

COURT FILE NUMBER 1702 – 07646

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF
(APPLICANT) CONNECT FIRST CREDIT UNION

Clerk's Stamp

DEFENDANTS
(RESPONDENTS) **LREIT HOLDINGS 34 CORPORATION,
LANESBOROUGH REAL ESTATE INVESTMENT
TRUST, CHARLES K. LOEWEN, trustee of
LANESBOROUGH REAL ESTATE INVESTMENT
TRUST, ARNI C. THORSTEINSON, trustee of
LANESBOROUGH REAL ESTATE INVESTMENT
TRUST and EARL S. COLEMAN, trustee of
LANESBOROUGH REAL ESTATE INVESTMENT
TRUST**

DOCUMENT **FIFTH REPORT OF THE RECEIVER**

November 15, 2021

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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INTRODUCTION

1. On February 28, 2019 (the “**Receivership Date**”), an Order was granted by the Court of Queen’s Bench of Alberta (the “**Consent Receivership Order**”) and, pursuant to section 243 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, C.B-3 (“**BIA**”), section 13(2) of the *Judicature Act*, R.S.A. 2000, C.J-2, and 49 of the *Law of Property Act*, RSA 2000, c L-7, Alvarez & Marsal Canada Inc. was appointed Receiver and Manager (“**Receiver**”) of LREIT Holdings 34 Corporation (“**LREIT 34**” or the “**Debtor**”). The Receiver has been appointed over the Debtor’s current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including lands originally legally described as:

Plan 0425943
Block 11
Lot 1
Containing 2.25 Hectares (5.56 Acres) More Or Less
Except Thereout All Mines and Minerals
(The “**Lands**”);

and

All of The Right, Title, and Interest of the Debtor, in All Chattels Located on the Lands
(The “**Chattels**” and together with the Lands, “**Woodland Park**” or the “**Property**”)

2. Lanesborough Real Estate Investment Trust (“**Lanesborough**”) is an unincorporated closed-end real estate investment trust created to invest primarily in a portfolio of mostly residential development properties. Lanesborough is the beneficial interest owner of the various holding companies under its umbrella of companies. LREIT 34 is one such company, and is the bare trustee of Woodland Park. Although the Receiver was appointed as the receiver of Lanesborough's interest in Woodland Park, Lanesborough is not in Receivership.
3. The Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business of the Debtor and to take possession and control of the Property and any and all proceeds, receipts and disbursements

arising out of or from the Debtor, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business.

4. On April 17, 2019, this Honourable Court granted an amended and restated Consent Receivership Order (the “**Amended Receivership Order**”), appointing the Receiver as administrator of Condominium Corporation No. 1820957 (the “**Condo Corporation**”). The Receiver was empowered and authorized to manage the affairs of the Condo Corporation in all respects under the *Condominium Property Act*, RSA 2000, c C-22. The Amended Receivership Order also corrected and amended the definition of “Property” in the Consent Receivership Order.
5. On July 6, 2021, this Court granted an order (the “**Sales Process Order**”) approving, *inter alia*, the Sales Investment and Solicitation Process (the “**SISP**” or the “**Sales Process**”) and the Receiver's retention of Avison Young Commercial Real Estate Services, LP (the “**Advisor**”). Pursuant to the terms of the Sales Process Order, the Receiver and the Advisor were authorized to implement and perform all steps and actions required to effect the Sales Process.
6. The purpose of this fifth report of the Receiver (the “**Fifth Report**” or “**this Report**”) is to provide this Honourable Court with information in respect of the following:
 - a) background, overview and operational updated of the Company since the Receivership Date;
 - b) the Receiver’s activities, generally, since the Receiver's fourth report, dated June 25, 2021 (the “**Fourth Report**”);
 - c) an update on the SISP;
 - d) the asset purchase agreement (the “**Morrison APA**”) between the Receiver and Mario Morrison or his nominee (the “**Successful Bidder**”) dated November 12, 2021, along with the proposed Sale Approval and Vesting Order (the “**SAVO**”);
 - e) the Receiver’s application for the sealing of the Confidential Appendices to this Report;

- f) the cash flow results for the period between June 25, 2021 and November 15, 2021 (the “**Reporting Period**”) and for the consolidated results for the period between February 28, 2019 and November 15, 2021 (the “**Receivership Period**”);
 - g) a brief update on the Receiver’s litigation commenced against the previous property manager and directors of the Condo Corporation and LREIT 34 respecting the Electrical Work Repairs under Court File Number: 2001-15706 (the “**Electrical Work Repairs Claim**”);
 - h) the approval of the proposed interim distributions of funds from the Receiver to Connect First Credit Union (“CFCU” or the “**Lender**”) (the “**Proposed Interim Distributions**”);
 - i) to the extent not previously approved, the approval of the Receiver’s actions, activities and conduct, and the fees and disbursement of the Receiver and those of its Legal Counsel (defined below) for the period covering the Reporting Period;
 - j) the Receiver’s ongoing activities and its proposed course of action; and
 - k) the Receiver’s conclusions and recommendations in respect of the foregoing.
5. Capitalized words or terms not otherwise defined in this Report are as defined in the Amended Receivership Order or the Receiver's prior reports filed with this Honourable Court.
6. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

7. Prior to the Receivership Date, Alvarez & Marsal Canada ULC (“**A&M ULC**”) was engaged as consultant to CFCU, which was consented to by the Debtor and Lanesborough. The engagement commenced on or around February 16, 2016 and was terminated immediately prior to the Receivership Date. In that role, A&M ULC reviewed, assessed and reported to CFCU from time to time on the operations, ongoing viability and security position of LREIT 34, as well as Lanesborough and its other holding companies.

8. In preparing this Report, the Receiver has relied upon: (i) information obtained prior to the Receivership Proceedings through A&M ULC; (ii) the representations of certain management, employees and management company of Lanesborough that managed and operated LREIT 34; (iii) financial and other information contained in the Debtors' books and records, which were produced and maintained principally by the Debtor and its property manager; and (iv) financial and other information provided to the Receiver from its contractors.
9. The Receiver has not performed an audit, review or otherwise attempted to verify the accuracy or completeness of the Company's financial information that would wholly or partially comply with Canadian Auditing Standards ("CASs") pursuant to the Chartered Professional Accountants Canada Handbook, and accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CASs in respect of the financial information. Future oriented financial information relied upon in this Report is based on the Receiver's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.
10. Unless expressly stated, forecasts and projections included in this Report do not reflect the potential financial impact of COVID-19 on the Company's operations. Although the Company has taken various measures to increase safety and to mitigate costs, it is impossible to quantify with certainty the true impact of COVID-19 on the Company's future business operations.

BACKGROUND AND OVERVIEW

11. LREIT 34's principal address is located at 230 Wilson Drive, Fort McMurray, Alberta, commonly referred to as "**Woodland Park**" or the "**Property**". Woodland Park is a 107-unit residential condominium complex located within the Wood Buffalo Estates area of Thickwood Heights in Fort McMurray, Alberta, comprised of 75 apartment units in a single apartment building (the "**Apartment Building**") and 32 separate townhomes (the "**Town Homes**"), 27 of which remain in possession of the Receiver (the "**Remaining Town Homes**"). LREIT 34 is registered to carry on its businesses in the Province of Alberta.

12. CFCU, acting as administrative agent to the lender syndicate, is the senior-secured lender of LREIT 34 and is currently owed approximately \$26 million, which includes principal and outstanding accrued interest.
13. Prior to the Receivership Date, Shelter Canadian Properties Ltd. (the “SCPL”) was the asset manager of LREIT 34. The Receiver has since engaged a property manager, Alberta Property Management Solutions Inc. (“APM”), to manage Woodland Park on a go-forward basis.
14. Further background on LREIT 34, Lanesborough and their operations are contained in the materials filed in support of the Consent Receivership Order. These documents, together with the First and Second Reports and other public filed Court materials in these proceedings have been posted on the Receiver's website at: www.alvarezandmarsal.com/LREIT34 (the “Receiver’s Website”).

OPERATIONAL UPDATE

15. Since the Receivership Date, the Receiver has been working closely with APM to ensure the Property is operating efficiently, effectively and at optimal capacity. In addition, the Receiver has considered, in consultation with APM, areas that require repairs, maintenance, and capital improvement to ensure the condition of the Property is maintained. During the Receivership Proceedings, the Receiver has undertaken several initiatives including, but not limited to:
 - a) **Leasing Initiatives**. With the assistance of APM, the Receiver has increased occupancy from approximately 61% on the Receivership Date to approximately 97% in November 2021. As a result, the gross monthly revenue generated by Debtor's estate has increased from \$123,725 to \$185,575;
 - b) **Electrical Work Repairs**. As discussed in the Receiver’s Third and Fourth Reports, the Receiver was required to overhaul the Apartment Building's electrical system at an approximate cost of \$1.2 million (inclusive of both direct and indirect costs). The Receiver has completed and obtained final inspection approval from the Regional Municipality of Wood Buffalo for the

Electrical Work Repairs and, as detailed below, the damage underlying which remains subject to litigation initiated by the Receiver;

- c) **Water Leak.** On October 20, 2021, the Receiver was notified by APM of a burst water pipe in the Apartment Building (the “**Water Leak**”). The Receiver and its contractors engaged a restoration company to begin emergency damage mitigation. Subsequently, the Receiver notified its condominium insurance broker, BFL Canada Inc., of the Water Leak and proceeded to file a claim under the condominium insurance policy. The Receiver is working with its claims agent, Sedgewick Canada, to address the remediation and restoration of the damages to the Apartment Building. It is expected that the repairs and mediation will be completed by January 31, 2021; and
- d) **Capital Improvements.** The Receiver has undertaken a limited scope capital improvement program to address the deferred maintenance needs identified by APM. Over the course of 2021, the Receiver has approved and spent approximately \$119,000 to upgrade Woodland Park.

Canada Revenue Agency

- 5. As previously reported, the Receiver understands that LREIT 34 is a bare trust corporation. The entity holds a business number with the Canada Revenue Agency (“**CRA**”), but is only registered for corporate tax purposes. As a result of the Receiver's discussions with SCPL, SCPL have completed filing LREIT 34’s corporate tax returns for 2019 and 2020, which were “nil” returns.
- 6. LREIT 34 is not required to file GST returns as its sole source of receipts is residential rental revenue, which the Receiver understands is not subject to GST. As such, no GST is collected from tenants and no input tax credits can be claimed. Further, LREIT does not have a payroll account as all individuals employed in connection with Woodland Park's operations were employed by SCPL.
- 7. As a result of the above, the Receiver understands that LREIT 34 has no amounts outstanding for source deductions and GST prior to the Receivership Date and post-Receivership Date and all corporate income tax returns have been filed to date.

ACTIVITIES OF THE RECEIVER

8. Since the date of the Fourth Report, the Receiver's activities have included, but are not limited to, the following:
 - a) ongoing communication and dealings with the Woodland Park property manager, APM;
 - b) communicating with Lanesborough and SCPL with respect to Woodland Park information and certain financial information;
 - c) gathering and analyzing the market, rental rates, and various valuations for the Remaining Town Homes and Apartment Building;
 - d) maintaining communication with APM in the face of recent challenges due to the COVID-19 pandemic;
 - e) monitoring LREIT 34's cash flow and ensuring rent was being received and suppliers were paid on a timely basis;
 - f) communicating with the Condo Corporation's insurance brokers in order to renew the insurance policies of the Condo Corporation;
 - g) initiating the SISP and communicating with the Sale Agent;
 - h) providing due diligence materials to the Advisor, opening a data room and assisting in the development of marketing materials for the Sales Process;
 - i) operational improvements to the Property, including certain capital improvements;
 - j) communicating with the insurance broker respecting the claim initiated by the Receiver regarding the burst water pipe in the Property;
 - k) selection of the Purchaser and negotiating and executing the Morrison APA;

- l) communicating and continuing to provide instructions to the Receiver's independent and primary legal counsel, Burnet, Duckworth & Palmer LLP ("**BDP**"), in respect of the Receivership Proceedings and litigation efforts;
- m) engaging legal counsel to assist specifically in the development of a standard form asset purchase agreement, Field Law LLP ("**Field Law**" and together with BDP, "**Legal Counsel**") and coordinate materials with the Receiver's primary independent legal counsel, BDP; and
- n) attending various meetings and communications with CFCU, as the main creditor stakeholder, and BDP with respect to operational and financial updates of LREIT 34.

UPDATE ON THE SALES PROCESS

Overview

9. Pursuant to the Sales Process Order, the Advisor, in consultation with the Receiver:
 - a) initiated a number of initial marketing activities, including preparing a teaser package (the "**Teaser**") and confidentiality agreement ("**CA**") in forms acceptable to the Receiver; and
 - b) prepared an initial list of prospective bidders (the "**Prospective Bidders**"), including strategic Fort McMurray prospective buyers and multifamily real estate investors. Subsequently, on August 3, 2021, the Advisor provided notice of the Teaser and CA to the Prospective Bidders.
10. A detailed summary of the Sales Process is set forth in the Fourth Report of the Receiver.

Marketing Efforts under the Sales Process

11. The Advisor undertook a significant marketing process to ensure that LREIT 34's interest in Woodland Park and the Property were marketed to those companies and individuals identified by the Advisor and/ or Prospective Bidders.
12. The Advisor also compiled a comprehensive package of marketing materials (including the development of all relevant financial, accounting, occupancy, and operational schedules,

contractual agreements, property assessments and valuation materials) and other materials (the “**SISP VDR Materials**”) which were assembled and made available in a virtual data room (the “**VDR**”).

13. Notable events during the course of the SISP included the following:
 - a) on August 3, 2021, shortly after the SISP Order was granted and the Advisor’s due diligence was performed, the SISP commenced with initial targeted outreach to 510 real estate agents and 1,781 Potential Bidders. The Teaser (a copy of which is attached hereto as Appendix A) was also posted to the Advisor’s website, Google AdWords and the Insolvency Insider mailing list;
 - b) on August 5, 2021, the VDR containing the SISP VDR Materials was made available to all parties who executed a CA;
 - c) the Receiver, APM, and the Advisor were made available to answer any questions for Prospective Bidders arising from their review and due diligence;
 - d) the SISP advised prospective bidders and interested parties that all non-binding expressions of interest (“**EOI**”) were due by September 15, 2021 (the “**Phase I Bid Deadline**”);
 - e) the SISP allowed parties to revise their non-binding offers up to September 29, 2021, at which time the Receiver and the Advisor would review the EOIs and select certain bidders to proceed into Phase II of the SISP (the “**Qualified Bidders**”); and
 - f) subsequent to the selection of the Qualified Bidders, the Receiver and the Advisor advised Prospective Bidders and interested parties that irrevocable asset purchase agreements and the associated deposits were due by 5:00 PM Mountain Standard Time on October 29, 2021 (the “**Phase II Bid Deadline**”).

Results from the SISP Marketing Process

14. Twenty-eight (28) Prospective Purchasers signed NDAs, all of which accessed the VDR and reviewed the VDR SISP Materials.

15. As at the Phase I Bid Deadline, twelve EOIs were received, including four purchasers which submitted updated EOIs prior to the expiry of the Phase I Run-Off Period on September 29, 2021. A summary of the EOIs are contained in Confidential Appendix 1 to this Fifth Report.
16. The Receiver and the Advisor, with the support of, and after consulting with, the Lender, selected five Phase I EOIs to progress to Phase II of the SISP;
17. As at the Phase II Bid Deadline the Receiver received three executed asset purchase agreements from the Qualified Bidders. Of those three, the Receiver collected the deposits from two of the bidders and as such they were each considered to be a “**Binding Bid**”. The remaining Qualified Bidder that was unable to provide the required deposit and, as a result, was removed from the SISP.
18. The Receiver uploaded a standard form of asset purchase agreement (“**APA**”) to the VDR to be used by all Phase II bidders in preparing their offers. The key terms in the standard form APA include that any such agreement must provide for:
 - a) a sale on an “as is where is” and without recourse basis;
 - b) no representations or warranties by the Receiver and, with the exception of this Honourable Court's approval, no (or limited) conditions; and
 - c) a deposit equal to 5% of the purchase price to be provided concurrently with the execution and submission of the APA;
19. After completing the SISP pursuant to the Sales Process Order, the Receiver has identified the offer submitted by Mario Morrison (the “**Successful Bidder**”) as being worthy of proceeding with. On or about November 12, 2021, the Successful Bidder and the Receiver executed the Morrison APA which remains subject to this Honourable Court's approval. The Successful Bidder had previously paid the Deposit (as defined in the Morrison APA) to the Receiver. The Receiver notes that the purchase price under the Morrison APA will not repay outstanding and secured amounts owing by LREIT to CFCU and as such CFCU is considered the fulcrum creditor in the Receivership Proceedings.
20. The Receiver is seeking the SAVO to approve the APA and vest title of the purchased assets in the Successful Bidder.

The Morrison APA

21. Due to the confidential nature of the information provided in the offers received during the SISP, the Receiver is concerned that if disclosure of information regarding the Morrison APA or other EOIs is disclosed to third parties prior to closing of the sale of the Morrison APA, such disclosure could materially jeopardize the closing of the Morrison APA or, if the Morrison APA does not close, materially jeopardize subsequent efforts to re-market the Property. As such, the Receiver is respectfully of the view that it is appropriate for this Honourable Court to seal the following Confidential Appendices to this Fifth Report:

- a) the Receiver's summary of the EOIs received in the SISP (Confidential Appendix 1);
- b) the Receiver's analysis on the Morrison APA (Confidential Appendix 2);
- c) the Morrison APA (Confidential Appendix 3); and
- d) the Proposed Interim Distribution and Holdback, as discussed in greater detail below (Confidential Appendix 4).

Considerations in Accepting the Morrison APA

22. The Receiver considered, among other things, the following when it reviewed the offers received during the Sales Process for the Property, and it believes that approval of the Morrison APA is in the best interest of all stakeholders for all of these reasons:

- a) the Receiver is authorized to market and sell the Property pursuant to the Amended Receivership Order and the Sales Process Order;
- b) the Morrison APA arose from the SISP conducted by the Receiver and the Advisor, which was conducted in accordance with the Sales Process Order;
- c) the Receiver has acted in good faith and with due diligence in respect of the SISP;

- d) the extensive and broad-based marketing process for the Property conducted by the Advisor, an experienced marketing consultant, to a large number of prospective purchasers over a reasonable timeframe;
- e) CFCU's first-ranking and valid security against the Property, as previously disclosed in the First Report dated April 9, 2019;
- f) CFCU's support of the Receiver entering into the Morrison APA;
- g) the Morrison APA was negotiated between arm's length parties, in good faith and is commercially reasonable under the circumstances; and
- h) the Morrison APA is the best and highest unconditional offer received with a material deposit, and, in the Receiver's determination, is the offer with the least amount of closing risk. The closing of the Morrison APA is scheduled to occur on or before February 15, 2021, which will allow for, among other things, the Receiver to complete the repairs on the Property relating to the Water Leak.

RECEIPTS AND DISBURSEMENTS – JUNE 16, 2021 TO NOVEMBER 15, 2021

23. The following is the Receiver's statement of receipts and disbursements ("**R&D**") for the reporting period of June 16, 2021 to November 15, 2021 (the "**Reporting Period**") and cumulative R&D from the Receivership Date to November 15, 2021:

LREIT 34 - In Receivership		
Actual Receipts & Disbursements CAD\$, unaudited	Reporting Period (June 16/2021 to Nov. 15/2021)	Total February 28, 2019 to November 15, 2021
Opening Cash Balance	\$ 196,757	\$ 9,143
Receipts		
Rental Receipts	714,832	4,797,303
Operating cash from Shelter	-	72,273
Interest	-	129
Borrowings under Receiver's Certificate	-	1,250,000
Total Receipts	714,832	6,119,705
Disbursements		
Condo Corporation fees	165,035	1,153,295
Utilities & facility costs	-	279,081
APMSI Property Management fees	-	86,494
Property manager direct funding	146,400	510,640
Repairs and maintenance	52,137	220,730
Receiver's borrowings interest	31,980	145,838
Insurance	86,833	588,463
Property Tax	-	417,651
Total Operational Disbursements	482,384	3,402,192
Operational Cash Flow	232,448	2,717,513
Electrical work repair costs	-	1,010,686
Receiver's Fees and Costs	102,259	944,112
Receiver's Counsel's Fees and Costs	58,744	453,657
Repayments under Receiver's Certificate	200,000	250,000
Non-Operational Disbursements	361,003	2,658,455
Ending Cash Balance	\$ 68,201	\$ 68,201
Receiver's borrowings		
Maximum Receiver's Certificate	2,000,000	2,000,000
Opening Utilization	1,200,000	-
Amount borrowed	-	1,250,000
Amount Repaid	(200,000)	(250,000)
Availability	1,000,000	1,000,000
Security Deposit Cash		
Opening security deposit balance	\$	155,200
Security deposits received		159,317
Security deposits repaid / transfers		(154,839)
Ending Security Deposit Balance	\$	159,678

24. Opening cash of \$196,757 was available at June 16, 2021, the start of the Reporting Period.

25. During the Reporting Period, the Debtor experienced a positive net cash flow from operations of approximately \$232,448, which consists of the following:

- a) operating rental receipts from tenants of approximately \$714,832;
- b) operating disbursements of approximately \$482,384, which primarily relate to:
 - i. common element fees, property management, direct funding to the property manager of approximately \$311,435;

- ii. insurance funding of approximately \$86,833 paid by LREIT on behalf of the Condominium Corporation; and
 - iii. general repairs and maintenance, capital improvements, bank charges and LREIT insurance policy costs of approximately \$84,117;
- 26. The Debtor also incurred non-operating disbursements largely relating to:
 - a) professional fees and costs paid of the Receiver (up to September 30, 2021) and its legal counsel (up to September 30, 2021) totalling \$161,003. Professional fees of \$20,615 for the Receiver and \$15,166 for its counsel remain unpaid as of the date of the Report; and
 - b) Repayments under the Receiver's Certificate of \$200,000 (discussed below).
- 27. The Receiver issued a Receiver's Certificate to CFCU to borrow up to \$1,250,000. During the Receivership Proceedings, the Receiver borrowed the full amount available under the Receiver's Certificate and has repaid \$250,000, \$200,000 of which was repaid during the Reporting Period. As at November 15, 2021, the balance outstanding on the Receiver's borrowings remains \$1,000,000.
- 28. As at November 15, 2021, Total ending available cash (excluding the \$1,000,000 available under the Receiver's Certificate) is \$68,201. The ending cash amount does not include the Morrison APA non-refundable deposit, which are held in a separate trust account of the Receiver.

ELECTRICAL REPAIRS WORK AND LITIGATION MATTERS

- 29. As discussed in the Fourth Report, the Receiver paid approximately \$1.2 million in direct repair costs with respect to Electrical Work Repairs.
- 30. On November 26, 2020, the Receiver filed its Statement of Claim regarding the Electrical Work Repairs Claim against SCPL and its directors, Larry J. Beeston, Shandra G. Sheedy, and Cathy Goodman-White (the "**Defendants**"). The Receiver is seeking damages of approximately \$1.2 million from the previous property manager, SCPL and its directors for negligence and breach of contract and for failure to act in accordance within the

meaning of s.28(2)(b), s.28(3), s. 37(2)(a), s. 38(1), s. 47(1) and s.67(1)(a) of the *Condominium Property Act*.

31. On March 18, 2021, the Defendants filed a Statement of Defence refuting the allegations in the Receiver's Statement of Claim.
32. On July 7, 2021, the Receiver provided the defendants its Affidavit of Records ("AoR") and, on October 15, 2021, the Defendants provided their AoRs.
33. The Receiver is in the process of evaluating materials in the Defendants' AoRs and will provide a further update to this Honourable Court on the Electrical Work Repairs Claim in subsequent Reports.

PROPOSED INTERIM DISTRIBUTIONS

34. Pursuant to paragraph 13 of the Amended Receivership Order, the Receiver is obligated to hold and distribute funds collected during the Receivership Proceedings in accordance with the terms of the Amended Receivership Order or further order of the Court.
35. As set forth in the First Report, the Receiver's independent counsel, BDP, has conducted a security review and concluded that CFCU holds valid and first priority security over the property of LREIT. The Receiver is not aware of any other claimants that may have priority over CFCU's security.
36. Should this Honourable Court approve the Morrison APA and grant the SAVO, the Receiver will have collected a significant amount of funds resulting from the net proceeds from the sale of the Property to the Successful Bidder.
37. As such, in the event that this Honourable Court approves the Morrison APA and grants the SAVO, the Receiver is recommending, and seeking this Honourable Court's authorization to make, the following interim distributions to CFCU following the closing of the Morrison APA, which are detailed in Confidential Appendix 4:
 - a) an interim distribution in the amount of \$1,000,000 plus any accrued interest as a full repayment of the amounts outstanding under the Receiver's Certificate (the "**Proposed First Interim Distribution**");

b) an additional interim distribution (the “**Proposed Second Interim Distribution**”), towards the repayment of CFCU’s outstanding loan balance, currently estimated at \$26 million. As noted, should this Proposed Second Interim Distribution be approved by this Court, the quantum of such a distribution would be insufficient to fully repay the total debt outstanding to CFCU and it is expected that CFCU will experience a material shortfall. There will be no recoveries to unsecured creditors or the shareholders of LREIT 34; less:

- i. an estimated \$1 million the Receiver estimates it will require to address outstanding matters and fund on-going costs of the Receivership Proceedings “**Holdback**”). Should the Receiver not require some or all of the Holdback, the Receiver requests authority to distribute such amounts to CFCU in reduction of the Debtor's liability to CFCU, without further order of this Court; and
- ii. an estimated \$160,000 holdback equal to the amount of Security Deposit Balance as at closing of the Morrison APA (detailed in the R&D), releasable upon the receipt by the Receiver of the notices and statements set forth in section 15 of the APA and subsequently forming part of the Holdback (the “**Deposit Holdback**”).

38. The Receiver is of the respectful view that, in the event that the SAVO and Morrison APA are approved and the transaction contemplated thereby closes, this Honourable Court should approve the First and Second Interim Distributions and the Holdback. The Interim Distributions will allow for the repayment of the Receiver’s borrowings in full and a significant (but not total) repayment of CFCU’s outstanding loan. The Receiver also believes that the Holdback will provide sufficient funds in the estate to address the remaining costs in these Receivership Proceedings, including those fees and costs of the Receiver and Receiver’s Counsel. Further, the authority to distribute some of the Holdback to CFCU without further Order of this Court and in the Receiver's discretion, will avoid further costs being borne by LREIT 34's estate and CFCU, and will ultimately be detailed in the Receiver's subsequent Reports.

THE RECEIVER'S AND RECEIVER'S COUNSEL'S FEES AND DISBURSEMENTS

39. Pursuant to the terms of the Amended Receivership Order, the Receiver seeks approval from this Court of its fees and disbursements and those from its counsel, BDP, from June 1, 2021 to October 31, 2021 and Field Law to October 31, 2021 (the “**Interim Period Billings**”). As detailed in the First Report, the Receiver previously obtained court approval for its fees and those of BDP from the Receivership Date to May 31, 2021.
40. The Receiver's Interim Period Billings total \$117,024.18 (excluding GST). A summary of the Receiver's fees and disbursements are attached as **Appendix “B”** to this Report. Legal Counsel's Interim Period Billings total \$65,057.75 (excluding GST). A summary of the fees and disbursements of Legal Counsel are attached as **Appendix “C”** to this Report.
41. The accounts of the Receiver and its counsel outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work. Copies of the Receiver's and its counsel invoices will be made available to the Court, if requested, at the Receiver's application set for November 25, 2021.
42. The Receiver is respectfully of the view that its fees and those of its counsel fees are fair and reasonable in the circumstance and respectfully requests that this Court approve the Interim Period Billings of the Receiver and its counsel.

RECEIVER'S ONGOING ACTIVITIES AND FUTURE COURSE OF ACTION

43. The Receiver's anticipated next steps include, but are not limited to:
 - a) continuing the rental operations of LREIT 34 up to the date of closing the Morrison APA (anticipated to be February 15, 2022);
 - b) continuing to communicate with vendors and service providers to LREIT 34 in order to ensure ongoing service to the tenants of Woodland Park;
 - c) continuing to act as Administrator of the Condo Corporation;
 - d) working closely with the AMP and the insurance company respecting the repairs and restoration of Property relating to the water pipe burst;

- e) closing the Morrison APA; and
- f) continuing to evaluate the Electrical Work Repairs Claim and further advancement of such claim as against the Defendants.

RECEIVER'S RECOMMENDATIONS

44. The Receiver respectively recommends that this Honourable Court grant the following relief:

- a) the SAVO; and
- b) an Order:
 - i. approving the actions, activities and conduct of the Receiver as set forth in this Fifth Report;
 - ii. approving the Proposed First Interim Distribution, the Proposed Second Interim Distribution and the Holdback;
 - iii. approving the professional fees, receipts and disbursements of the Receiver, and those of its Legal Counsel, as set forth in this Fifth Report; and
 - iv. the sealing of the Confidential Appendices 1 – 4 hereto on the Court record until the closing of the Morrison APA.

All of which is respectfully submitted this 15th day of November, 2021.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as the court-appointed Receiver of
the LREIT Holdings 34 Corporation., and not in
its personal or corporate capacity**

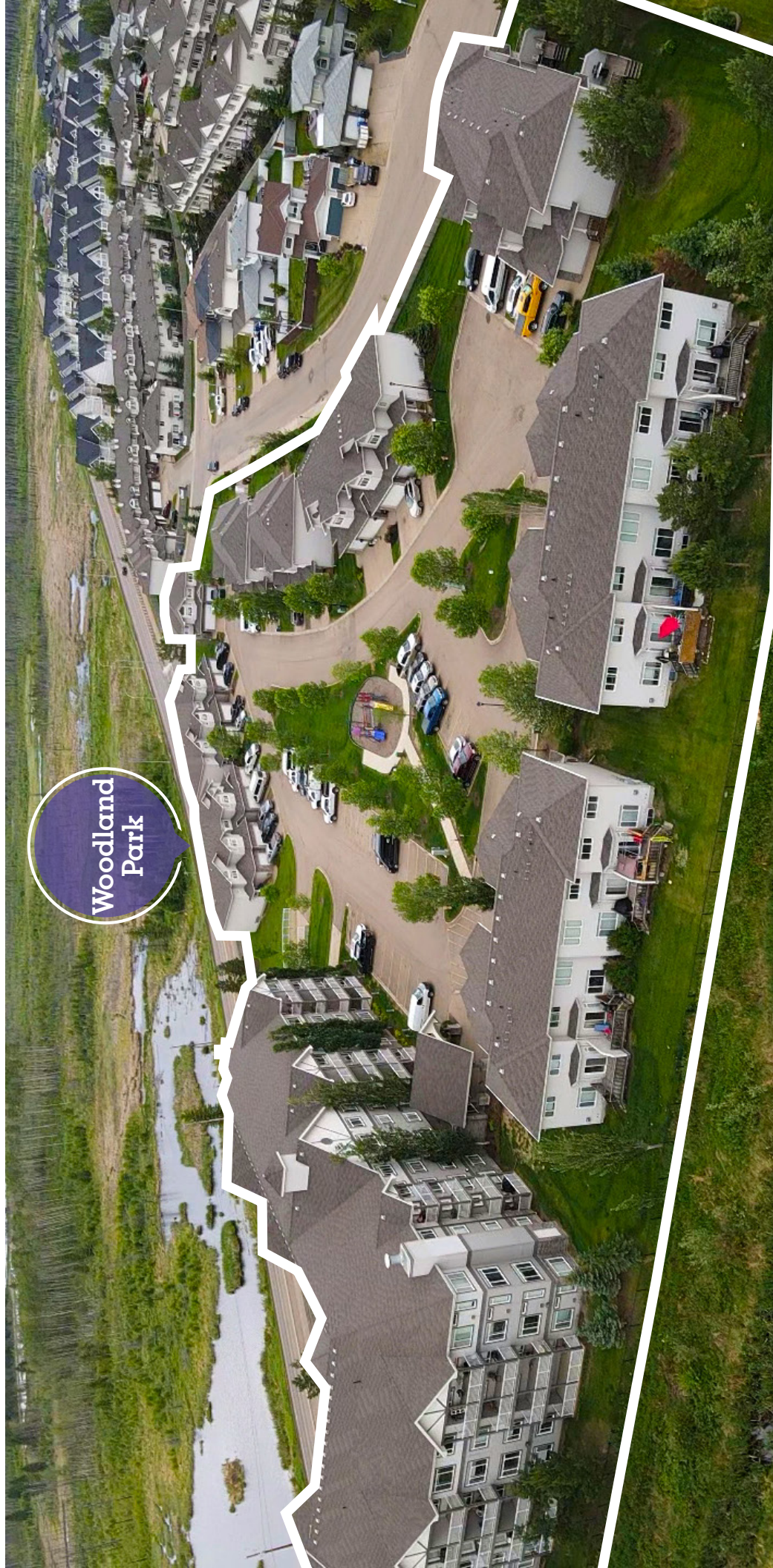


Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President



Steven Chu, CPA
Manager

Appendix A – SISP Teaser



**Get more
information**

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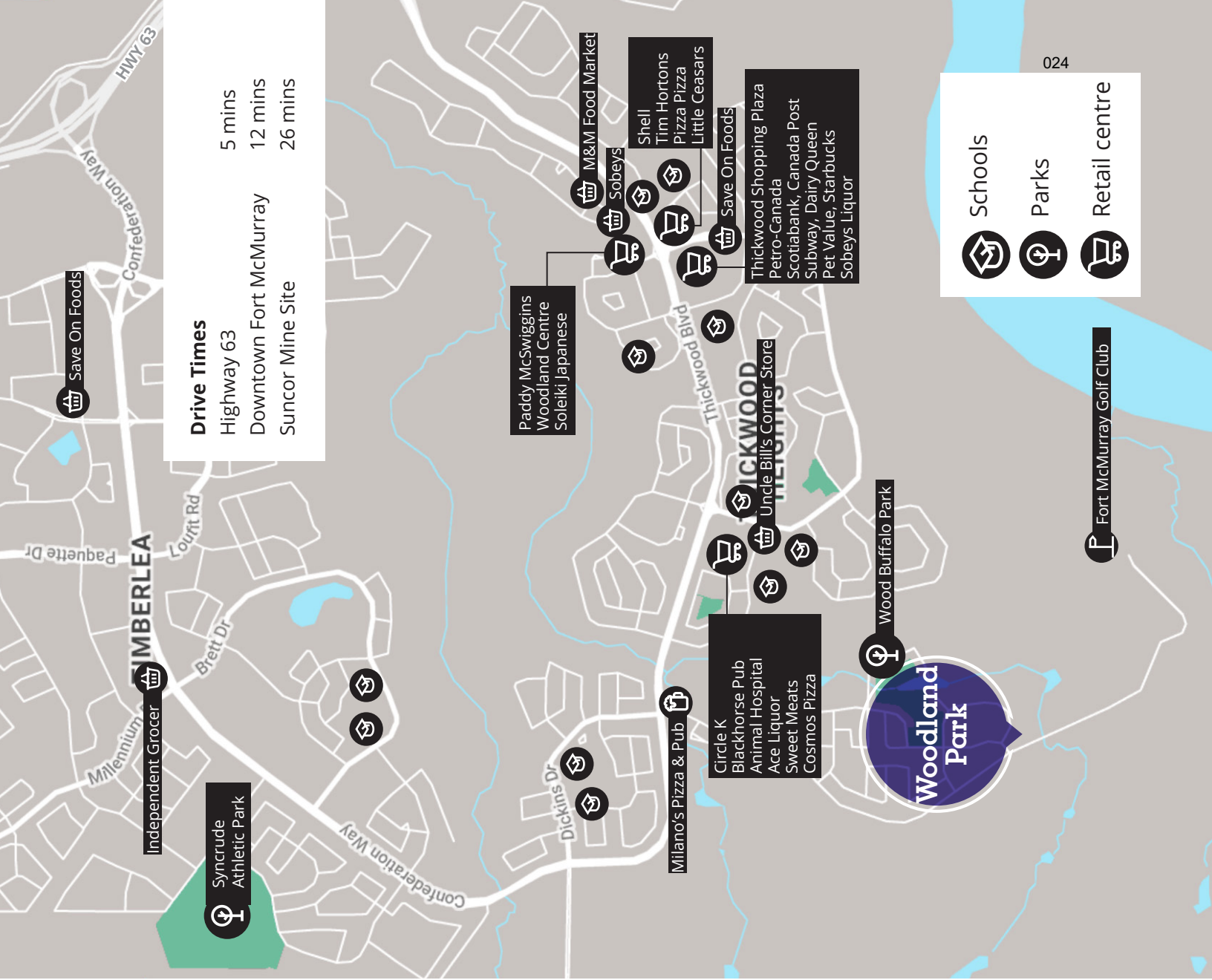
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**Get more
information**

Woodland Park

230 Wilson Drive, Fort McMurray



Drive Times

Highway 63 5 mins
Downtown Fort McMurray 12 mins
Suncor Mine Site 26 mins

Legal Description Condo Plan 1820957

Units 102

Suite Mix

Apartments

Two bedroom 55

Two bedroom + Den 12

Three bedroom 8

Townhomes

Three bedroom 27

Average Apartment Size 1,068 SF

Average Townhome Size 2,191 SF

Year Built 2006

Style Apartment - 4-storey
Townhome - 2-storey

Parking 87 heated underground stalls
42 surface stalls

Amenities

- In-suite laundry
- Two bathrooms per apartment
- Nearby public transportation

Purchase Price Subject to Sales Process
Order granted by the Court on July 06, 2021

Schools

Parks

Retail centre

Opportunity

Site Plan

The site plan illustrates the layout of Block 11, Plan 042 5843, which is bounded by Real Martin Drive to the north and east. The plan includes several residential buildings and common property areas.

Residential Buildings and Units:

- Building 1 (Top Left):** Labeled "RESIDENTIAL UNITS 33 TO 107".
- Building 2 (Middle Left):** Labeled "RESIDENTIAL UNITS 25 TO 32 INCLUSIVE".
- Building 3 (Bottom Left):** Labeled "RESIDENTIAL UNITS 25 TO 29 INCLUSIVE".
- Building 4 (Bottom Left):** Labeled "RESIDENTIAL UNITS 25 TO 24 INCLUSIVE".
- Building 5 (Bottom Center):** Labeled "RESIDENTIAL UNITS 17 TO 20 INCLUSIVE".
- Building 6 (Bottom Center):** Labeled "RESIDENTIAL UNITS 17 TO 18 INCLUSIVE".
- Building 7 (Bottom Center):** Labeled "RESIDENTIAL UNITS 17 TO 16 INCLUSIVE".
- Building 8 (Bottom Right):** Labeled "RESIDENTIAL UNITS 9 AND 10".
- Building 9 (Bottom Right):** Labeled "RESIDENTIAL UNITS 5 INCLUSIVE".
- Building 10 (Bottom Right):** Labeled "RESIDENTIAL UNITS 1 TO 4 INCLUSIVE".
- Building 11 (Bottom Right):** Labeled "RESIDENTIAL UNITS 1 TO 11 INCLUSIVE".

Common Property and Parking:

- Common Property:** Several areas are designated as "COMMON PROPERTY", including a large area at the top and a curved area along the bottom boundary.
- Parking:** A parking area is located in the center-right of the plan, labeled "PARKING SEE DETAIL 'A' SHEET 3 OF 5".
- Access:** A "DRIVEWAY OR WALKWAY PASSAGE" is shown leading from the top boundary into the common property area.

Other Features:

- Lot 1:** Labeled "LOT 1" near the center of the plan.
- Block 11:** Labeled "BLOCK 11" near the center of the plan.
- Plan 042 5843:** Labeled "PLAN 042 5843" near the center of the plan.

- 75 apartments and 27 townhouses located in Fort McMurray
- Appealing suite layouts
- Desirable location
- 87 heated underground parking stalls
- 42 surface stalls
- Quick access to Hwy 63
- Well below replacement cost

Main Floor Plan

2nd & 3rd
Floor Plan2nd & 3rd
Floor Plan







Receivership Summary

Alvarez and Marsal Canada Inc. (the "Receiver") is acting in its capacity as the court-appointed Receiver and manager of the current and future assets, undertakings, property, and interests of LREIT Holdings 34 Corporation (the "Debtor" or "Company") and the interests of Lanesborough Real Estate Investment Trust ("Lanesborough") in the lands and chattels described in the Receivership Order. The Receiver has retained Avison Young Commercial Real Estate Services, LP ("Avison Young") to solicit offers to purchase the Woodland Park condominium complex owned by the Company., to purchase the property described as 230 Wilson Drive, consisting of one rental apartment facility and townhouse development (the "Property"). Offering a total of 75 apartment rental units and 27 townhouse units, this development offers the market top-tier accommodations including in-suite laundry, heated underground parking, immediate access to public transportation, and close proximity to amenities.

Fort McMurray Population Summary

With respect to population, the Regional Municipality of Wood Buffalo, of which the Urban Service Area (USA) of Fort McMurray is the primary population centre, has a 2018 census population of 111,687. 75,009 (2018) people live full time in Fort McMurray, and this population figure is believed to be holding stable based upon increased activity in the local housing market. The demographic profile (2016 census, 2020 projection) of this population is as follows:

	Median age		Average household income
35.1		\$248,023	
	Education (age 25-64)		Marital status
66% post secondary certificate, diploma or degree		33% single 11% common law 49% married	

Offering Details

Woodland Park is being offered for sale on a priced basis. To obtain supplemental information or a copy of the Confidential Information Memorandum (CIM) for Woodland Park, please contact one of the listing agents below.

Offers will be reviewed as they are received.

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Visit us online

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E. & O.E.: The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young.

Suite 2100, 10111 - 104 Avenue | Edmonton, AB | +1 780 428 7850



Appendix B – Receiver’s Fees and Disbursements

LREIT Holdings 34 Corporation
Summary of Receiver's Fees and Disbursements
June 1, 2021 to October 31, 2021

Appendix B

Invoices Subject to Court Approval

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
LREIT - 22	June 1, 2021 - June 30, 2021	33,935.00	0.00	33,935.00	1,696.75	35,631.75
LREIT - 23	July 1, 2021 - July 31, 2021	13,717.50	0.00	13,717.50	685.88	14,403.38
LREIT - 24	August 1, 2021 - August 31, 2021	24,330.00	0.00	24,330.00	1,216.50	25,546.50
LREIT - 25	September 1, 2021 - September 30, 2021	24,017.50	1,389.87	25,407.37	1,270.37	26,677.74
LREIT - 26	October 1, 2021 - October 31, 2021	19,570.00	64.31	19,634.31	981.72	20,616.03
TOTAL INVOICES SUBJECT TO COURT APPROVAL		\$ 115,570.00	\$ 1,454.18	\$ 117,024.18	\$ 5,851.21	\$ 122,875.39

Appendix C – Receiver’s Counsel’s Fees and Disbursements

LREIT Holdings 34 Corporation**Appendix C**

Summary of the Receiver's counsel (BDP + Field) Fees and Disbursements
June 1, 2021 to October 31, 2021

Invoices subject to Court Approval

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
203461776	June 1, 2021 - June 30, 2021	18,236.50	35.75	18,272.25	913.62	19,185.87
203462757	July 1, 2021 - July 31, 2021	5,529.00	161.00	5,690.00	280.45	5,970.45
203463190	August 1, 2021 - August 31, 2021	4,316.50	0.00	4,316.50	215.83	4,532.33
203463774	September 1, 2021 - September 30, 2021	22,335.00	0.00	22,335.00	1,116.75	23,451.75
203464696	October 1, 2021 - October 31, 2021	10,482.50	0.00	10,482.50	524.13	11,006.63
613982	July 1, 2021 - September 30, 2021	3,911.50	50.00	3,961.50	198.08	4,159.58
TOTAL INVOICES SUBJECT TO COURT APPROVAL		\$ 64,811.00	\$ 246.75	\$ 65,057.75	\$ 3,248.85	\$ 68,306.60