

**IN THE MATTER OF THE BANKRUPTCY OF
SADIE MORANIS REALTY CORPORATION
Of the City of Toronto, in the Province of Ontario**

TRUSTEE'S REPORT ON ITS PRELIMINARY ADMINISTRATION

TRUSTEE: POLLARD & ASSOCIATES INC.

Background

On January 19, 2016, Sadie Moranis Realty Corporation, (Sadie Moranis or the Company) filed an assignment in bankruptcy. Prior to Sadie Moranis filing an assignment in bankruptcy the owner of the Company had reviewed the Company financial operations, the amount of debt owing, including outstanding payroll deductions and HST, and numerous legal issues against the Company.

The Company had a significant legal action with Sutton Group Realty Services Ltd., and a previous employee which caused significant time to be incurred in dealing with this issue. The general costs of the operation were not being covered by the revenue generated from the % of commissions paid by the agent to the Company.

The director had invested personal funds into the Company to attempt to make the necessary payments to the creditor and she determined that she was no longer prepared to invest anything further.

Canada Revenue Agency (CRA) had issued requirements to pay against the Company with its financial institution and funds were forwarded to CRA to cover the demands from the trust accounts in error and the Company was prior to filing working towards return of these funds. The Company's agent had in 2015 moved to other real estate firms and the Company was no longer generated any future sales. During this period transactions were completed and funds were paid as required under the sales agreement and the commission to the Company remained in the trust accounts.

Assets

(i) Deposits in Financial Institutions

At the time of the filing of the assignment in bankruptcy the trust accounts held \$140,830.03 which the Company stated was the commission earned to them during the wind down of the operation.

After filing the Trustee with the assistance of the director have determine that these funds include deposits made on account of sales. The reconciliation of the trust accounts is ongoing. It is the expectation that the reconciliation will be completed within the next week.

The Trustee is aware that a significant amount of these funds will actually be deposits on hand for sale transactions not completed.

(ii) Other Property ó pending future sales

At the time of filing the Company advised that they had future sales pending with estimated commission % for the Company of just over \$100,000 and the Company estimated that the future sales to a broker would be worth around \$20,000.

It is the intention of the Trustee to sell these future sales to a third party broker in order for them to complete the sale transactions in the future. The Trustee has the sales documentation for the uncompleted transactions.

(iii) Furniture

The Company has estimated that its furniture has a value of \$40,000. All of the furniture is subject to various lease agreements.

The Trustee intents to release its interest on the claims filed in reference to the furniture.

Conservatory and Protective Measures

The Trustee has not taken possession of the furniture of the Company. The furniture is leased and remains at 1440 Don Mills Road, Toronto, Ontario.

The Trustee has in its possession of the pending future sale transactions.

Books and Records

The Trustee took possession of the books and records of the Company. The Trustee has not reviewed these records at this time for reviewable or preference payments.

The T4s for 2015 have been completed and filed with CRA. In addition the Company issued the ROEs to the employees prior to the bankruptcy.

Wage Earner Protection Program

The Trustee is in the process of preparing the necessary documents for one of the terminated employee to file a claim under the Wage Earner Protection Program. The Trustee has been advised that one employee has outstanding wages and is in the process of gathering the necessary paperwork to file the claim.

Legal Proceedings

The Toronto Dominion Bank (TD) has a general security agreement however based upon the financial situation of the Company has not yet provided to the Trustee its security documentation nor have they filed a claim. The Trustee has been advised that TD at this time has no intentions of filing a claim in reference to its General Security Agreement.

CRA had returned funds to the Company which was removed from the trust accounts held at TD prior to the bankruptcy. CRA has not yet filed its trust claim for outstanding source deductions which the Trustee anticipates will be in excess of \$182,000.

The Company engaged counsel to assist in obtaining an overpayment of CPP and EI premiums from 1977 to and including 1990 taxation year. Counsel for the Company has had communication and correspondence with CRA and the matter remains outstanding at this time. CRA has claimed that the matter is statute-barred from refunding over-remittances. The Trustee is

in the process of determining the merits of the claim and the legal costs involved in continuing the action.

Creditors

| | Statement of Affairs | Proof Lodged |
|--------------|-------------------------|----------------------|
| Deemed Trust | \$ 181,200.00 | \$ 0.00 |
| Contingent | 0.00 | 0.00 |
| Secured | 3,773,691.69 | 82,201.07 |
| Preferred | 0.00 | 0.00 |
| Unsecured | <u>1623,560.30</u> | <u>900,964.96</u> |
| Total | <u>\$ 5,578,451.99</u> | <u>\$ 983,166.03</u> |

Secured creditors

Capmor Financial Services Corporation has filed a proof of claim for its leased assets and the Trustee has reviewed the claim. The Trustee will be releasing its interest in the leased assets.

CIT Financial Ltd., has filed a proof of claim for its leased assets and the Trustee has reviewed the claim. The Trustee will be releasing its interest in the leased assets.

DSM Leasing Ltd., has filed a proof of claim for its leased assets and the Trustee has reviewed the claim. The Trustee will be releasing its interest in the leased assets.

Anticipated Realization and Projected Distribution

It is anticipated that there will be insufficient funds available for the unsecured creditors.

Solicitor for the Trustee

The Trustee has not at this time engaged legal counsel.

The Trustee did receive from the director funds in the amount of \$16,950 to cover its fees and expenses in reference to the administration of the estate.

Dated at Richmond Hill, this 10th day of February, 2016

POLLARD & ASSOCIATES INC.