

Court File No. 17-73967

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

FIRST NATIONAL FINANCIAL GP CORPORATION

Applicant

and

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

Respondents

FIRST REPORT OF THE INTERIM RECEIVER

DATED OCTOBER 17, 2017

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- F** Interim Statement of Receipts and Disbursements for the Interim Receivership for the period from September 22 to October 13, 2017

INTRODUCTION

1. By Order of the Ontario Superior Court of Justice (the “**Court**”) dated September 22, 2017 (the “**Appointment Order**”), Deloitte Restructuring Inc. was appointed as the interim receiver (the “**Receiver**”) of certain real property of Golden Dragon Ho 10 Inc. (“**GDH 10**”) municipally known as 347 Barber Street, Ottawa, Ontario (formerly known as 347 Clarence Street, Ottawa) (“**347 Barber**”) and of certain real property of Golden Dragon Ho 11 Inc. (“**GDH 11**”) municipally known as 345 Barber St. Ottawa, Ontario (formerly known as 345 Clarence Street, Ottawa) (“**345 Barber**”) (collectively, with 347 Barber, referred to herein as the “**Property**”). A copy of the Appointment Order is attached hereto as **Appendix "A"**.
2. The Appointment Order authorizes the Receiver to, among other things:
 - (a) take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
 - (b) undertake any renovations and make any repairs to the Property necessary to ensure that the Property is well maintained and rentable and is in compliance with the applicable laws and building codes; and
 - (c) market available rental units, enter into new rental agreements or renew expiring rental agreements where applicable.
3. The Appointment Order, together with this report and other key documents have been posted on the Receiver's website at www.insolvencies.deloitte.ca/en-ca/GoldenDragonHo10-11.
4. Section 47(1)(c) of the *Bankruptcy and Insolvency Act* (“**BIA**”) provides that an interim receiver is to be appointed until the earliest of:
 - (a) the taking of possession by a receiver, within the meaning of subsection 243(2), of the debtor's property over which the interim receiver was appointed,
 - (b) the taking of possession by a trustee of the debtor's property over which the interim receiver was appointed, and
 - (c) the expiry of 30 days after the day on which the interim receiver was appointed or of any period specified by the court.

5. This 30-day period is set to expire on October 21, 2017. The Applicant, First National Financial GP Corporation (“FN”), has advised the Receiver that it wishes to extend the interim receivership as permitted under section 47(1)(c).

PURPOSE OF REPORT

6. The purpose of this first report of the Receiver (the “**First Report**”) is to:
 - (a) provide the Court with information on the current status of the Property;
 - (b) provide the Court with a description of the Receiver’s activities to date in dealing with the numerous issues related to the Property;
 - (c) provide the Court with the evidentiary basis to make an order:
 - (i) extending the expiry date of the interim receivership until further order of this court;
 - (ii) approving the activities of the Receiver as described in this First Report; and
 - (iii) approving the Receiver’s Interim Statement of Receipts and Disbursements for the period from September 22, 2017 to October 13, 2017;

TERMS OF REFERENCE

7. In preparing this First Report, the Receiver and/or CLV Group Inc. (“CLV”), its property manager, have reviewed unaudited financial information and other records related to the Property provided by Chi Suites Inc. (the management company for GDH 10 and GDH 11) (“**Chi Suites**”), information provided by third-party sources, and have held discussions with individuals involved in administering the Property (including the building superintendent) (collectively, the “**Information**”). Except as described in this report:
 - (a) the Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Receiver 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 Auditing 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; and

- (b) the Receiver has prepared this First Report in its capacity as a Court-appointed officer to support the Court’s approval of an extension to the expiry date of the interim receivership, and the other relief being sought. Parties using this report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes.
8. Unless otherwise stated, all dollar amounts contained in this First Report are expressed in Canadian dollars.
 9. Unless otherwise provided, all other capitalized terms not otherwise defined in this First Report are as defined in the Appointment Order.
 10. The Receiver has sought the advice of Blaney McMurtry LLP (“**Blaneys**”), counsel to the Applicant, for general legal matters that have arisen in respect of the interim receivership. Where the Receiver has required independent legal advice, the Receiver has sought the counsel of Dickinson Wright LLP (“**Dickinson**”).

BACKGROUND

11. As noted in the Application Record dated September 19, 2017 (the “**Application Record**”), the Property is comprised of two adjoining six-story multi-unit apartment buildings that consisted of a total of 110 units when FN made the mortgage loans to the Respondents that are the genesis of the interim receivership application. Eighty of these units were located in 345 Barber, and 30 units were (and still are) located in 347 Barber. Even though there are two separate municipal addresses for this Property (345 Barber and 347 Barber), they operate as one complex as the two buildings are connected on every floor (except the basement) and they share common areas and facilities (such as the lobby, laundry room, mailroom and the one elevator). Of the 110 units, 30 units are to be used for affordable housing purposes

pursuant to agreements with the City of Ottawa (the “City”) and the Ontario Ministry of Housing (the “MOH”) as discussed further below.

12. As set out in paragraphs 62 through 70 of the Affidavit of Chris Sebben of FN sworn September 19, 2017 in support of FN’s Application Record for the Appointment Order (the “**Sebben Affidavit**”), the Respondents had planned to convert 345 Barber to student housing. As of the date of the Appointment Order, alternations to the building had been undertaken to the lobby and the basement; however, work remains substantially unfinished and the units unoccupied. As a result, the number of units in 345 Barber that are rentable remains uncertain until an assessment is completed of the work completed to date and a course of action is determined for the units.
13. Due to both monetary and non-monetary defaults, FN (which holds the first mortgages over the Property) applied to the Court for the appointment of an interim receiver in order to stabilize the operations of the Property, improve the vacant units to a condition where they could be leased again, and reduce the 40% vacancy rate to an acceptable level so that sufficient revenues are generated to pay the operating and financing costs of the Property and to repair the deficiencies identified at the Property (as detailed in the Application Record).

RECEIVER’S ACTIVITIES TO DATE

14. The Receiver has undertaken the following activities in accordance with the terms of the Appointment Order:
 - (a) Attended at the Property on the Appointment Date to inspect the apartment building, including its common areas, vacant units, service rooms, outside grounds, areas of access, etc., to ensure the Property was reasonably secure. As a result of this review, the Receiver has directed the property manager to replace the current electronic fob entry system with secure keys that cannot be copied as it has proven even in the first three weeks of the interim receivership to be unreliable;
 - (b) Posted a Notice to Tenants on the door of every unit at the Property, as well as in the common areas. This notice, a copy of which is attached hereto as **Appendix “B”**,

among other things informed the tenants of the interim receivership and the address of the Receiver's website, and directed the tenants to pay all amounts payable under their lease to CLV;

- (c) Ensured that the Property was adequately insured. The Receiver contacted the broker who had placed the previous insurance on the Property and was advised that the coverage for the Property was part of a larger policy that included properties owned by the principal of GDH 10 and GDH 11. The broker further advised that the insurer was willing to provide coverage against the Property only through a new policy (essentially by extracting the Property from the larger policy) with the Receiver but at the same rates as was being offered under the larger policy. The Receiver obtained details of the coverage and the proposed costs and discussed the terms with its independent insurance consultant who advised that the premiums were in line with market rates for similar properties given the coverage limits and the risk level. As a result, the Receiver entered into new insurance arrangements with the existing broker and insurer under a new policy;
- (d) Contacted Chi Van Ho, the owner of GDH 10, GDH 11 and Chi Suites, on September 22, 2017 to request access to all books and records related to the Property. Chi Suites initially provided some utility and other invoices, as well as rent information, by e-mail. It subsequently provided two boxes of records on September 27, 2017, which it advised represented all records related to the Property that it could locate. The Receiver copied all of these records, which included leases for all of the tenants, but included only minimal maintenance/repair/renovation records;

- (c) Contacted the utility providers for the Property to advise of the interim receivership and to set up new accounts;
- (f) Retained CLV as property manager. CLV had been engaged by FN prior to the Appointment Date to attorn the rents for the Property, which it had commenced for the month of September 2017. FN advised the Receiver that it selected CLV after contacting three property management companies, two of which submitted proposals both to attorn the rents and to act as property manager. The Receiver obtained copies of those proposals and, based on CLV's proposed fee structure and CLV's familiarity with the Property (it acted as property manager for the Property prior to the purchase by GDH 10 and GDH 11), the Receiver entered into negotiations resulting in the execution of a Property Management Agreement dated September 29, 2017 to be effective October 1, 2017;
- (g) Established two bank accounts in the Receiver's name. The first account is the Receiver's trust account and the second account is a property management account established for the operation of the Property into which rent payments are deposited and property-related disbursements are paid. The Receiver has sole signing authority over both accounts;
- (h) Established a purchase order system with the property manager wherein proposed disbursements exceeding a certain dollar limit require the Receiver's pre-approval before the property manager can proceed;
- (i) Established a webpage on the Receiver's website to post all Court Orders, Receiver's reports and other important documents related to the interim receivership;
- (j) Arranged to register the Appointment Order on title for the Property;
- (k) Issued a Notice and Statement of the Receiver pursuant to subsections 245(1) and 246(1) of the *BIA*. A copy of this notice is attached hereto as **Appendix "C"**;

- (l) Worked with CLV to implement an inspection and regular maintenance program, by qualified professionals, for all systems at the Property (such as fire safety, emergency generator, boiler heating, electrical, dryer venting, elevator, and the roof). Where significant repairs are deemed required, CLV will review the proposed work with the Receiver and obtain several competing quotes from qualified professionals;
- (m) In concert with CLV, reviewed and assessed the status of the vacant units. As a result of that review, twelve units were identified as capable of being restored to a rentable condition in a relatively quick timeframe at minimal cost. The Receiver has instructed CLV to obtain quotes for this work, and plans to proceed with repairs as soon as possible. The remaining 33 vacant units are still being assessed, including whether the proposed renovations intended to convert 345 Barber to student housing by adding additional bedrooms to certain units meet local building codes and other requirements (see paragraphs 12 above & 19 below);
- (n) Contacted the Canada Revenue Agency to obtain a new HST number for the Receiver;
- (o) Making arrangements for a meeting of tenants to be held in order to further explain the interim receivership and answer any questions;
- (p) Directed CLV to determine the extent of any rent arrears and take appropriate collection measures. As of October 13, unpaid rent for October 2017 totaled \$23,653 resulting in a collection rate of approximately 53%;
- (q) Made arrangements for the coin boxes in the laundry machines to be re-keyed as neither Chi Van Ho nor Chi Suites have been able to provide the keys to these machines. If the coin boxes are not re-keyed and emptied, they will clog up with coins rendering the machines inoperable;

- (r) Permitted the re-tiling of the lobby area to be completed. The lobby is currently in a state of renovation, and the re-tiling was approximately half-finished on the date of the Appointment Order. Given that the contractor for the tiling work had already been prepaid, and that the completion of the re-tiling would improve the value of the Property, the Receiver agreed to the work being completed;
- (s) Responded to questions and information requests from a sales representative from Century 21 Explorer Realty Inc., a real estate broker who had been engaged by the Respondents prior to the Appointment Date to list the Property for sale;
- (t) Retained Dickinson to act as legal counsel in the event the Receiver requires independent legal advice; and
- (u) Responded to tenant and creditor inquiries.

CURRENT STATUS OF THE PROPERTY AND THE RECEIVER'S INTENDED COURSE OF ACTION

15. As at October 1, 2017, there were 65 occupied units (out of 110 original total units, but as per above and below, a number of units in 345 Barber are not rentable until renovations are complete) generating monthly rental income of \$50,655 (not including monthly affordability payments payable by the City and the MOH, which are monthly subsidies paid in respect of the affordable housing units). The Receiver estimates that the current monthly operating costs of the Property (excluding financing costs) are approximately \$31,000, not including repair and maintenance costs, expenditures related to the renovation of the units, or Receiver fees and disbursements (including legal fees). This estimate may change as additional invoices are received from utilities and suppliers.

16. As discussed in paragraph 14(p) above, there are significant rental arrears at the Property (approximately 47% of rental payments due for October 2017). The Receiver suspects that the high amount of arrears may be due to uncertainty surrounding the ownership of the Property as a result of conflicting information tenants received from the Respondents prior to the date of the Appointment Order when FN attorned September rents. The Receiver has directed CLV to fully determine the extent of all arrears and take appropriate collection measures to collect any rental arrears.
17. There were 44 vacant units at the Property as at the date of the Appointment Order. This number has since increased to 45 due to the eviction of one of the tenants on September 30, 2017.
18. As touched upon in paragraph 11 above, the Property is subject to a Municipal Housing Project Facilities Agreement with the City and a Provincial Contribution Agreement with the Ministry which requires that 30 of the units in the Property be used for affordable housing purposes. However, as at the date of the Appointment Order, only 21 units contain affordable housing tenants. As a result of this breach (and others), the Ministry issued a Notice of Breach to GDH 10 on October 2, 2017 (a copy of which is attached hereto as **Appendix "D"**). This followed a similar notice from the City dated September 21, 2017, attached hereto as **Appendix "E"**. The Receiver's legal counsel is currently following up with the Ministry to arrange for the remittance of the affordability payments for the 21 occupied units to the Receiver.
19. Based on an inspection of the Property with CLV, the Receiver identified most of the vacant units in various stages of renovation. In addition to the renovations to the basement and the conversion of several basement apartments into student housing (see paragraph 66 to 68 of the Sebben Affidavit), six other one-bedroom and two-bedroom units at 345 Barber were in the process of being converted into two-, three- and four-bedroom apartments (units 202, 205, 601, 602, 705 and 708). In addition, as mentioned above in paragraph 12, extensive but incomplete renovations had been made to the lobby of 345 Barber. As set out in the Application Record, these renovations were undertaken without FN's knowledge, consent, or subsequent approval.

20. As discussed above in paragraph 14(m), the Receiver and CLV identified 12 units that require only minimal work to restore them to a rentable condition. As set out in paragraphs 12 and 19 above, other units have been completely gutted and will require substantial work to restore them. Based on documentation provided at Exhibit 38 of the Sebben Affidavit, which includes correspondence from the City regarding past stop work orders, some of the renovations to the units may not meet building code or other requirements. The Receiver will be investigating this matter further before deciding on a course of action for these units.
21. In addition to the incomplete renovations, there are other deficiencies with the Property as identified in Pinchin's Baseline Property Condition Assessment (Exhibit 34 of the Sebben Affidavit) and as noted by CLV. These included leaks in the roof, damage from the leaks (including mold) in certain units on the sixth floor of 345 Barber, elevator issues, a malfunctioning front door entry system (which as per discussed above in paragraph 14(a) is being attended to), improperly performed renovations, and a lack of inspection and maintenance records. As mentioned above in paragraph 14(m), the Receiver has directed CLV to solicit quotations from various contractors and professionals to address the deficiencies that have been identified.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

22. Attached hereto as **Appendix "F"** is the Interim Statement of Receipts and Disbursements for the interim receivership for the period September 22 to October 13, 2017 (the "**R&D**"). The R&D includes the rental receipts received into the property management account and the disbursements made by the Receiver from its trust account. As of the date of this report, no disbursements have yet been made for operating costs relating to the Property.

RECEIVER'S REQUESTS

23. As described above, there is still substantial work required to stabilize the operations of the Property, correct deficiencies, and restore the vacant units to a rentable condition in order to reduce the vacancy rate to a more reasonable level. For these reasons, the Receiver requests that the Court make an Order:
- (a) extending the expiry date of the Interim Receivership until further order of this Court;
 - (b) approving the activities of the Receiver as described in this First Report;
 - (c) approving the Receiver's Interim Statement of Receipts and Disbursements for the period from September 22 to October 13, 2017; and
 - (d) such further and other relief as counsel may advise and this Honourable Court may permit.

All of which is respectfully submitted at Ottawa, Ontario this 17th day of October, 2017.

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

Per:

Deloitte Restructuring Inc.

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

Hartley Bricks, MBA, CPA, CA, CIRP, LIT
Senior Vice-President

Appendix "A"

Court File No. 17-73967

**ONTARIO
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE)
JUSTICE C.T. Hackland)
BETWEEN:)
FRIDAY, THE 22nd
DAY OF SEPTEMBER, 2017

FIRST NATIONAL FINANCIAL GP CORPORATION

Applicant

- and -

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

Respondents

APPLICATION UNDER Section 47 of the
Bankruptcy and Insolvency Act R.S.C. 1985, C. B-3, as amended

**APPOINTMENT ORDER
(Interim Receiver)**

THIS APPLICATION made by First National Financial GP Corporation (the "**Applicant**") for an Order pursuant to section 47 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") appointing Deloitte Restructuring Inc. ("**Deloitte**") as interim receiver (in such capacity, the "**Receiver**") of certain property of Golden Dragon Ho 10 Inc. and Golden Dragon Ho 11 Inc. (the "**Respondents**") identified on the attached Schedule "A" (collectively, the "**Property**"), and sealing Confidential Exhibit "42", being an Appraisal Report of Juteau Johnson Comba Inc. dated August 15, 2017, including Schedule "A" thereto, and Confidential

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Exhibit "45", being the Agreement of Purchase and Sale dated August 31, 2017 (collectively, the "Confidential Exhibits") of the Affidavit of Christopher Sebben sworn September 19, 2017 (the "Sebben Affidavit") from the public record until further Order of the Court, was heard this day at 161 Elgin Street, Ottawa, Ontario.

ON READING the Sebben Affidavit and the Exhibits thereto, including the Confidential Exhibits, and on reading the Consent of Deloitte to act as the Receiver, *and on hearing submissions of applicants counsel, no one else appearing et.*

SERVICE

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

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 47 of the *BIA*, Deloitte is hereby appointed interim receiver of the Property.

RECEIVER'S POWERS

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

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

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- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to engage to engage contractors, tradespersons, quantity surveyors, consultants, appraisers, agents, experts, auditors, accountants, managers, including a property manager, 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;
- (d) to undertake any renovations and make any repairs to the Property necessary to ensure the Property is well maintained and rentable and is in compliance with the applicable laws and building codes;
- (e) to market available rental units, enter into new rental agreements or renew expiring rental agreements where applicable;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Respondents in respect of the Property and to exercise all remedies of the Respondents in collecting such monies, including, without limitation, to enforce any security held by the Respondents in respect of the Property;
- (g) 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 Respondents, for any purpose pursuant to this Order;

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- (h) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Property and to settle or compromise any such proceedings, and the authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (i) 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;
- (j) to register a copy of this Order against title to the Property;
- (k) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority in respect of the Property and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Respondents;
- (l) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

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

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the Respondents, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf, and (iii) 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 aspect(s) or portion(s) of the 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. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Respondents in respect of the Property, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE RESPONDENTS OR THE PROPERTY

8. **THIS COURT ORDERS** that no Proceeding against or in respect of the Respondents in respect of the Property or against 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

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under way against or in respect of the Respondents in respect of the Property or against the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. **THIS COURT ORDERS** that all rights and remedies against the Respondents, 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 Respondents to carry on any business which the Respondents are not lawfully entitled to carry on, (ii) exempt the Receiver or the Respondents 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.

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

11. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Respondents or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services,

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centralized banking services, payroll services, insurance, transportation services, utility or other services to the Respondents in respect of the Property 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 that the Receiver shall be entitled to the continued use of the Respondents' current telephone numbers, facsimile numbers, internet addresses and domain names in respect of the Property, 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 Respondents or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

12. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part in respect of the Property, 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

13. **THIS COURT ORDERS** that all employees of the Respondents shall remain the employees of the Respondents until such time as the Receiver, on the Respondents' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in, section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

LIMITATION ON ENVIRONMENTAL LIABILITIES

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

any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

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

RECEIVER'S ACCOUNTS

16. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

- 11 -

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

FUNDING OF THE RECEIVERSHIP

19. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$500,000.00 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

- 12 -

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

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

SERVICE AND NOTICE

23. **THIS COURT ORDERS** that the service of documents shall be made by way of an HTML link to the documents as posted by the serving party on either the Case Website (set out below) or if time does not permit, on the serving party's own website, or as a PDF attachment where the party serving the documents is unable to create an HTML link, with HTML Links to the website for cross-referenced documents already posted there (the "**Protocol**"), and such service shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL 'www.insolvencies.deloitte.ca/cn-ca/GoldenDragonHo10-11'.

24. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by

- 13 -

forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Respondents' creditors or other interested parties at their respective addresses as last shown on the records of the Respondents and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

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

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

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

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

proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

29. **THIS COURT ORDERS** that 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 Respondents' estate, with such priority and at such time as this Court may determine.

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

31. **THIS COURT ORDERS** that notwithstanding the commencement of the within Application and the appointment of the Receiver, the Applicant shall be deemed to be protecting its security, shall not be deemed to have resorted to realizing upon its security over the Property, and the equitable right of redemption in respect of the Applicant's mortgages over the real property of the Respondents identified on the attached Schedule "A" shall not be triggered.

32. **THIS COURT ORDERS** that the Confidential Exhibits shall be sealed, kept confidential and not form part of the public record, but rather shall be placed, separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order.

33. **THIS COURT ORDERS** that the Confidential Exhibits shall remain under seal until further Order of the Court.

Hackel J.

ENTERED AT OTTAWA
INSCRIT A OTTAWA
ON/LE SEP 22 2017
DOCUMENT # 0911
IN BOOK NO. 73-13
AU REGISTRE NO. 73-13

- 16 -

SCHEDULE "A"

THE PROPERTY

Golden Dragon Ho 10 Inc.

PIN 04213-0302 LT in LRO #4

Description: PART OF LOT 18 PLAN 43586 N/S CLARENCE STREET BEING PART 1 ON 4R21669:OTTAWA. T/W RIGHT-OF-WAY AND EASEMENT OVER PART LOTS 16,17 & 18 PLAN 43586 PT 3 PLAN 4R21669 AS IN OC699531. T/W EASEMENT OVER PART LOTS 16,17 & 18 PLAN 43586 PART 4 ON 4R21669 AS IN OC699531. T/W RIGHT-OF-WAY OVER PART LOTS 16, 17 & 18 PLAN 43586 PART 2 ON 4R21669 AS IN OC699531. S/T RIGHT-OF-WAY AND EASEMENT OVER PART 1 ON 4R21669 IN FAVOUR OF PART LOTS 16, 17 & 18 PLAN 43586 PARTS 2,3 & 4 ON 4R21669 AS IN OC699531.

Golden Dragon Ho 11 Inc.

PIN 04213-0303 LT in LRO #4

Description: PART LOTS 16,17 & 18 PLAN 43586 N/S CLARENCE STREET BEING PARTS 2,3 & 4 ON 4R21669; OTTAWA S/T RIGHT-OF-WAY AND EASEMENT OVER PART 3 ON 4R21669 IN FAVOUR OF PART LOT 18 PLAN 43586 PART 1 ON 4R21669 AS IN OC699531. S/T EASEMENT OVER PART 4 ON 4R21669 IN FAVOUR OF PART LOT 18 PLAN 43586 PART 1 ON 4R21669 AS IN OC699531. S/T RIGHT-OF-WAY OVER PART 2 PLAN 4R21669 IN FAVOUR OF PART LOT 18 PLAN 43586 PART 1 ON 4R216 69 AS IN OC699531. T/W RIGHT-OF-WAY AND EASEMENT OVER PART 1 ON 4R21669 IN FAVOUR OF PART LOTS 16, 17 & 18 PLAN 43586 PARTS 2,3 & 4 ON 4R21669 AS IN OC699531.

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SCHEDULE "B"**RECEIVER CERTIFICATE**

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the interim receiver (the "**Receiver**") of the real property of Golden Dragon Ho 10 Inc. and Golden Dragon Ho 11 Inc. identified on Schedule "A" to the Appointment Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 22nd day of September, 2017 (the "**Order**") made in an action having Court file number _____, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the 1st day of each month after the date hereof at a notional rate per annum equal to the rate of two per cent above the prime commercial lending rate of Royal Bank of Canada from time to time.

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

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

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

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

DATED the ___ day of _____, 20__.

DELOITTE RESTRUCTURING INC., solely in its capacity as Receiver of the Property, and not in its personal or corporate capacity

Per: _____
Name:
Title:

Per: _____
Name:
Title:

FIRST NATIONAL FINANCIAL GP CORPORATION

and

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

Applicant

Respondents

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding Commenced at OTTAWA

**APPOINTMENT ORDER
(Interim Receiver)**

BLANEY MCMURTRY LLP
Barristers & Solicitors
2 Queen Street East, Suite 1500
Toronto ON M5C 3G5

Eric Golden (LSUC #38239M)
(416) 593-3927 (Tel)
(416) 596-2049 (Fax)
Email: egolden@blaney.com

Chad Kopach (LSUC #48084G)
(416) 593-2985 (Tel)
(416) 594-0957 (Fax)
Email: ckopach@blaney.com

Lawyers for the Applicant

Appendix “B”

Deloitte

Deloitte Restructuring Inc.
 Bay Adelaide East Tower
 22 Adelaide St. West, Suite 200
 Toronto ON, M5H 0A9
 Canada

NOTICE TO TENANTS

Tel: 416-775-8846
 Fax: 416-601-6690
www.deloitte.ca

To: **Current Tenants of 345 and 347 Barber St., Ottawa
 (formerly known as 345 and 347 Clarence St)**

On September 22, 2017, Deloitte Restructuring Inc. was appointed as interim receiver (the "Receiver") of certain real property of Golden Dragon Ho 10 Inc. ("GDH 10") municipally known as 347 Barber St. Ottawa, Ontario (formerly known as 347 Clarence St., Ottawa) and of certain real property of Golden Dragon Ho 11 Inc. ("GDH 11") municipally known as 345 Barber St. Ottawa, Ontario (formerly known as 347 Clarence St., Ottawa), pursuant to an Order of the Superior Court of Justice ("Interim Receivership Order"). Please contact the undersigned, or visit our website at www.insolvencies.deloitte.ca/en-ca/GoldenDragonHo10-11 to access a copy of the Interim Receivership Order.

Until further written notice from the Receiver or the Court, your rent for 345 Barber Street or 347 Barber Street and any other amounts payable by you under your lease for 345 Barber Street or 347 Barber Street (collectively, the "Rents") must continue to be paid to CLV Group Inc. ("CLV"), Property Managers, in accordance with the terms of your lease, tenancy or other occupation agreement for 345 Barber Street or 347 Barber Street with the landlord or any person acting under the landlord's behalf, and in accordance with the Notices of Attornment of Rent recently delivered by CLV. Any payment to any party other than CLV will not absolve you of your rent obligations.

The Receiver will be convening a tenants' meeting at which time you may ask any questions you have concerning the status of the 345 Barber Street, 347 Barber Street and the interim receivership. You will be advised of the time and location of the tenants' meeting once it has been arranged.

Attached to this letter is a form that we will require from each tenant with respect to their tenancy at 345 Barber Street and 347 Barber Street. Kindly fill out the required information prior to the meeting and bring it with you. If you are unable to print this document, copies will be made available at the meeting.

Should you have any questions, or are unable to attend the tenants' meeting please contact either of the following individuals: Julie Haghiri at 416-607-1341 or jhaghiri@deloitte.ca or Jacqui Hoppin at 613-751-5289 or jhoppin@deloitte.ca.

DATED at Ottawa, Ontario, the 22 day of September, 2017.

DELOITTE RESTRUCTURING INC.
 in its capacity as Interim Receiver of the
 certain of the real property of
 Golden Dragon Ho 10 Inc. and
 Golden Dragon Ho 11 Inc.
 and not in its personal capacity

Per: 

John Saunders, CPA, CA, CIRP, LIT
 Senior Vice President
 Deloitte Restructuring Inc.

Appendix “C”

District of: Ontario
 Division: 12-Ottawa
 Court No.: 17-73967
 Estate No.:

FORM 87
 Notice and Statement of the Receiver
 (Subsections 245(1) and 246(1) of the Act)

The Interim Receiver gives notice and declares that:

1. On the 22nd day of September, 2017, Deloitte Restructuring Inc. ("Deloitte"), became the interim receiver of the property of Golden Dragon Ho 10 Inc. ("GDH 10") and Golden Dragon Ho 11 Inc. ("GDH 11") that is described below:

Other	Rent Receivable	\$44,938*
Real Property	Building and Land	\$10,675,000*
	346 Barber Street and 347 Barber Street, Ottawa, ON	

(*) - Based on information compiled by the Company. Deloitte has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, Deloitte expresses no opinion or other form of assurance on the information contained herein.

2. Deloitte became Interim Receiver by having taken possession and/or control of the property described above by virtue of being appointed by First National Financial GP Corporation, pursuant to mortgages over 345 Barber Street and 347 Barber Street in Ottawa, Ontario.
3. The undersigned commenced the exercise of its power in respect of that appointment on the September 22, 2017.
4. The following information relates to the receivership:
- (a) Address: 384 Bank Street, Ottawa, ON, K2P 1Y4
- (b) Principal line of business: Residential rentals
- (c) Location(s) of business: 345 Barber Street and 347 Barber Street Ottawa, Ontario K1N 8W2
- (d) Amounts owed to each creditor who holds a security on the property described above:

First National Financial GP Corporation	\$8,361,336
First National Financial GP Corporation	\$1
Liahona Mortgage Investment Corporation	\$2,900,000
Romspen Investment Corporation, as Trustee	Unknown

- (e) The list of creditors and amounts owed to each creditor as follows:

<u>Unsecured</u>	
Hydro Ottawa	\$1
Waste Connections of Canada Inc.	\$4,262
Thyssenkrupp Elevator (Canada) Limited	\$4,487
Douglas Fire Safety Systems Ltd.	\$1,175
General Fire Protection Inc.	\$737
Enbridge	\$3,977
City of Ottawa (Water and Sewer)	\$5,354
Bin There Dump That	\$497

- (f) The intended plan of action of the interim receiver during the interim receivership, to the extent that such a plan has been determined, is as follows: The Interim Receiver will preserve the property, take control of receipts and disbursements, collect the rents, and undertake a repair and maintenance program to stabilize the properties in order to increase occupancy.

District of: Ontario
Division: 12-Ottawa
Court No.:17-73967
Estate No.:

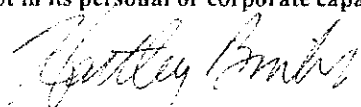
(g) Contact person for receiver:

Julie Haghiri
Deloitte Restructuring Inc.
22 Adelaide Street West, Suite 200
Toronto, ON M5H 0A9
Telephone: 416-607-1341
Fax: 416-601-6690

Dated at Toronto, ON, this 29th day of September, 2017.

DELOITTE RESTRUCTURING INC.
in its capacity as Interim Receiver of the
certain of the real property of
Golden Dragon Ho 10 Inc. and
Golden Dragon Ho 11 Inc.
and not in its personal or corporate capacity

Per:


Hartley Bricks, CPA, CA, CIRP, LIT
Senior Vice President

Appendix “D”

Ministry of Housing

Ministère du Logement

Housing Programs Branch

Direction des programmes de
logement

777 Bay St., 14th Floor
Toronto, Ontario M5G 2E5
Tel: 416 585-7172
Fax: 416 585-6588

777, rue Bay, 14^e étage
Toronto (Ontario) M5G 2E5
Tél. : 416 585-7172
Télécopieur : 416 585-7003



October 2, 2017

Golden Dragon Ho 10 Inc.
c/o Chi Van Ho
532 Montreal Road, Suite 110
Ottawa, ON K1K 4R4

Dear Mr. Ho:

Re: Notice of Breach – 347 Clarence Street, Ottawa (Golden Dragon Ho 10 Inc.)

The Minister of Housing has recently been notified by the City of Ottawa of numerous breaches by Golden Dragon Ho 10 Inc. (GDH 10) of the Municipal Housing Project Facilities Agreement ("MHPFA"), between GDH 10 and the City of Ottawa, dated March 3, 2006, respecting the 347 Clarence Street property, now known as 347 Barber Street. Particulars of the breaches are set out in the City of Ottawa's letter to you, dated September 21, 2017.

The Minister of Housing has also recently been notified by First National Financial GP Corporation (First National) that the two First National mortgages on 347 Clarence Street are in default. Those defaults relate to monetary and non-monetary provisions of the mortgage. Particulars of the defaults are set out in the mortgagee's letter sent to you, dated August 17, 2017.

I am writing on behalf of the Minister of Housing to inform you that these defaults constitute breaches under the Provincial Contribution Agreement (PCA).

Under section 3.4 of the PCA, "The Proponent shall not at any time during the term of this Agreement breach any contribution agreement respecting the Project that it has entered into with an entity included in Contributions by Others, including any municipal capital facility agreement made pursuant to section 110 of *Municipal Act, 2001* and shall not, through any breach on its part, cause such other entity to terminate a contribution agreement for cause. The Proponent agrees that a breach by it of any such contribution agreement, that has not been corrected, shall constitute a breach of this Agreement."

In addition, under section 2.9 of the PCA, "The Proponent shall use the monthly Affordability Payment to contribute towards the principal and interest payment incurred by the Proponent in connection with the Proponent's permanent financing obligations for the Project, following the

completion of construction.” Section 6.11 of the PCA provides that: “The Affordability Payment shall be paid by the Minister to the Proponent in monthly instalments over a twenty (20) year term, commencing as of the Interest Adjustment Date, provided the Proponent has complied with the requirements of this Agreement.”

Under section 5.3(a) of the PCA, the provision of funding by the Minister is subject to the Proponent being in good standing under any MCFA. The correspondence from the City of Ottawa indicates that GDH 10 is in breach of the MCFA. In addition, under section 5.3(e) of the PCA, the provision of funding by the Minister is subject to the Proponent being in good standing under all of the Permitted Encumbrances. The two mortgages in favour of First National are Permitted Encumbrances under the PCA. There is also an Assignment between First National and Quex Property Corporation, your predecessor on title, which you assumed and under which the Affordability Payments are assigned to the Lender (First National), effective upon and during a mortgage default by the Borrower.

The Minister has also been advised that First National brought an Application for an interim receiver. The Application was granted on September 22, 2017. Under section 10.1(c) of PCA, if the receiver’s appointment is not vacated within thirty (30) days, the Proponent shall repay the Minister the principal amount of the loan, together with accrued interest and three (3) months bonus interest, and the Minister may reduce or terminate the Affordability Payments or may require the Proponent to pay back such Affordability Payments as the Minister may determine.

In accordance with the PCA and the Assignment, please be advised that as of September 11, 2017, Affordability Payments by the Province were not paid to GDH 10, as it is in breach of the PCA. The payments will be redirected and paid to First National until there are no longer any breaches under the PCA and the PCA is back in good standing.

The Minister has also been advised that a review of the rent rolls for 347 Clarence Street, from June to September 2017, has revealed that fewer than thirty (30) units are being operated as affordable housing. Since the Affordability Payments are based on funding thirty (30) units, the Ministry will need to determine whether excess payments have been made, and if so, determine any appropriate action to recover excess payments.

This letter constitutes notice under section 10.2 of the PCA, which provides that: “In the case of a default that can be corrected, the Proponent shall not be required to make any payment of principal and interest on the principal amount of the Loan and the Minister shall not reduce or terminate the Affordability Payment or require the Proponent to pay back such Affordability Payments as the Minister may determine pursuant to section 10.1, unless:

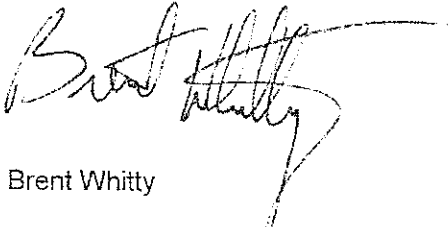
- a) The Minister has delivered to it written notice of the Proponent’s breach of the Agreement; and
- b) The Proponent has not corrected the said breach within twenty (20) Business Days following its receipt of the said notice or such longer period as may be determined by the Minister in his sole and absolute discretion.”

If the defaults are not corrected within twenty (20) Business Days of receipt of this notice, the Minister may reduce or terminate the Affordability Payments or require Affordability Payments to be paid back.

As the Proponent, GDH 10 should keep the Minister informed of any breaches under the PCA, as well as efforts to correct breaches under the agreement. Please provide all relevant updates in writing to Jason Cooke, Account Manager, Housing Programs Branch, Ministry of Housing (Jason.Cooke@ontario.ca).

Please do not hesitate to contact me at the Ministry of Housing if you have any questions or concerns about this notice.

Sincerely,



Brent Whitty

Manager, Housing Programs Branch
Ministry of Housing
777 Bay Street, 14th Floor
Toronto, ON M5G 2E5
Telephone: 416-585-7172
Email: Brent.Whitty@ontario.ca

C: Shelley A. Vanbuskirk, Director, Housing Services, City of Ottawa

Appendix “E”



September 21, 2017

Golden Dragon Ho 10 Inc.
c/o Chi Van Ho
532 Montreal Road, Suite 110
Ottawa, ON K1K 4R4

Dear Mr. Ho:

Re: Notice of Breach – 347 Clarence Street, Ottawa (Golden Dragon Ho 10 Inc.)

The City of Ottawa was recently notified by First National Financial GP Corporation (First National) that the two First National mortgages on 347 Clarence Street, now known as 347 Barber Street, Ottawa are in default. Those defaults relate to monetary and non-monetary provisions of the mortgage. Particulars of the defaults are set out in the mortgagee's letters that were recently sent to you.

Accordingly, I am writing on behalf of the City of Ottawa to inform you that these defaults are also breaches under the Municipal Housing Project Facilities Agreement ("MHPFA"), that Golden Dragon Ho 10 ("GDH 10") signed with the City of Ottawa on March 8, 2016 for the 347 Clarence Street property. The breaches of the MHPFA are outlined below.

Section 18 of the MHPFA prohibits "the assignment or transfer of the Agreement or any of its responsibilities, rights or obligations under this Agreement without the prior written consent of the City, which may be withheld." However, the City has been advised that Golden Dragon Ho 10 and 11 ("GDH 10" and "GDH 11") were working on a Proposed Share Purchase Agreement, which would effectively assign GDH 10's rights under this agreement. To do so without prior written consent from the City would constitute a default under Sections 18 and 23 of the MHPFA.

Section 31 of the MHPFA requires the Housing Provider to provide the City with annual reports including a management representation report, a report on compliance with this agreement prepared by an auditor and audited financial statements. Despite repeated requests from the City, you have failed to do so which constitutes a default under Sections 12(2) and 31 of the MHPFA.

Pursuant to Section 36 of the MHPFA, GDH 10 is required to maintain the interior and exterior of the building and to repair the Project as necessary. However, inspections of the property conducted on August 9, 2017 and September 11, 2017 revealed a number of deficiencies in the roof systems, wall systems, balcony systems, elevator systems, interior finishes, and site features. This constitutes a default under Sections 36, 37 and 69(1)(d) of the MHPFA.

Under the MHPFA, GDH 10 is responsible for renting all project units and permitting their occupancy in accordance with the MHPFA which requires a minimum of 30 units within the project be rented as affordable housing unit. However, a review of the rent rolls from June

*Shaping our future together
Ensemble, formons notre avenir*

City of Ottawa
Community and Social Services Department
Housing Services Branch
100 Constellation Crescent, 8^e Floor East
Ottawa, Ontario K2G 6J8
Tel: (613) 580-2424 Fax: (613) 580-2648
www.ottawa.ca

Ville d'Ottawa
Département des services sociaux et communautaires
Direction du logement
100, croissant Constellation, 8^e étage Est
Ottawa (Ontario) K2G 6J8
tél: (613) 580-2424 téléc: (613) 580-2648
www.ottawa.ca

to September 2017 has revealed that many fewer than 30 units are being operated pursuant to the requirements of Sections 19, 20 and 21 of the MHPFA. This constitutes a default under the MHPFA.

The City has also been advised that GDH 10's property insurance for 345-347 Clarence properties was cancelled as of July 9, 2017. This constitutes a violation of Sections 44 and 45 of the MHPFA.

The City consented to the registration of the second charge mortgage to MHO on condition that the monthly affordability payments be applied to the principal amount owed by GDH 10. This failed to occur as of July 31, 2017 and in fact no mortgage payments have been made since that date. This constitutes a default under Sections 59 and 60(2) of the MHPFA.

The City has also been notified that Golden Dragon Ho 11 granted a second mortgage against the property at 345 Clarence. This constitutes a direct violation of Section 60(1) of the MHPFA.

Subsection 69(1)b) of the MHPFA provides that the failure of GDH 10 to fulfill its obligations under this agreement constitutes a breach of this agreement. Subsection 69(1)d) of the MHPFA provides that the failure of Golden Dragon Ho 10 Inc. to manage the project adequately, as a prudent landlord would also constitutes a breach. Further, the City is in receipt of a Notice of Application for Interim Receiver which is to be heard Friday September 22, 2017. The issuance of a Court Order granting the interim receivership would constitute an act for the benefit of creditors subject to the provisions of the Bankruptcy and Insolvency Act which, as set out in Subsection 69(1)a) of the MHPFA also constitutes a breach of the agreement. Accordingly, should the Application be granted, Golden Dragon Ho Inc. will also be in breach of the agreement pursuant to Section 69(1)a) effective the date any such Order is issued.

This letter constitutes notice under Subsection 70(3) of the MHPFA, which provides that: "The City shall give the Housing Provider written notice of any breach, specifying particulars, and if the Housing Provider does not remedy or commence remedying the breach to the City's satisfaction, in its sole discretion, within thirty (30) days from the date the notice is delivered, the City may exercise the remedies set out in subsection (1)."

If the defaults are not corrected within 30 Business Days of receipt of this notice, the City may terminate the Housing Provider's rights under the Agreement or require the Housing Provider to pay to the City the entire amount of the benefits conveyed under the Agreement, in the amount of \$1,278,054 together with any applicable costs and interest or any other remedies available to the City pursuant to Sections 27 and 70 of the MHPFA.

As Housing Provider, GDH 10 should keep the City informed of any breaches under the MHPFA, or any other contribution agreement with the Minister, as well as efforts to correct breaches under the agreement. Please provide all relevant updates in writing to Lisa Goodfellow, Program Manager, Housing Services, City of Ottawa.

Please do not hesitate to contact me at the City of Ottawa if you have any questions or concerns about this notice.

Sincerely,

A handwritten signature in black ink, appearing to read "Shelley A. Vanbuskirk". The signature is written in a cursive, flowing style.

Shelley A. Vanbuskirk
Director, Housing Services
City of Ottawa
100 Constellation Drive, 8th Floor E
Ottawa, ON K2G6J8
Telephone: 613-580-2424 ext. 16366
Email: Shelley.Vanbuskirk@ottawa.ca

Appendix “F”

**In the Matter of the Interim Receivership of certain real property of
Golden Dragon Ho 10 Inc. and Golden Dragon Ho 11 Inc.
Interim Receiver's Statement of Receipts and Disbursements
For the period September 22, 2017 to October 13, 2017**

Receipts		
Rent	\$	55,274
Total Receipts		<u>55,274</u>
Disbursements		
Filing fees paid to Official Receiver		70
GST/HST Paid		36
Postage		21
Other		284
Total Disbursements		<u>411</u>
Excess of Receipts and Disbursements	\$	<u><u>54,863</u></u>