office and filing an application to extend the existing development agreement for the property with the same.
9. A summary of estate receipts and disbursements as at September 22, 2020 is enclosed as **Appendix C.**

10. With the SISP now complete, the Receiver anticipates that its activities will include, but not be limited to:
 - a) engaging with service providers in order to address remaining repair and maintenance deficiencies identified by the tenants;
 - b) holding further discussions with HRM regarding the development agreement extension application (if deemed necessary); and
 - c) working with Cox and Palmer in order to close the sale of the assets, subject to the Court granting the Sale Approval and Vesting Order.

MARKETING AND SALE PROCESS UPDATE

11. As previously discussed herein, on July 6, 2020, the Court granted the Sale Process Order approving the Receiver's plans to market the assets of Civic.
12. Marketing activities, as set out in the Sale Process Order, completed by the Receiver included:
 - a) Contacting in excess of 80 parties consisting of companies, lawyers and bankers involved in the real estate development industry in and around the HRM.
 - b) Advertising the Civic assets in the Chronicle Herald on two separate occasions.
 - c) Advertising the Civic assets in AllNovaScotia.com for a period of ten days.
 - d) Advertising the Civic assets in Insolvency Insider from July 10 to August 24, 2020.
13. These marketing activities resulted in the execution of 17 non-disclosure agreements and generated five non-binding letters of intent from interested parties on or before August 10, 2020.
14. On August 24, 2020, the deadline for offers contained within the SISP expired and the Receiver received three offers (the "**Offers**"). In order to protect the realizable value of the assets, the Receiver has provided the Court with a Confidential Supplement to the Second Report.
15. The Confidential Supplement provides an overview of the Offers. The Receiver is seeking the Sealing Order regarding the Confidential Supplement for a period of six months. A copy of the proposed Sealing Order is filed with the Receiver's motion materials.
16. The intent of the Sealing Order is to maintain confidentiality regarding an asset appraisal and the Offers until such time as the Receiver can complete a sale of the assets as contemplated by the Sale Approval and Vesting Order.
17. As contained within the Confidential Supplement, the Receiver recommends that the Court grant the Sale Approval and Vesting Order.
18. In addition to the discussions had directly by the Receiver with RBC and its counsel, Cox and Palmer has contacted counsel to Civic and counsel to Dexter Construction Company Limited ("**Dexter**"), the third mortgagee of the property. In the course of these discussions, the substance of the material in the Confidential Supplement was conveyed.
19. All members of the service list will be provided with access to the Confidential Supplement subject to executing a non-disclosure agreement with respect to use of the information contained therein.

RECEIVER'S REQUEST FOR A BANKRUPTCY ORDER

20. On or around August 29, 2019, Deloitte was engaged by RBC to act as its financial advisor with respect to advances provided to Civic (the "**Consulting Engagement**").
21. During the Consulting Engagement, Deloitte became aware that Civic had not completed a mandatory self-assessment for excise sales tax liabilities relating to the constructed townhouses (the "**HST Liability**"). As of the date of this Second Report, Canada Revenue Agency has not raised an assessment against Civic for the HST Liability.
22. Furthermore, Deloitte was provided with real estate appraisals completed in March 2019 (the "**Real Estate Appraisals**"). Based on the Real Estate Appraisals, the Receiver understands that the HST Liability may be of a material magnitude.
23. The Receiver believes it is appropriate for the Court grant the Bankruptcy Order for the following reasons:
 - a) paragraph 3(s) of the Appointment Order empowers and authorizes the Receiver to exercise any shareholder, partnership, joint venture, or other rights which Civic may have;
 - b) paragraph 31 of the Appointment Order provides that nothing in the Appointment Order shall prevent the Receiver from acting as the trustee in bankruptcy of Civic;
 - c) the Debtors are currently in receivership and are considered insolvent persons within the meaning of the BIA, and have failed to meet their respective obligations generally as they became due (in that they have failed to meet their obligations to RBC and other creditors, and such obligations which exceed \$1,000);
 - d) the Debtors are currently indebted to their respective creditors for an aggregate amount of approximately \$11.4 million comprising of both secured and unsecured claims;
 - e) assigning Civic into bankruptcy will allow for an efficient and orderly wind-down of the estate; and
 - f) a bankruptcy of Civic will allow for the alignment of priority claims and the crystalizing of various creditor claims.
24. Cox and Palmer advised legal counsel of Civic ("**Weldon McInnis**") of the Receiver's intentions to seek the Bankruptcy Order with the hope that Civic would assign itself into bankruptcy and eliminate the need for the Bankruptcy Order; however, Weldon McInnis has advised that Civic would not oppose the Receiver's motion for the Bankruptcy Order, but was unwilling to assign itself into bankruptcy.
25. Deloitte is the Receiver of Civic and, during the administration of the estate, has been in consultation with various creditors of Civic. Deloitte is knowledgeable with respect to the remaining assets, properties, undertakings and specific issues facing Civic and is well positioned to effectively assume the role as the Licensed Insolvency Trustee (the "**Trustee**") of Civic. Deloitte is not aware of any conflict to act as the Trustee of Civic and is willing to act in such capacity if the Court grants the Bankruptcy Order.
26. Given the information presented and discussed herein, the Receiver requests that the Court grant the Bankruptcy Order as outlined and enclosed with the Receiver's motion materials.

SECURITY OPINIONS

27. As discussed in the First Report, Deloitte engaged Cox and Palmer to act as independent legal counsel to the Receiver and to complete a review of security held by the secured creditors of Civic. Included with the First Report, Deloitte provided the Court with a copy of Cox and Palmer's security opinion relating to the RBC security which indicated that the security is valid and enforceable as against the assets of Civic.
28. On August 20, 2020, Cox and Palmer provided Deloitte with a security opinion which indicated that Dexter security is valid and enforceable as against the assets of Civic.
29. On August 27, 2020, Cox and Palmer provided Deloitte with a security opinion which indicated that Loon Lake Developments Limited's security is valid and enforceable as against the assets of Civic (the "**Loon Lake**"). Copies of the Dexter and Loon Lake security opinions are enclosed as **Appendix D** to the Second Report.

CONCLUSION

30. The Second Report has been prepared to provide this Court with information regarding the Receiver's activities since the First Report, the Receiver's request for a Sale Approval and Vesting Order, the Receiver's request for a Sealing Order, the Receiver's request for a Bankruptcy Order, and the security opinions completed by Cox and Palmer.
31. Based on the foregoing, the Receiver requests the Court grant the Sale Approval and Vesting Order, the Sealing Order and the Bankruptcy Order.

All of which is respectively submitted on October 1, 2020.

DELOITTE RESTRUCTURING INC.

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

Per:



James Foran, CPA, CA, CIRP, LIT
Senior Vice President

SECOND REPORT OF DELOITTE RESTRUCTURING INC.
COURT NO: 494188
ESTATE NO.: 51-126277
OCTOBER 1, 2020

APPENDIX A
FIRST REPORT

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

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

JUNE 26, 2020

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APPENDIX C – MARKETING DOCUMENTS

APPENDIX D – SECURITY OPINION

INTRODUCTION AND PURPOSE OF THIS REPORT

1. On May 1, 2020, Deloitte Restructuring Inc. ("**Deloitte**") was appointed Receiver and Manager (in such capacity, the "**Receiver**") without security, of all of the assets, undertakings and properties of Civic Homes Limited ("**Civic**") acquired for, or used in relation to a business carried on by Civic pursuant to the order (the "**Appointment Order**") of the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**"). A copy of the Appointment Order is enclosed as **Appendix A**
2. The purpose of this first report (the "**First Report**") is to provide information to the Court with respect to:
 - a) a background overview of Civic's business;
 - b) the Receiver's activities and the administration of the estate since its appointment;
 - c) the Receiver's request and recommendation that the Court approve a marketing and sale process (the "**SISP**") developed to realize upon the assets of Civic (the "**Sale Process Order**"); and
 - d) the Receiver's independent legal opinion evaluating the validity and enforceability of the Royal Bank of Canada's ("**RBC**") security (the "**Security Opinion**").

TERMS OF REFERENCE

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

BACKGROUND

5. Civic is a residential construction company based in Dartmouth, Nova Scotia. Civic was incorporated on September 23, 2004 and was managed by Mr. Mohsen Teimouri, the sole director. The shares of Civic are equally owned by the Mohsen Teimouri Family Trust (2016) and the Seyed-Ali Koushesh Family Trust (2016).
6. The primary assets of Civic consist of undeveloped land adjacent to the Number 7 Highway and Loon Lake in Westphal, Nova Scotia (PID 41332503) and four townhouses (the "**Loonview**

Development”). According to the books and records of Civic, these assets carry a net book value of approximately \$6.8 million.

7. The liabilities of Civic are approximately \$11.4 million consisting of \$6.9 million of secured claims and \$4.5 million of unsecured claims. Secured creditors of Civic include RBC, Loon Lake Developments Limited and Dexter Construction Company Limited. As at the date of the First Report, the Receiver and its independent legal counsel are working to assess the validity and enforceability of these secured claims as further discussed herein.

ACTIVITIES OF THE RECEIVER

8. Since its appointment, the Receiver’s activities have included, but were not limited to:
 - a) taking possession, securing and insuring the assets of Civic;
 - b) taking possession of and reviewing the books and records of Civic;
 - c) issuing statutory notices pursuant to sections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”), and making required registrations of its appointment pursuant to the *Personal Property Security and Companies Act*;
 - d) holding discussions with tenants (the “**Tenants**”) currently occupying four townhouses located at the Loonview Development, including the identification of unit deficiencies;
 - e) negotiating and executing new lease agreements with the Tenants of the Loonview Development;
 - f) holding discussions with representatives of RBC, the appointing creditor and Stewart McKelvey (“**Stewart McKelvey**”), legal counsel to RBC, regarding estate administrative issues, including borrowings;
 - g) holding discussions with representatives from the Halifax Regional Municipality planning and development office regarding the development agreement; and
 - h) engaging Cox and Palmer (“**Cox**”) to act as independent legal counsel to the Receiver.
9. A summary of estate receipts and disbursements as at June 25, 2020 is enclosed as **Appendix B**.
10. With the initial administrative activities of the estate complete, the Receiver anticipates moving forward the activities will include, but not be limited to:
 - a) engaging with service providers in order to address repair and maintenance deficiencies identified by the Tenants; and
 - b) completion of the SISP.

RECEIVER’S PROPOSED MARKETING AND SALE PROCESS

11. The Receiver, in consultation with RBC, Stewart McKelvey, and Cox and taking into consideration the characteristics of the underlying assets, has developed the SISP.
12. The SISP has been designed to broadly market the Loonview Development to the real estate development community within the Halifax Regional Municipality (the “**HRM**”) in an effort to maximize value for Civic’s stakeholders.
13. In preparation of the Sale Process, the Receiver has prepared a one page marketing document (the “**Teaser**”). A copy of this document is enclosed as **Appendix C** to the First Report. The

Receiver has also prepared a detailed asset tender package (the “**Tender Package**”) designed to provide additional information regarding the opportunity and solicit interest in the Sale Process. The Tender Package will be available to interested parties upon the execution of a non-disclosure agreement prepared by the Receiver.

14. The Receiver also conducted research in order to identify potential parties who may be interested in participating in the Sale Process. This research resulted in the identification of 85 parties including real estate developers, real estate professionals, builders and financial professionals (the “**Potential Purchasers**”). Pending the approval of this Court, these parties will be provided with a copy of the Teaser and be invited to participate in the SISP.

15. An overview of the major steps and timelines of the proposed SISP is summarized in the table below:

Summary SISP timeline		
Phase/event	Indicative Date	Description of activities
Sale Process Order	July 6, 2020	The Court grants the Sale Process Order approving the SISP.
Publication Notice	July 9, 2020	Within three business days after the Sale Process Order is granted, the Receiver will undertake to provide notice of the SISP by publishing a notice in certain newspapers and online mediums, including: <ul style="list-style-type: none"> • Chronicle Herald – provincial edition; • Insolvency Insider; and • AllNovaScotia.
Teaser Release	July 9, 2020	Within three business days after the Sale Process Order is granted, the Receiver will send the Teaser and a non-disclosure agreement (“ NDA ”) to the Potential Purchasers. Parties who identify themselves to the Receiver as a result of the publication notice will be provided with copies of the NDA for execution.
Due diligence period	July 9 – August 10, 2020	Upon execution of the NDA, participants of the SISP will be provided with the Tender Package and be provided an opportunity to visit the Loonview Development.

Summary SISP timeline		
Phase/event	Indicative Date	Description of activities
Bid Deadline #1	August 10, 2020	To occur at 5:00PM Atlantic Standard Time on AUGUST 10, 2020. Letters of intention to purchase the assets will be due at this time and the Receiver will undertake to review the offers received and clarify the terms of said offers.
Bid Deadline #2	August 24, 2020	To occur at 5:00PM Atlantic Standard Time on AUGUST 24, 2020. Prospective bidders must deliver their final legally binding offers (the " Final Bids ") prior to the deadline outlined above.
Evaluation and selection of the successful bid	August 24 – September 15, 2020	Terms of all Final Bids will be clarified. The Receiver will make a recommendation that the most favorable Final Bid is selected and the terms of the agreement will be negotiated (the " Successful Bid "). Court approval will be sought.
Closing of any successful bid	September 15, 2020	Closing of the transaction (i.e. the Successful Bid) to occur no later than September 15, 2020 or such date as the Receiver or the Court may determine to be appropriate.

16. The SISP sets out a ten week process for the marketing of Civic’s assets to prospective buyers. It is the opinion of the Receiver that this timeline is sufficient to allow interested parties the time required to perform adequate due diligence and to submit offers. The SISP also includes a certain amount of flexibility that can allow the Receiver, in consultation with certain stakeholders, to extend the process should that be required.
17. The Receiver is of the view that the proposed SISP exposes Civic’s assets to the market for a reasonable time, is transparent, and is designed to obtain the highest and best value for the assets, given the stated timeline and available funding.
18. Given the information and the proposed SISP discussed herein, the Receiver requests that the Court grant the Sale Process Order.

SECURITY OPINION

19. As previously discussed herein, Deloitte engaged Cox to act as independent legal counsel to the Receiver and to complete a review of security held by the secured creditors of Civic.
20. On June 24, 2020, Cox provided Deloitte with the Security Opinion which indicated that RBC's security is valid and enforceable as against the assets of Civic. A copy of the Security Opinion is enclosed as **Appendix D** to the First Report.
21. As at the date of the First Report, Cox continues to evaluate the validity and enforceability of security held by subsequent secured creditors of Civic and the Receiver will provide further updates to the Court when these opinions are received.

CONCLUSION

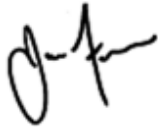
22. The First Report has been prepared to provide this Court with information regarding an overview of Civic, the Receiver's activities since its appointment, the Receiver's request for the Sale Process Order and the Security Opinion completed by Cox.

All of which is respectively submitted on June 26, 2020.

DELOITTE RESTRUCTURING INC.

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

Per:



James Foran, CPA, CA, CIRP, LIT
Vice President

FIRST REPORT OF DELOITTE RESTRUCTURING INC.
ESTATE NO.: 51-126277
JUNE 26, 2020

APPENDIX A
APPOINTMENT ORDER

RECEIVED

APR 30 2020

COURT ADMINISTRATION

2019

Hfx No. 494188

**SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY AND INSOLVENCY**

In the Matter of the Receivership of Civic Homes Limited (the "Company")

Between:

Royal Bank of Canada

Applicant

and

Civic Homes Limited

Respondent



**Sgd
DTG, J.**

Receivership Order

Before the Honourable Justice D. Timothy Gabriel in Chambers:

The Applicant, Royal Bank of Canada ("RBC") started this proceeding for an order, under both subsection 243(1) of the *Bankruptcy and Insolvency Act* (the "BIA") and the equitable jurisdiction of this Court as partially codified by s. 43(9) of the *Judicature Act*, to appoint Deloitte Restructuring Inc. as receiver and manager (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of the Respondent acquired for, or used in relation to a business carried on by the Respondent.

The Receiver satisfies the requirement for appointment without security in Rule 73.07(a).

On motion of the Applicant the following is ordered:

SERVICE

1. The time for service of the notice of application and the supporting materials is hereby validated so that the application is properly returnable today and further service thereof is hereby dispensed with.

APPOINTMENT

2. Pursuant to the equitable jurisdiction as partially codified in subsection 43(9) of the *Judicature Act* and subsection 243(1) of the BIA, the Receiver is hereby appointed receiver and manager, without security, of all of the assets, undertakings, and properties

of the Respondent acquired for, or used in relation to a business carried on by the Respondent, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without limiting the generality of the foregoing, the Receiver is hereby empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:
 - (a) to take possession and control of the Property and any proceeds or receipts arising from the Property but, while the Receiver is in possession of any of the Property, the Receiver must preserve and protect it;
 - (b) to change locks and security codes, relocate the Property to safeguard it, engage independent security personnel, take physical inventories, and place insurance coverage;
 - (c) to manage, operate, and carry on the business of the Respondent, including the powers to enter into any agreements, incur and pay 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 Respondent;
 - (d) 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;
 - (e) to purchase or lease such machinery, equipment, inventories, supplies, premises, or other assets to continue the business of the Respondent, or any part or parts thereof;
 - (f) to receive and collect all monies and accounts now owed or hereafter owing to the Respondent and to exercise all remedies of the Respondent in collecting such monies, including, without limitation, to enforce any security held by the Respondent;
 - (g) to settle, extend, or compromise any indebtedness owing to the Respondent;
 - (h) 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 Respondent, for any purpose pursuant to this Order;
 - (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Respondent;
 - (j) to initiate, prosecute, and continue the prosecution of any proceedings and to defend proceedings now pending or hereafter instituted with respect to the

Property or the Receiver, and to settle or compromise any such proceedings, which authority extends to appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

- (k) to make payment of any and all costs, expenses, and other amounts that the Receiver determines, in its sole discretion, are necessary or advisable to preserve, protect, or maintain the Property, including, without limitation taxes, municipal taxes, insurance premiums, repair and maintenance costs, costs or charges related to security, management fees, and any costs and disbursements incurred by any manager appointed by the Receiver;
- (l) 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;
- (m) 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 \$250,000; 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 amounts set out in the preceding clause;

and in each such case notice under section 60 of the *Personal Property Security Act* shall not be required.

- (n) to sell the right, title, interest, property, and demand of the Respondent in and to the Property at the time the Respondent granted a security interest or at any time since, free of all claims including the claims of subsequent encumbrancers bound as named respondents, bound as parties joined as unnamed respondents, or bound under Rule 35.12;
- (o) 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;
- (p) to register a copy of this Order and any other orders in respect of the Property against title to any of the Property;
- (q) 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 Respondent;
- (r) to enter into agreements with any trustee in bankruptcy appointed in respect of the Respondent including, without limiting the generality of the foregoing, the

ability to enter into occupation agreements for any property owned or leased by the Respondent;

- (s) to exercise any shareholder, partnership, joint venture, or other rights which the Respondent may have; and
- (t) 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 authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Respondent, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. The Respondent, 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 all other individuals, firms, corporations, governmental bodies, or agencies, or other entities having notice of this Order (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 shall deliver all such Property to the Receiver upon the Receiver's request.
5. 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 Respondent, 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, subject to their right to seek a variation of this Order, 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. 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, subject to their right to seek a variation of this Order, 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, 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. No proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE RESPONDENT OR THE PROPERTY

8. No Proceeding against or in respect of the Respondent 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 Respondent or the Property are hereby stayed and suspended pending further order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. All rights and remedies of any individual, firm, corporation, governmental body or agency or any other entities against the Respondent, the Receiver, 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 Respondent to carry on any business which the Respondent is not lawfully entitled to carry on, (ii) exempt the Receiver or the Respondent 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 and the related filing of an action to preserve the right of a lien holder, provided that the Applicant shall not be required to file a defence to same as the further prosecution of any such claim is stayed except with the written consent of the Applicant or the Receiver, or leave of this Court.

PERSONAL PROPERTY LESSORS

10. All rights and remedies of any Person pursuant to any arrangement or agreement to which any of the Respondent is a party for the lease or other rental of personal property of any nature or kind are hereby restrained except with consent of the Receiver in writing or leave of this Court. The Receiver is authorized to return any Property which is subject to a lease from a third party to such Person on such terms and conditions as the Receiver, acting reasonably, considers appropriate and upon the Receiver being satisfied as to the registered interest of such Person in the applicable Property. The return of any item by the Receiver to a Person is without prejudice to the rights or claims of any other Person to the property returned or an interest therein.

NO INTERFERENCE WITH THE RECEIVER

11. Subject to paragraph 16 of this Order related to the Respondent's employees, 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 Respondent, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. All Persons having oral or written agreements with the Respondent or statutory or regulatory mandates for the supply of goods 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 Respondent 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, and the Receiver shall be entitled to the continued use of the Respondent'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 Respondent 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.
13. The Receiver, in its sole discretion, may, but shall not be obligated to, establish accounts or payment on delivery arrangements with suppliers in its name on behalf of the Respondent for the supply of goods 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 Respondent, or any of them, if the Receiver determines that the opening of such accounts is appropriate.
14. No creditor of the Respondent shall be under any obligation as a result this Order to advance or re-advance any monies or otherwise extend any credit to the Respondent.

RECEIVER TO HOLD FUNDS

15. 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 (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

16. All employees of the Respondent shall remain the employees of the Respondent until such time as the Receiver, on the Respondent's behalf, may terminate the employment of such employees or they resign in accordance with their employment contract. The Receiver shall not be liable as a result of this Order for any employee-related liabilities, including any successor employer liabilities as provided for in subsection 14.06(1.2) of the BIA, wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under subsections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*, such amounts as may be determined by a court or tribunal of competent jurisdiction.
17. Pursuant to paragraph 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver may 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") as permitted at law. 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. A prospective purchaser or bidder requesting the disclosure of personal information shall execute such documents to confirm the agreement of such Person to maintain the confidentiality of such information on terms acceptable to the Receiver. 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 Respondent, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

18. Nothing herein contained shall require or obligate the Receiver to occupy or to take control, care, charge, occupation, possession, or management (separately or collectively, "**Possession**") of any of the Property that might, or any part thereof, which may 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 legislation, statute, regulation or, rule of law or equity respecting the protection, conservation, enhancement, remediation, or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, *Canadian Environmental Protection Act, 1999* or the *Nova Scotia Environment Act* (collectively, 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.

LIMITATION ON LIABILITY

19. Deloitte Restructuring Inc. and, without limitation, a director, officer, or employee of the Receiver, shall incur no liability or obligation as a result of its appointment as the Receiver or the carrying out the provisions of this Order, or in the case of any party acting as a director, officer, or employee of the Receiver so long as acting in such capacity, save and except for any negligence, breach of contract, or actionable misconduct on the part of such party, or in respect of the Receiver's obligations under subsections 81.4(5) and 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

20. 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 the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge to a maximum of \$100,000 (the "**Administrative 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 the Administrative 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 subsections 14.06(7), 81.4(4), and 81.6(2) of the BIA.
21. The Receiver and its legal counsel shall pass its accounts from time to time before a judge of this Court or a referee appointed by a judge.
22. 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, expenses 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.

RECEIVER'S INDEMNITY CHARGE

23. The Receiver shall be entitled to and is hereby granted a charge (the "**Receiver's Indemnity Charge**") upon all of the Property as security for all of the obligations incurred by the Receiver including obligations arising from or incident to the performance of its duties and functions under this Order including the management, operation, and carrying on of all or part of the business of a Respondent, under the *Bankruptcy and Insolvency Act*, or otherwise, saving only liability arising from negligence or actionable misconduct of the Receiver.
24. The Receiver's Indemnity Charge shall form a second 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 subsections 14.06(7), 81.4(4), and 81.6(2) of the BIA and subordinate in priority to the Administrative Charge.

ALLOCATION OF COSTS

25. The Receiver shall file with the Court for its approval a report setting out the costs, fees, expenses, and liabilities of the Receiver giving rise to the Administrative Charge, the Receiver's Indemnity Charge, and the Receiver's Borrowings Charge, as defined below, and, unless the Court orders otherwise, all such costs, fees, expenses, and liabilities shall be paid in the following manner:
- (a) Firstly, applying the costs incurred in the receivership proceedings specifically attributable to an individual asset or group of assets against the realizations from such asset or group of assets;
 - (b) Secondly, applying the costs *pro rata* against all of the assets based on the net realization from such asset or group of assets; and
 - (c) Thirdly, applying non-specific costs incurred in the receivership proceedings *pro rata* against the assets based on the net realization from such asset or group of assets.


FUNDING OF THE RECEIVERSHIP

26. 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 \$100,000, 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 making payments, including interim payments, required or permitted to be made by this Order, including, without limitation, payments of amounts secured by the Administrative Charge and the Receiver's Indemnity Charge. 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 Indemnity Charge, the Administrative Charge and the charges as set out in subsections 14.06(7), 81.4(4), and 81.6(2) of the BIA.
27. 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 on seven days' notice to the Receiver and the Applicant.
28. 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.
29. 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

30. The Receiver may from time to time make a motion for advice and directions in the discharge of its powers and duties hereunder.
31. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Respondent.
32. The aid and recognition of any court, tribunal, or regulatory or administrative body having jurisdiction outside Nova Scotia is hereby requested 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, and regulatory or 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, to grant representative status to the Receiver in any foreign proceeding, or to assist the Receiver and its agents in carrying out the terms of this Order.
33. The Receiver is hereby authorized and empowered to apply to any court, tribunal, or regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and 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.
34. The Applicant shall have its costs of this Application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Respondent's estate with such priority and at such time as this Court may determine.
35. Any interested party may make a motion to vary or amend this Order upon such notice required by the *Civil Procedure Rules* or on such notice as this Court may order.
36. Any Person affected by this Order which did not receive notice in advance of the hearing may make a motion to vary or amend this Order within five days of such Person being served with a copy of this Order.
37. In addition to the reports to be filed by the Receiver under legislation, the Receiver shall file a report of its activities with the Court when the Receiver determines that a report should be made, when the Court orders the filing of a report on the motion of an interested party or on the Court's own motion, and at the conclusion of the receivership.
38. The Receiver shall not be discharged without notice to such secured creditors and other parties as the Court directs.

Issued *April 30*, 2020


Deputy Prothonotary
GINA DIDIODATO
Deputy Prothonotary

CONSENTED TO:

 **Sara L. Scott**



for
Maurice P. Chiasson, Q.C.
Stewart McKelvey
Purdy's Wharf Tower One
900 - 1959 Upper Water Street
Halifax, NS B3J 3N2
Telephone: 902.420.3200
Facsimile: 902.420.1417
Email: mchiasson@stewartmckelvey.com
Counsel for the Applicant,
Royal Bank of Canada

Matthew J. Moir
Weldon McInnis
118 Ochterloney Street
Dartmouth, NS B2Y 1C7
Telephone: 902.446.0549
Facsimile: 902.463.4452
Email: mmoir@weldonmcinnis.com
Counsel for the Respondent,
Civic Homes Limited

**IN THE SUPREME COURT
COUNTY OF HALIFAX, N.S.**

I hereby certify that the foregoing is a true copy of the original or as filed herein.

Dated the *30* day of *April*
A.D., 20*20*


DEPUTY Prothonotary
GINA DIDIODATO
Deputy Registrar *Prothonotary*

SCHEDULE "A"

RECEIVER'S CERTIFICATE

CERTIFICATE NO. _____ **AMOUNT \$** _____

THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver and manager (the "Receiver") of the assets, undertakings and properties of Civic Homes Limited (the "Company"), acquired for, or used in relation to the business carried on by the Company, including all proceeds thereof (collectively, the "Assets"), appointed by Order of the Nova Scotia Supreme Court (the "Court") dated the ___ day of _____, 2019 (the "Order") in the matter having court file number Hfx No. _____, 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.

The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded daily 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.

Such principal sum with interest thereon is, by the terms of this 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 Assets in priority to the secured 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 Assets in respect of its remuneration and expenses.

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

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.

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

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 this Order.

DATED the ____ day of _____, 2020.

DELOITTE RESTRUCTURING INC., solely in
its capacity as Receiver and Manager of the
Company and not in its personal capacity

Per: _____
Name:
Title:

FIRST REPORT OF DELOITTE RESTRUCTURING INC.
ESTATE NO.: 51-126277
JUNE 26, 2020

APPENDIX B
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

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

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

Form 12
Interim Statement of Receipts and Disbursement
for the period from May 1, 2020 to June 25, 2020

RECEIPTS

1. Payment Receipts		
Rental income	10,300.00	
Security deposit (held in trust)	<u>900.00</u>	11,200.00
TOTAL RECEIPTS		<u><u>11,200.00</u></u>

DISBURSEMENTS

2. Fees paid		
To official receiver	<u>70.00</u>	70.00
3. Miscellaneous		
Insurance	7,272.00	
Security deposit	<u>425.00</u>	7,697.00
TOTAL DISBURSEMENTS		<u><u>7,767.00</u></u>

AMOUNT RETAINED IN TRUST ACCOUNT 3,433.00

DELOITTE RESTRUCTURING INC.

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

Per:



James Foran, CPA, CA, CIRP, LIT

Dated this 25th day of June, 2020

FIRST REPORT OF DELOITTE RESTRUCTURING INC.
ESTATE NO.: 51-126277
JUNE 26, 2020

APPENDIX C
MARKETING DOCUMENTS

Asset Sale Process

Four townhouses and undeveloped land located in Westphal, Nova Scotia

Deloitte Restructuring Inc. ("Deloitte") in its capacity as Court Appointed Receiver of Civic Homes Limited. ("Civic"), is soliciting interest from parties interested in purchasing the assets further described below.

Asset Overview

An approximately 6.6 acre property located in Westphal, Nova Scotia:

The property is located on the shore on Loon Lake, with four townhouses currently constructed and fully rented. The property is subject to a development agreement with the Halifax Regional Municipality ("HRM") for the development of 118 multi-dwelling units (within 2 residential buildings) and 44 townhouse units (within 5 townhouse buildings). Other than the rented townhouses, the property is currently undeveloped outside of a paved roadway and parking lot. A visual representation of the original development plan is presented below.

Completed townhouses



Original planned development



Arial view of Loon Lake/Westphal, NS



Proposed Transaction and Timeline

The Receiver is seeking proposals from parties interested in purchasing the property described herein.

Upon completion of the enclosed Non-Disclosure Agreement ("NDA"), interested parties will be provided with copies of a tender package containing further technical information regarding the property and the process.

Interested parties will also be provided with an opportunity to visit the property during the due diligence period outlined herein.

The proposed transaction will be subject to approval from the Supreme Court of Nova Scotia (the "Court") and the Receiver will make an application to the Court for approval of the sale upon completed of the sale process.

Transaction Process	Start Date	End Date
Circulation of teaser	July 9, 2020	
Circulation of tender package	Upon execution of NDA	
End of diligence period & first bid deadline	August 10, 2020	
Final bid deadline	August 24, 2020	
Final negotiations and application to Court for approval of sale	August 24, 2020	September 15, 2020

Recipients of this document interested in participating in the above outlined process must provide a fully executed NDA to the Receiver before further information will be provided. Inquiries regarding the transaction should be directed only to the following:



Deloitte Restructuring Inc.
 Purdy's Wharf Tower II
 1969 Upper Water Street,
 Suite 1500
 Halifax, Nova Scotia B3J 3R7

Kurt Macleod, MBA, CIRP, LIT
 Manager
 902-721-5602
kmacleod@deloitte.ca

Jean Legault, CPA
 Senior
 902-717-5521
jlegault@deloitte.ca

FIRST REPORT OF DELOITTE RESTRUCTURING INC.
ESTATE NO.: 51-126277
JUNE 26, 2020

**APPENDIX D
SECURITY OPINION**

June 24, 2020

Via Email: jforan@deloitte.ca

Deloitte Restructuring Inc.
1969 Upper Water Street
Tower II Suite 1500
Halifax, NS B3J 3R7

Attention: James Foran

Dear Mr Foran:

Re: Civic Homes Limited (the “Debtor”)

This letter is our independent legal opinion prepared in accordance with section 13.4 (1) of the *Bankruptcy and Insolvency Act* (“BIA”), with respect to the validity and enforceability of security in favor of Royal Bank of Canada (“RBC”) forwarded to us by counsel to RBC with his email dated May 12, 2020.

DOCUMENTS REVIEWED

In coming to our opinion we reviewed the following (collectively, the “Documents”):

1. Collateral Mortgage dated July 19, 2016 (the “Collateral Mortgage”) in the original principal amount of \$3,610,000 charging lands in favor of RBC identified as Loonview Lane, Westphal, 34 Loonview Lane, Westphal, 32 Loonview Lane, Westphal, 34 Loonview Lane, Westphal, 36 Loonview Lane, Westphal, and 38 Loonview Lane, Westphal and identified by PID 41332503 (the “Property”) recorded as document no. 109613233 in the Land Registration Office for the registration district of Halifax County (the “LRO”);
2. General Security Agreement dated July 5, 2007 by which the Debtor has granted RBC a security interest in all its present and after acquired personal property and proceeds therefrom (the “GSA”); and

3. Priority Agreement (undated) between Loon Lake Developments Limited, RBC and the Debtor, a copy of which was recorded September 21, 2016 in the parcel register for the Property at the LRO as Document No. 109619024.

SEARCHES AND INVESTIGATION

Upon your instructions, we made no searches and conducted no independent investigations nor can we confirm any registration of any document according to evidence or create a security interest other than:

1. A search of the Personal Property Security Registry (Nova Scotia) as of May 4, 2020; and
2. A search of the parcel register for the Property at the LRO as of as of June 16, 2020, (collectively, the “**Searches**”).

We note that the GSA and Collateral Mortgage (collectively, the “**Security**”) do not have resolutions attached to them by which the Debtor authorized its officer to execute the documents and grant the security. The absence of such a resolution authorizing the execution of the Security might mean that the person signing it had no authority to do so and could, in some circumstances, invalidate the security constitute thereby. General principles of corporate law would typically protect a counterparty from a defect in the authorization of the person signing unless the other party knew or ought to have known about the defect. We had no information as to RBC's knowledge at the time of the execution of the Security. In addition, if the Debtor has adopted standard borrowing resolutions, which we have not received or reviewed, such resolutions may provide for the authority necessary to grant the Security assuming that the persons named in the resolutions of the persons who signed the Security or hold the offices specified in the resolutions.

ASSUMPTIONS

In giving this opinion, we have assumed that:

1. The Debtor was and is a corporation incorporated under the laws of the province of Nova Scotia that has not been dissolved;
2. Prior to its insolvency, the Debtor was the absolute owner of its property, assets, rights and undertaking;

3. At the relevant times, the Debtor had the corporate power and capacity to own its property and assets, carry on business, execute and deliver security documents, perform all of its obligations under the Security, and secure its obligations as provided for in the Security;
4. The execution, delivery and performance of the obligations of the Security by the Debtor had been duly authorized by all necessary corporate action on the part of the Debtor;
5. All signatures are genuine and the copy of the Security submitted to us is authentic and conforms to the original;
6. All persons executing the Documents possess the legal power, capacity, competency and were duly authorized to do so;
7. The name of the Debtor is correctly set forth in the Security and all notices and registrations relating thereto;
8. The collateral described in the Security (the “Collateral”) does not include consumer goods as defined in the *Personal Property Security Act* (Nova Scotia) (the “PPSA”);
9. That the amount recited as owing by the Debtor in the Collateral Mortgage was advanced; and
10. With respect to the Security, that RBC has given value, the Debtor had rights in the Collateral and that the Debtor and RBC had not agreed orally or in writing to postpone the time for attachment of the security interest referred to in the Security.

OPINIONS

Based upon and subject to the foregoing, and subject to the qualifications set forth hereinafter, we are of the opinion that the Security forms a valid and binding charge on the personal and real property described in the Security, enforceable against the Debtor and its estate in bankruptcy.

QUALIFICATIONS

The opinions expressed herein are subject to the following qualifications:

1. The enforceability of the Security referred to above is subject to applicable law, including bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditor rights in general;
2. Equitable remedies, including, without limitation, specific performance and injunctive relief may be granted only in the discretion of a court of competent jurisdiction;
3. The opinions expressed herein are limited the laws of the Province of Nova Scotia and laws of Canada applicable therein and no opinion is given with respect to any other jurisdiction and further is predicated on the state of such law that exists at the date hereof and we hereby undertake no obligation to update our opinion because of legislative changes or jurisprudential developments;
4. We are not sufficiently familiar with the relationship between the Debtor and RBC to know whether any funds were actually advanced to the Debtor or whether the Debtor is actually indebted to RBC;
5. All rights, duties or obligations arising under any of the Security must be exercised and discharged in good faith and in a commercially reasonable manner;
6. We express no opinion as to the clauses in the Security which purport to enable RBC to recover from the Debtor any costs of enforcement;
7. We express no opinion about the validity of any loans secured by the Security;
8. We express no opinion regarding the creation or perfection of any security interest or other interest in any property to the extent that the security interest or other interest therein is governed by any federal legislation which is paramount to the PPSA including, without limitation, a vessel registered under the *Canada Shipping Act* (Canada) and any rolling stock, patents, trademarks, copyrights and other intellectual property rights;
9. To the extent of the property purported to be charged by the Security includes motor vehicles, trailers, motor homes, boats, and outboard motors, aircraft airframes, aircraft engines or propellers (collectively, the “**Serial Numbered Goods**”) and is not described by serial number in the registration, the property may be subject to the rights of third parties registered by serial number and in priority to RBC;

Deloitte Restructuring Inc.

June 24, 2020

Page 5

10. We express no opinion as to the priorities between the Security held by RBC and in any other Security or any other competing claims and we express no opinion as to the validity of any enforcement steps taken or contemplated;
11. Without limiting the generality of the foregoing, the priority of the security interests created by the Security are subject to the operation of the laws of Canada and Nova Scotia in effect from time to time creating statutory liens and trusts having priority over registered mortgages, charges and security interests such as those contained in the Security;
12. Notwithstanding the registration under the PPSA with perfect the security interest in all forms of Collateral to which the PPSA applies, perfection by possession of certain types of collateral may provide additional rights to the secured party; and
13. In order to maintain the effectiveness of the registration under the PSAA referred to herein, RBC may be required to undertake certain actions required under the PSAA.

In connection with the foregoing, we have not been advised of any facts which would permit annulment of the Security under section 95 of the BIA. In particular, we have no information which would lead us to assume that the Debtor was insolvent on any of the dates upon which it purported to grant Security or that the Security was otherwise entered into in fraud of creditor rights.

The opinions expressed herein may be relied upon only by the persons to whom this letter is addressed and for the purposes of evaluating the Security described above. This letter may not be disseminated or distributed except with our written consent or in accordance with the provisions of the BIA.

We trust you will find the above to be in order. Should you require anything further, please do not hesitate to contact us.

Yours very truly,

COX AND PALMER

A handwritten signature in cursive script, appearing to read "Cox & Palmer", is written over the printed name.

SECOND REPORT OF DELOITTE RESTRUCTURING INC.
COURT NO: 494188
ESTATE NO.: 51-126277
OCTOBER 1, 2020

APPENDIX B
SALE PROCESS ORDER

JUL 07 2020

HALIFAX, N.S.

2019

Hfx No. 494188

**SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY AND INSOLVENCY**

In the Matter of the Receivership of Civic Homes Limited (the "Company")

Between:

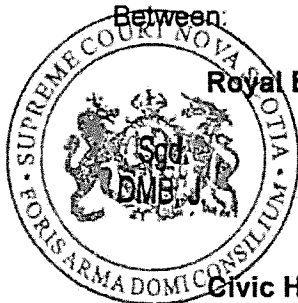
Royal Bank of Canada

Applicant

and

Civic Homes Limited

Respondent



ORDER FOR APPROVAL OF SALES PROCESS

BEFORE THE HONOURABLE JUSTICE Justice Denise M. Boudreau

Deloitte Restructuring Inc. ("**Deloitte**"), the court-appointed Receiver and Manager over the assets, collateral, and undertakings of Civic Homes Limited (the "**Company**"), has filed a motion seeking:

1. approval of the activities of the Receiver to date; and
2. approval of the proposed sales process for the assets of the Company, as described in the materials filed with this motion.

Upon reading the First Report of Deloitte dated June 26, 2020 (the "**First Report**") and the other materials on file herein;

And upon hearing counsel on behalf of the Royal Bank of Canada ("**RBC**"), in support hereof;

Now upon motion of the Receiver, it is hereby ordered that:

1. the activities of Deloitte to date as Receiver of the Company are approved;
2. the Receiver be and is hereby authorized and directed to commence and carry out the proposed sale process and to take any and all steps and execute such documentation as it may consider necessary or desirable to implement the terms of the proposed sale process; and
3. the proposed sales process for the assets of the Company, as described in the First Report and the materials filed with this motion, is approved.

DATED at Halifax, Nova Scotia, this 7th day of July, 2020.

Melissa Kane
Deputy Prothonotary

IN THE SUPREME COURT
COUNTY OF HALIFAX, N.S.
I hereby certify that the foregoing document,
identified by the seal of the court, is a true
copy of the original document on the file herein.

JUL 07 2020

Melissa Kane
Deputy Prothonotary

MELISSA KANE
Deputy Prothonotary

SECOND REPORT OF DELOITTE RESTRUCTURING INC.
COURT NO: 494188
ESTATE NO.: 51-126277
OCTOBER 1, 2020

APPENDIX C
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

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

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

Form 12
Interim Statement of Receipts and Disbursement
for the period from May 1, 2020 to September 22, 2020

RECEIPTS

1. Payment receipts		
Deposits received - sale process	1,496,352.05	
Receiver's borrowings	50,000.00	
Rental income	35,900.00	
Security deposit (held in trust)	900.00	1,583,152.05
		<u>1,583,152.05</u>

TOTAL RECEIPTS

1,583,152.05

DISBURSEMENTS

2. Fees paid		
To official receiver	70.00	70.00
3. Receiver's remuneration		
Receiver's fees and disbursements	28,033.51	
HST charged on Receiver's fees and disbursements	4,205.03	32,238.54
3. Miscellaneous		
Deposits returned - sale process	916,352.05	
Property taxes	22,824.51	
Insurance	18,180.00	
Legal fees	11,349.10	
Application fee - Halifax Regional Municipality	5,000.00	
Utilities	1,356.66	
Advertising	1,310.00	
Repairs and maintenance	1,043.15	
Security deposit returned	425.00	977,840.47
4. Federal and provincial taxes		
HST paid	2,106.96	2,106.96
TOTAL DISBURSEMENTS		<u>1,012,255.97</u>

AMOUNT RETAINED IN TRUST ACCOUNT

570,896.08

DELOITTE RESTRUCTURING INC.

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

Per:



James Foran, CPA, CA, CIRP, LIT

Dated this 22nd day of September, 2020

SECOND REPORT OF DELOITTE RESTRUCTURING INC.
COURT NO: 494188
ESTATE NO.: 51-126277
OCTOBER 1, 2020

APPENDIX D
SECURITY OPINION

August 20, 2020

Via Email: jforan@deloitte.ca

Deloitte Restructuring Inc.
1969 Upper Water Street
Tower II Suite 1500
Halifax, NS B3J 3R7

Attention: James Foran

Dear Mr Foran:

Re: Civic Homes Limited (the “Debtor”)

This letter is our independent legal opinion prepared in accordance with section 13.4 (1) of the *Bankruptcy and Insolvency Act* (“BIA”), with respect to the validity and enforceability of a Collateral Mortgage in favor of Dexter Construction Company Limited (“Dexter”) forwarded to us by counsel to Dexter with his email dated May 11, 2020.

DOCUMENTS REVIEWED

In coming to our opinion we reviewed a Collateral Mortgage dated May 7, 2019 (the “Collateral Mortgage”) in the original principal amount of \$600,000 in favor of Dexter charging lands identified as Lot A-1R which includes Loonview Lane, Westphal; 32 Loonview Lane, Westphal; 34 Loonview Lane, Westphal; 36 Loonview Lane, Westphal; and 38 Loonview Lane, Westphal and identified by PID 41332503 (the “Property”). The Collateral Mortgage is recorded as Document No. 114433890 in the Land Registration Office for the registration district of Halifax County (the “LRO”).

SEARCHES AND INVESTIGATION

Upon your instructions, we made no searches and conducted no independent investigations nor can we confirm any registration of any document according to evidence or create a security interest other than a search of the parcel register for the Property at the LRO as of as of June 16, 2020.

We note that the Collateral Mortgage does not have resolutions attached to it by which the Debtor authorized its officer to execute the documents and grant the Collateral Mortgage. The absence of such a resolution authorizing the execution of the Collateral Mortgage might mean that the person signing it had no authority to do so and could, in some circumstances, invalidate the Collateral Mortgage constitute thereby. General principles of corporate law would typically protect a counterparty from a defect in the authorization of the person signing unless the other party knew or ought to have known about the defect. We have no information as to Dexter's knowledge at the time of the execution of the Collateral Mortgage. In addition, if the Debtor has adopted standard borrowing resolutions, which we have not received or reviewed, such resolutions may provide for the authority necessary to grant the Collateral Mortgage assuming that the person named in the resolutions is the person who signed the Collateral Mortgage or hold the offices specified in the resolutions.

ASSUMPTIONS

In giving this opinion, we have assumed that:

1. The Debtor was and is a corporation incorporated under the laws of the province of Nova Scotia that has not been dissolved;
2. Prior to its insolvency, the Debtor was the absolute owner of its property, assets, rights and undertaking;
3. At the relevant times, the Debtor had the corporate power and capacity to own its property and assets, carry on business, execute and deliver the Collateral Mortgage documents, perform all of its obligations under the Collateral Mortgage, and secure its obligations as provided for in the Collateral Mortgage;
4. The execution, delivery and performance of the obligations of the Collateral Mortgage by the Debtor had been duly authorized by all necessary corporate action on the part of the Debtor;
5. All signatures are genuine and the copy of the Collateral Mortgage submitted to us is authentic and conforms to the original;
6. All persons executing the Documents possess the legal power, capacity, competency and were duly authorized to do so;
7. The name of the Debtor is correctly set forth in the Collateral Mortgage and all notices and registrations relating thereto; and

8. The amount recited as owing by the Debtor in the Collateral Mortgage was advanced.

OPINIONS

Based upon and subject to the foregoing, and subject to the qualifications set forth hereinafter, we are of the opinion that the Collateral Mortgage forms a valid and binding charge on the real property described in the Collateral Mortgage, enforceable against the Debtor and its estate in bankruptcy.

QUALIFICATIONS

The opinions expressed herein are subject to the following qualifications:

1. The enforceability of the Collateral Mortgage referred to above is subject to applicable law, including bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditor rights in general;
2. Equitable remedies, including, without limitation, specific performance and injunctive relief may be granted only in the discretion of a court of competent jurisdiction;
3. The opinions expressed herein are limited the laws of the Province of Nova Scotia and laws of Canada applicable therein and no opinion is given with respect to any other jurisdiction and further is predicated on the state of such law that exists at the date hereof and we hereby undertake no obligation to update our opinion because of legislative changes or jurisprudential developments;
4. We are not sufficiently familiar with the relationship between the Debtor and Dexter to know whether any funds were actually advanced to the Debtor or whether the Debtor is actually indebted to Dexter;
5. All rights, duties or obligations arising under the Collateral Mortgage must be exercised and discharged in good faith and in a commercially reasonable manner;
6. We express no opinion as to the clauses in the Collateral Mortgage which purport to enable Dexter to recover from the Debtor any costs of enforcement;
7. We express no opinion about the validity of any loans secured by the Collateral Mortgage;

Deloitte Restructuring Inc.

August 20, 2020

Page 4

8. We express no opinion as to the priorities between the Collateral Mortgage held by Dexter and any other security or any other competing claims and we express no opinion as to the validity of any enforcement steps taken or contemplated; and
9. Without limiting the generality of the foregoing, the priority of the security interest created by the Collateral Mortgage is subject to the operation of the laws of Canada and Nova Scotia in effect from time to time creating statutory liens and trusts having priority over registered mortgages, charges and security interests such as those contained in the Collateral Mortgage.

In connection with the foregoing, we have not been advised of any facts which would permit annulment of the Collateral Mortgage under section 95 of the BIA. In particular, we have no information which would lead us to assume that the Debtor was insolvent on any of the dates upon which it purported to grant the Collateral Mortgage or that the Collateral Mortgage was otherwise entered into in fraud of creditor rights.

The opinions expressed herein may be relied upon only by the persons to whom this letter is addressed and for the purposes of evaluating the Collateral Mortgage described above. This letter may not be disseminated or distributed except with our written consent or in accordance with the provisions of the BIA.

We trust you will find the above to be in order. Should you require anything further, please do not hesitate to contact us.

Yours very truly,

COX & PALMER



August 27, 2020

Via Email: jforan@deloitte.ca

Deloitte Restructuring Inc.
1969 Upper Water Street
Tower II Suite 1500
Halifax, NS B3J 3R7

Attention: James Foran

Dear Mr. Foran:

Re: Civic Homes Limited (the “Debtor”)

This letter is our independent legal opinion prepared in accordance with section 13.4 (1) of the *Bankruptcy and Insolvency Act* (“BIA”), with respect to the validity and enforceability of security in favor of Loon Lake Developments Limited (“Loon Lake”) forwarded to us by counsel to Loon Lake with his email dated May 19, 2020.

DOCUMENTS REVIEWED

In coming to our opinion we reviewed the following (collectively, the “Documents”):

1. Letter of Intent dated April 3, 2013 from Civic to Loon Lake;
2. Agreement of Purchase and Sale dated July 13, 2013 between Loon Lake and Civic in respect of the lands known as PID 41332503 and 619494 (the “Agreement”);
3. Collateral Mortgage dated March 27, 2015 (the “Collateral Mortgage”) charging lands in favor of Loon Lake identified as Loonview Lane, Westphal; 32 Loonview Lane, Westphal; 34 Loonview Lane, Westphal; 36 Loonview Lane, Westphal; and 38 Loonview Lane, Westphal and identified by PID 41332503 (the “Property”). The Collateral Mortgage is recorded as Document No. 106878813 in the Land Registration Office for the registration district of Halifax County (the “LRO”);
4. General Security Agreement dated March 27, 2015 by which the Debtor has granted Loon Lake a security interest in all its present and after acquired personal property

related to the development of lands at 661 Main Street, Dartmouth, Nova Scotia and identified by PID 41332503 and proceeds therefrom (the "**GSA**");

5. Promissory Note dated March 27, 2015 in the original principal amount of \$810,000 secured by the Collateral Mortgage (the "**Promissory Note**"); and
6. Priority Agreement (undated) between Loon Lake Developments Limited, RBC and the Debtor, a copy of which was recorded September 21, 2016 in the parcel register for the Property at the LRO as Document No. 109619024.

SEARCHES AND INVESTIGATION

Upon your instructions, we made no searches and conducted no independent investigations nor can we confirm any registration of any document according to evidence or create a security interest other than:

1. A search of the Personal Property Security Registry (Nova Scotia) as of August 25, 2020; and
2. A search of the parcel register for the Property at the LRO as of as of August 25, 2020, (collectively, the "**Searches**").

We note that the GSA, Promissory Note and Collateral Mortgage (collectively, the "**Security**") do not have resolutions attached to them by which the Debtor authorized its officer to execute the documents and grant the security. The absence of such a resolution authorizing the execution of the Security might mean that the person signing it had no authority to do so and could, in some circumstances, invalidate the security granted thereby. General principles of corporate law would typically protect a counterparty from a defect in the authorization of the person signing unless the other party knew or ought to have known about the defect. We have no information as to Loon Lake's knowledge at the time of the execution of the Security. In addition, if the Debtor has adopted standard borrowing resolutions, which we have not received or reviewed, such resolutions may provide for the authority necessary to grant the Security assuming that the persons named in the resolutions are the persons who signed the Security or hold the offices specified in the resolutions.

In respect of the GSA, we note that, while the PID referred to in respect of the location and description of collateral in the financing statement is correct, the civic address 661 Main Street Dartmouth does not exist. The civic address may have been correct at the time of

registration of the financing statement, which perfected the security interests granted by the GSA, but we are not able to confirm this. On review, this error is not seriously misleading and the financing statement is therefore sufficient to perfect the security interest granted by the GSA.

ASSUMPTIONS

In giving this opinion, we have assumed that:

1. The Debtor was and is a corporation incorporated under the laws of the province of Nova Scotia that has not been dissolved;
2. Prior to its insolvency, the Debtor was the absolute owner of its property, assets, rights and undertaking;
3. At the relevant times, the Debtor had the corporate power and capacity to own its property and assets, carry on business, execute and deliver security documents, perform all of its obligations under the Security, and secure its obligations as provided for in the Security;
4. The execution, delivery and performance of the obligations of the Security by the Debtor had been duly authorized by all necessary corporate action on the part of the Debtor;
5. All signatures are genuine and the copy of the Security submitted to us is authentic and conforms to the original;
6. All persons executing the Documents possess the legal power, capacity, competency and were duly authorized to do so;
7. The name of the Debtor is correctly set forth in the Security and all notices and registrations relating thereto;
8. The collateral described in the Security (the "Collateral") does not include consumer goods as defined in the *Personal Property Security Act* (Nova Scotia) (the "PPSA");
9. That the amount recited as owing by the Debtor in the Promissory Note and Collateral Mortgage was advanced; and

10. With respect to the Security, that Loon Lake has given value, the Debtor had rights in the Collateral and that the Debtor and Loon Lake had not agreed orally or in writing to postpone the time for attachment of the security interest referred to in the Security.

OPINIONS

Based upon and subject to the foregoing, and subject to the qualifications set forth hereinafter, we are of the opinion that the Security forms a valid and binding charge on the personal and real property described in the Security, enforceable against the Debtor and its estate in bankruptcy.

In our review of the Security, we did note that the Promissory Note states that upon payment of the principle amount owing (\$810,000) Civic shall be entitled to a release of the Collateral Mortgage. We are advised that this amount has been paid. However, the Agreement obligates the Debtor to make other payments, namely for golf privileges following sale of approved units or by September 24, 2020. This payment would, in our view, be caught by the definition of indebtedness in the Collateral Mortgage. Nevertheless, in the event that the Collateral Mortgage should have been released, this would impact the Security held by Loon Lake.

With respect to the Debtor's assertion that the Agreement has been frustrated, we do not find a sufficient basis to reach that conclusion. The Agreement contemplates a sale of golf memberships for defined "Units". These Units have been created by the approved and recorded Development Agreement issued by Halifax Regional Municipality (Document No. 106827778). The obligation to pay the golf memberships is contingent (on a sale of a unit or the expiry of time) but such a contingent obligation is caught by the definition of indebtedness in the Collateral Mortgage.

QUALIFICATIONS

The opinions expressed herein are subject to the following qualifications:

1. The enforceability of the Security referred to above is subject to applicable law, including bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditor rights in general;
2. Equitable remedies, including, without limitation, specific performance and injunctive relief may be granted only in the discretion of a court of competent jurisdiction;

3. The opinions expressed herein are limited the laws of the Province of Nova Scotia and laws of Canada applicable therein and no opinion is given with respect to any other jurisdiction and further is predicated on the state of such law that exists at the date hereof and we hereby undertake no obligation to update our opinion because of legislative changes or jurisprudential developments;
4. We are not sufficiently familiar with the relationship between the Debtor and Loon Lake to know whether any funds were actually advanced to the Debtor or whether the Debtor is actually indebted to Loon Lake;
5. All rights, duties or obligations arising under any of the Security must be exercised and discharged in good faith and in a commercially reasonable manner;
6. We express no opinion as to the clauses in the Security which purport to enable Loon Lake to recover from the Debtor any costs of enforcement;
7. We express no opinion about the validity of any loans secured by the Security;
8. We express no opinion regarding the creation or perfection of any security interest or other interest in any property to the extent that the security interest or other interest therein is governed by any federal legislation which is paramount to the PPSA including, without limitation, a vessel registered under the *Canada Shipping Act* (Canada) and any rolling stock, patents, trademarks, copyrights and other intellectual property rights;
9. To the extent the property purported to be charged by the Security includes motor vehicles, trailers, motor homes, boats, and outboard motors, aircraft airframes, aircraft engines or propellers (collectively, the “**Serial Numbered Goods**”) and is not described by serial number in the registration, the property may be subject to the rights of third parties registered by serial number and in priority to Loon Lake;
10. We express no opinion as to the priorities between the Security held by Loon Lake and in any other Security or any other competing claims and we express no opinion as to the validity of any enforcement steps taken or contemplated;
11. Without limiting the generality of the foregoing, the priority of the security interests created by the Security are subject to the operation of the laws of Canada and Nova Scotia in effect from time to time creating statutory liens and trusts having priority over registered mortgages, charges and security interests such as those contained in the Security;

12. Notwithstanding the registration under the PPSA with perfect the security interest in all forms of Collateral to which the PPSA applies, perfection by possession of certain types of collateral may provide additional rights to the secured party; and
13. In order to maintain the effectiveness of the registration under the PPSA referred to herein, Loon Lake may be required to undertake certain actions required under the PPSA.

In connection with the foregoing, we have not been advised of any facts which would permit annulment of the Security under section 95 of the BIA. In particular, we have no information which would lead us to assume that the Debtor was insolvent on any of the dates upon which it purported to grant Security or that the Security was otherwise entered into in fraud of creditor rights.

The opinions expressed herein may be relied upon only by the persons to whom this letter is addressed and for the purposes of evaluating the Security described above. This letter may not be disseminated or distributed except with our written consent or in accordance with the provisions of the BIA.

We trust you will find the above to be in order. Should you require anything further, please do not hesitate to contact us.

Yours very truly,

COX & PALMER

