

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

GODSTONE CO-OWNERSHIP INC.

Applicant

and

MAPLE RIDGE REAL ESTATE INVESTMENTS CORP., DUCA FINANCIAL SERVICES CREDIT UNION LTD., LYDIA LUCKEVICH, RGL PROPERTY SERVICES INC., 1320950 ALBERTA LTD., 1336364 ALBERTA LTD., 1336365 ALBERTA LTD., 1336366 ALBERTA LTD., 1336367 ALBERTA LTD., PETER ZHANG, CUI HUA SUN, FANCISO CENDANA, ELIZABETH CENDANA, DAVE LALL, CARMAN MANGAL, JOE DANIEL, JIM MILNE, CHERYL FORRIN, NOEL MORRISON, RICARDO ARCHER, HYACINTH NINES, WENDY WANG, JIAN HUANG, SAUNDREA COBURN, DANIEL JOHNSTON, MARJORIE JOHNSTON, MARC LEAN and JANET LOUISE HILSON

Respondent

**SUPPLEMENTARY REPORT OF THE COURT APPOINTED RECEIVER OF
GODSTONE CO-OWNERSHIP INC. (“Supplementary Report”)**

August 11, 2017

INTRODUCTION

1. On July 27, 2015, the Honourable Justice Hainey of the Ontario Superior Court of Justice (Commercial List) issued an order (the “Receivership Order”) appointing Pollard & Associates Inc., as Interim Receiver (“Receiver”) without security, of all of the following co-ownership units located within a 103-unit townhouse development located at 53 to 71 Godstone Road, in the City of Toronto, in the Province of Ontario (the “Godstone Project”):

- (a) Units 57-111, 57-119, 59-117, 63-111, 63-115, 63-116 and 71-118 held by Maple Ridge Real Estate Investments Corp. (“Maple Ridge”) (the “Maple Ridge Units”);

- (b) Units 67-115, 67-116, 67-120, 67-121, 69-124 held by 1320950 Alberta Ltd;
- (c) Units 69-121, 69-123, 69-127 held by 1336364 Alberta Ltd;
- (d) Units 69-116, 69-117, 69-120, 69-126 held by 1336365 Alberta Ltd;
- (e) Units 69-111, 69-114, 69-115 held by 1336366 Alberta Ltd;
- (f) Units 69-110, 69-125 held by 1336367 Alberta Ltd; (collectively, the “Alberta Companies” and the “Alberta Units”) on an interim basis pending the return of this motion on August 12, 2015.

The Maple Ridge Units and the Alberta Units are also referred to collectively herein as the Units.

2. On August 12, 2015, the court ordered the continuation of the Interim Receivership.
3. The purpose of this Supplementary Report is to update the Court of additional information provided to the Receiver following preparation and service of the Receivers Fifth Report to Court dated July 17, 2017 (“Fifth Report”).
4. The terms used herein are as defined in the Fifth Report.

DUCA

5. DUCA has filed a motion record returnable on August 15, 2017 requesting that funds held by the Receiver from the sale of the Units to TT6 be distributed to DUCA being the first registered mortgage on the Units.
6. DUCA has filed a claim with the Receiver which is outlined in paragraph 40 to 47 of the Fifth Report.
7. The Receiver has reviewed the motion brought by DUCA and is not prepared to support the distribution of any of the funds currently held by the Receiver to DUCA at this time.
8. It is the Receiver’s opinion that it would be premature to distribute any funds as the Court will have to adjudicate the priority issues as well as the validity of the claims filed with the

Receiver as outlined in the Fifth Report and as further outlined in the Supplementary Report of the Receiver.

GODSTONE

9. The Receiver had outlined in detail its review of the claim filed by Godstone in paragraph 48 to 97 of the Fifth Report which forms part of the motion brought by the Receiver to be heard on August 15, 2017. More particularly, the Receiver's concerns with Godstone's claims are outlined in the Fifth Report.

10. Subsequent to the Receiver's counsel delivering the Fifth Report, counsel for Godstone advised the Receiver that he had made an error in the preparation of the Unit spreadsheets attached to the claim filed which resulted in Godstone claiming for outstanding common area expenses after July 2015. Counsel for Godstone advised the Receiver that Godstone would be forwarding corrected schedules and presumably amending its claim to reflect the payment of the common area expenses by the Receiver from July 2015 to the completion of the APS. A copy of the email from counsel for Godstone dated July 20, 2017 is attached to this report as **Schedule "A"** hereto.

11. To date, the Receiver has not received anything further from Godstone to reflect these changes as outlined in the email from counsel for Godstone.

12. The incorrect accrual of the common area fees from July 2015 and interest associated with the same only address one of the many issues the Receiver noted from its review of Godstone claim.

13. The Receiver had addressed in the Fifth Report concerns in reference to the use of the Special Assessment as outlined in paragraph 52 to 61 of the Fifth Report. Godstone has not provided any additional information to the Receiver to support the use of the Special Assessment.

14. The Receiver reviewed the schedules provided to support the claim filed by Godstone for Unit 57-111; 57-119; 59-117 and 71-118.

15. From its review of the records of Godstone and that of Godstone's auditors the Receiver outlined its findings that not all rents or common area expenses collected by Godstone were reflected in the schedules provided to support the claim filed with the Receiver.

16. The Receiver also determined from the records that various units were used by Godstone for either management office, sales offices or as storage.

17. In addition, the Receiver outlined in reference to unit 57-119, that Godstone did not collect the amount of rent from the tenant as per the terms of the lease as outlined in paragraph 78 to 80 of the Fifth Report.

18. Godstone has not provided the Receiver any additional information or further details in reference to the claim filed by Godstone with the Receiver.

19. As discussed in detail in the Fifth Report, the claim filed by Godstone in its current form is not supportable. The Receiver remains of the opinion that the court can either authorize the Receiver to disallow the claim or direct the Receiver to attempt to determine what amount is outstanding, if any, to Godstone.

20. Previously Godstone had moved before the court seeking an order that the Receiver be discharged. Pursuant to terms of an accepted offer to settle, that motion was settled.

21. Following service of the Fifth Report Godstone's counsel has advised that Godstone intends to renew its request for the Receiver to be discharged.

HILSON

22. Based on the findings of the Receiver as reported in the Fifth Report, the Receiver is of the opinion that the Hilson claim should be decreased to \$1,171,360 which includes interest to July 1, 2017 at the rate of 12%. Since delivery of the Fifth Report the Receiver has not received anything further from Hilson's counsel in respect to the amount of the claim as adjusted by the Receiver.

KRUG

23. Based on the findings of the Receiver as reported in the Fifth Report, the Receiver is of the opinion that the Krug claim should be increased by \$31,531.20 to \$957,852.80. Since delivery of the Fifth Report the Receiver has not received anything further from Krug's counsel in respect to the amount of the claim as adjusted by the Receiver.

LUKEVICH

24. Based on the findings of the Receiver as reported in the Fifth Report, the Receiver is of the opinion that the Lukevich claim should be decreased to \$497,640 which includes interest to July 1, 2017 at the rate of 12%. Since delivery of the Fifth Report the Receiver has not received anything further from Lukevich's counsel in respect to the amount of the claim as adjusted by the Receiver.

RGL

25. Based on the findings of the Receiver as reported in the Fifth Report, the Receiver is of the opinion that the RGL claim should be decreased by \$113,093.81 to \$688,108.45. Since delivery of the Fifth Report the Receiver has not received anything further from RGL's counsel in respect to the amount of the claim as adjusted by the Receiver.

PRIORITY ISSUES, VALIDITY OF CLAIMS AND OTHER CONCERNS TO BE CONSIDERED

26. In view of the findings of the Receiver in respect of the various claims filed, the court ought to consider the following:

- (a) In light of the settlement of the previous motion to discharge the Receiver, can Godstone renew its request for the discharge of the Receiver;
- (b) Are the claims of Cassan, Yoa and Mihai valid claims and if so, are their claims that of unsecured creditors;
- (c) Should Godstone's claim be disallowed in light of the findings of the Receiver;

- (d) Should the Receiver spend time and resources attempting to determine the amount owing to Godstone, if any; or is Godstone's claim valid as filed;
- (e) Is DUCA's claim, as filed, a valid claim;
- (f) Assuming Godstone's claim is valid; does Godstone have priority over DUCA's claim based on its reliance of the registration of the Co-Ownership Agreement;
- (g) If the answer to (f) is no, then does DUCA have priority over all of the other creditors given that their mortgage is registered in first position to the Units;
- (h) Is Hilson's claim, as filed/amended by the Receiver, a valid claim;
- (i) Is Lukevich's claim, as filed/amended by the Receiver, a valid claim;
- (j) Does DUCA owe a fiduciary obligation to Hilson and/or Lukevich and if so, does Hilson and or Lukevich claim have priority over DUCA;
- (k) Assuming that Godstone has a valid claim, does Godstone have priority over the Hilson and/or Lukevich claims based on its reliance of the registration of the Co-Ownership Agreement;
- (l) Based on the findings of the Receiver, does Krug have a valid claim;
- (m) Does Krug have a priority claim over DUCA on the basis of the argument that the proceeds from the collateral mortgages provided to DUCA by Lape should not have been used to maintain the mortgages of various investors in the Godstone project;
- (n) Does the argument set forth in (m) above provide Krug with priority over all of the claimants;
- (o) Is Krug's claim an unsecured claim;
- (p) Based on the findings of the Receiver, does RGL have a valid claim; and
- (q) Is RGL's claim an unsecured claim.

CONCLUSION

27. For the reasons set out in this Supplementary Report and the Fifth Report, the Receiver respectfully requests that this Court:

- (a) Accept and approve all of the actions and activities of the Receiver as set out in this Supplementary Report; and
- (b) Consider the validity and priority of the claims as well as additional concerns as set out above.

All of which is respectfully submitted.

Dated August 11, 2017

POLLARD & ASSOCIATES INC.,
In its capacity as the Court Appointed Receiver of
GODSTONE CO-OWNERSHIP INC. limited only
to the Maple Ridge Units and the Albert Units
and not in its personal capacity

Per:



Angela K. Pollard - President

Schedule "A"

Laura Monteforte

From: Joe Neal <jneal@neallaw.ca>
Sent: Thursday, July 20, 2017 12:20 PM
To: Kelli Preston
Cc: Catherine Francis; 'russo@russocanhel.com'; 'hr@reiningerbarrister.com'; 'thomas.mcrae@shibleyrighton.com'; 'mk@ksllaw.com'; 'jrosenstein@rosensteinlaw.ca'
Subject: RE: Godstone v. Maple Ridge, et. al. Motion Returnable August 15, 2017

Kelli: Please advise Ms. Pollard that I made an error in the preparation of the unit spreadsheets attached to our claim which resulted in the continued accrual of common expenses after July 2015, which as pointed out in the 5th Report is certainly not correct as they were either paid by the Receiver, or the buyer after Jan 2017. I forgot to change the formula in the spreadsheets after July 2015 and the only accrual after that would be for interest. The error is mine, and was not intended, and that is probably why I became a lawyer instead of an accountant. I will be forwarding corrected schedules.

Thanks

Joe

GODSTONE CO-OWNERSHIP INC.

Applicant

and
MAPLE RIDGE REAL ESTATE
INVESTMENTS CORP. ET AL

Respondents

Court File No. CV-12-9934-00 CL

ONTARIO
**SUPERIOR COURT OF JUSTICE
COMMERCIAL COURT**
Proceeding commenced at TORONTO

**SUPPLEMENTARY REPORT OF
THE COURT APPOINTED
RECEIVER OF GODSTONE CO-
OWNERSHIP**

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capacity as Court-appointed Receiver of
Godstone Co-Ownership Inc.