

COURT FILE NUMBER 1801-04745

COURT COURT OF QUEEN'S BENCH
OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF HILLSBORO VENTURES INC.

DEFENDANT CEANA DEVELOPMENT SUNRIDGE INC.

IN THE MATTER OF THE RECEIVERSHIP OF
CEANA DEVELOPMENTS SUNRIDGE INC.

DOCUMENT **FIRST REPORT OF THE RECEIVER**

October 22, 2019

ADDRESS FOR SERVICE AND
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INTRODUCTION

1. On July 3, 2019 (the “**Receivership Date**”), by order of the Honourable Justice B.E.C. Romaine, Alvarez & Marsal Canada Inc. was appointed receiver and manager (the “**Receiver**”), without security, of all of Ceana Development Sunridge Inc.’s (“**Ceana Sunridge**”, the “**Company**”, or the “**Debtor**”) current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the “**Property**”), pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”), and sections 13(2) of the *Judicature Act*, RSA 2000, c J-2, 99(a) of the *Business Corporations Act*, RSA 2000, c B-9, and 65(7) of the *Personal Property Security Act*, RSA 2000, c P-7.
2. 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.
3. The purpose of this first report of the Receiver (the “**First Report**” or “**this Report**”) is to provide this Honourable Court with information in respect of the following:
 - a) a brief overview and background of Ceana Sunridge;
 - b) initial activities of the Receiver since the Receivership Date;
 - c) the Receiver’s analysis of various real estate agent proposals and general contractor (“**GC**”) proposals to complete the Project (defined below) and the selection of Executive Flight Centre Developments Inc. (“**EFC**”) as its intended general (prime) contractor;
 - d) approval to increase the Receiver’s Borrowings to \$6.0 million to complete the Project and cover the administrative and professional fees in the estate;
 - e) update on the Receiver’s counsel’s security review of the loan and security documents of Connect First Credit Union Ltd. (“**Connect First**”) and

Hillsboro Ventures Inc. (“**Hillsboro**”, and together with Connect First, the “**Senior Lenders**”);

- f) the cash flow results for the period from July 3, 2019 to October 21, 2019 and commitments entered into by the Receiver (the “**Receivership Period**”);
 - g) the ongoing activities and the Receiver’s course of action; and
 - h) the Receiver’s conclusions and recommendations.
4. Capitalized words or terms not otherwise defined in this Report are as defined in the Receivership Order.
5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. In preparing this First Report, the Receiver has relied upon: (i) the representations of certain management and other key stakeholders of Ceana Sunridge; and (ii) financial and other information contained in the Debtor’s books and records, which were produced and maintained principally by the Debtor. The Receiver has not performed an audit, review or other verification of such information.
7. 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 materials.

BACKGROUND AND OVERVIEW

8. Ceana Sunridge's registered business address is 20, 1915 – 32nd Avenue NE, Calgary, Alberta; however, the principal assets of the Company are located at the proposed commercial retail building and land project site location – the address of is 2255, 32nd Avenue NE, Calgary, Alberta (the “**Project**”).
9. Ceana Sunridge is an entity that holds title to the land and buildings under construction, herein referred to as the Project. Specifically, the Project is an initiated 45,000 square foot commercial retail development located on approximately 3.45 acres of land. When completed, the Project will consist of five (5) individual buildings, namely, A, B, C, D and E (collectively, the “**Buildings**”). The proposed number of individual units (the “**Units**”) in the Buildings is currently twenty-four, with approximately 208 on-grade parking stalls. The Project has been stalled for over 1.5 years largely as a result of a lack of funding and is currently approximately 20-25% complete.
10. Ceana Sunridge is a private company incorporated in the Province of Alberta. Ceana Sunridge is wholly owned by Ceana Development Inc. Ceana Development Inc. is 100% owned by Mr. Bahadur (Bob) Gaidhar (“**Bob Gaidhar**”), who is also the sole director of Ceana Sunridge.
11. As at the Receivership Date, the Receiver understands that, and subject to further review, Ceana Sunridge owes approximately \$13.3 million consisting primarily of two senior secured loans from Connect First of approximately \$4.0 million and Hillsboro of approximately \$8.5 million and unsecured creditor debt of approximately \$0.8 million outstanding to unsecured creditors. Based on a recent appraisal conducted by Altus Group Limited dated September 4, 2019, as included in the sworn affidavit of Mr. Keith Ferrel date June 21, 2019, the value of the Project on an “as is where is” basis is in the range of approximately \$5.8 million to \$6.8 million, which assumes that the Project were to be sold and not completed by the Receiver.
12. Further background is contained in the materials filed in support of the Receivership Order. These documents and other public filed Court materials in these proceedings have been

posted on the Receiver's website at: www.alvarezandmarsal.com/ceana (the "**Receiver's Website**").

INITIAL ACTIVITIES OF THE RECEIVER

Securing the Property

13. Since the Receivership Date, the Receiver's activities have included, but are not limited to, the following:
- a) attending and taking possession and control of the Project located at 2255 – 32nd Street NE, Calgary, AB (the "**Project Site**") and changing two padlocks on the perimeter fence, being the lock on the sea-can inside the perimeter and the lock on the site trailer;
 - b) reviewing various documents and drawings at the Project Site that were located in office trailers. No other material assets were identified at the Project Site;
 - c) arranging to meet with a representative of Cean Sunridge, Bob Gaidhar's son, Mr. Shameer Gaidhar, at an offsite location to discuss how the books and records of the Company could be delivered to the Receiver, as discussed further below;
 - d) confirming all known corporate bank accounts of Cean Sunridge and providing the respective Senior Lenders' representatives with notices to freeze all accounts and remit balances to the Receiver;
 - e) performing a thorough walk-through of the Project Site with various general contractors;
 - f) meeting with the architect of record for the Project, Mr. Rick Balbi of Rick Balbi Architect Ltd. ("**Balbi**"), to understand the current state of the Project, including what steps are required to start up the Project that has been sitting dormant for approximately 1.5 years;

- g) completing a filing index and organizing the various files (physical and electronic) located at the Project Site and files provided electronically from various stakeholders, including from Balbi and Hillsboro, and later on (as further described later in this Report) during the proceedings from Bob Gaidhar and his representatives (collectively, the “**Gaidhars**”);
- h) redirecting mail to the office of the Receiver where appropriate;
- i) attending on various phone calls and in-person meetings with the Bob the Gaidhars, to explain the powers and duties of the Receiver, the Receiver’s role as an officer of the Court, addressing questions and concerns of the Gaidhars and other receivership matters, generally;
- j) retaining and providing instructions to the Receiver’s independent legal counsel, Torys LLP (“**Torys**”), in respect of the Receivership Proceedings;
- k) reviewing and following up on a purchase offer that was extended to the Debtor in and around the time of the Receivership Date;
- l) obtaining from the Debtor’s counsel, information and back-up on all sales contracts entered into between Ceana Sunridge and purchasers of the Units prior to the Receivership Date and reconciling these sales contracts to cash deposits held in trust (the “**Sales Deposits**”);
- m) undertaking day to day management of operations of the Project, including with respect to site supervision and payment of service providers for services rendered and approved by the Receiver;
- n) establishing a process to select a suitable general (prime) contractor and marketing agent to assist with the completion of the Project, subject to Court approval, and the development of a sale strategy to potentially increase the value of the Project;

- o) notifying the Debtor's insurance brokers of the Receivership Order and adding the Receiver as the named insured and loss payee. In addition, the Receiver is presently in the process of obtaining new insurance coverage over the Project;
- p) arrange for the execution of non-disclosure agreements by Connect First, Hillsboro and Bob Gaidhar to allow the Receiver to provide these parties confidential information with respect to the marketing proposals received from various real estate agents and several proposals from general contractors outlining their proposals and costs to complete the Project;
- q) attending meetings and communicating with Connect First, Hillsboro (including their respective counsel) and the Gaidhars, with respect to the Receiver's progress and discuss the intended go-forward plan of the Receiver with respect to the Project;
- r) executing a consulting agreement with Quantity Surveying Services International Ltd. ("QSSI") for QSSI to assist the Receiver and its contractor in advising, reviewing and assisting the Receiver during the completion of the Project (subject to Court approval);
- s) executing a services agreement with EFC dated October 4, 2019, to assist the Receiver in completing certain preliminary work on the Project Site (on a limited basis) to ensure that the Receiver is prepared to start the Project once Court approval is achieved;
- t) negotiating a CCDC contract with EFC, with the assistance of Torys and QSSI, as discussed further below;
- u) negotiating the terms of an updated Receiver's Certificate in the amount of \$6.0 million with Hillsboro (subject to Court approval), as discussed in greater detail below; and
- v) attending numerous and on-going meetings and discussions with the Gaidhars, Hillsboro, Connect First, various other general creditors (or their

representatives), Torys, interested purchasers of the Units, and other stakeholders regarding the Receivership Proceedings.

Canada Revenue Agency (Potential Priority Claims)

14. Based on the Receiver's initial review of Ceana Sunridge's books and records, the Receiver currently understands that Ceana Sunridge filed GST returns on a monthly basis up to and including June 2019. The Receiver understands that no activity (amounts) were reported in the majority of these filings that the Receiver reviewed. The Receiver is preparing communication to the Canada Revenue Agency ("**CRA**") to confirm these understandings and to obtain further information with respect to requirements for an audit to be performed by CRA.

Statutory Mailing by Receiver

15. The Receiver mailed the notices required by sections 245 and 246 of the BIA to each of Ceana Sunridge's known creditors and the Office of the Superintendent of Bankruptcy on July 15, 2019 (the "**Receiver's Notice**"). A copy of the Receiver's Notice can be found on the Receiver's Website. The Receiver's Notice was deficient with respect to the information related to the Company's asset values and creditors as a result of the Receiver not being able to obtain access to the Company's books and records for nearly three (3) weeks after the Receivership Date, as discussed below.

Employee, Wage Earner Protection Program and s. 81.4(1) BIA Priority Claims

16. As referenced above, the Receiver is advised that Ceana Sunridge did not have any employees as at the Receivership Date or within six (6) months of the Receivership Date. The Receiver is confirming with CRA on this matter.

Insurance Coverage

17. The Receiver obtained a copy of the certificate of insurance ("**COI**") from the Debtor, which consisted primarily of coverage regarding commercial general liability and property of \$5.0 million, subject to \$2.0 million occurrences. The COI also included \$2.0 million in coverage for tenant legal liability and non-owned automobiles. The COI expires April 21,

2020. The Receiver has requested the update to the named insured and the loss payee to be that of the Receiver.

18. The Receiver has also commenced discussions with a licensed insurance broker in order to obtain necessary insurance with respect to construction and build-out of the remaining buildings of the Project, along with potential replacement of the above noted coverages due to overlapping coverage periods.

Receiver's Dealings with the Stakeholders

19. Throughout the Receivership Proceedings, the Receiver has held various communications and/or meetings with representatives of the two main secured creditors, Connect First and Hillsboro and the current director/owner of Ceana Sunridge and his representative (i.e. the Gaidhars).

The Gaidhars

20. Below is a brief summary of the Receiver's various interactions, communications and meetings with the Gaidhars with respect to the Receivership Proceedings and attempting to collect the books and records of Ceana Sunridge.
21. On July 3, 2019, the Receiver requested from the Gaidhars the whereabouts the Company's books and records. Shameer advised that they wished to meet the Receiver the next day to discuss this request further and that they would be cooperative with the Receiver's request.
22. On July 5, 2019, Shameer Gaidhar advised that he would be ready to meet with the Receiver to discuss the books and records and he had various questions on the process. The Receiver met with Shameer and his sister, Ms. Simeen Gaidhar-Bhanji, via Skype, at an offsite location. The Receiver understands that Ms. Gaidhar-Bhanji assisted in the financial preparation of the Company's documentation. Shameer had many questions for the Receiver and shared various concerns, largely confirming the Receiver's role and independence and putting in questions regarding the quantum of the amounts owing to Hillsboro. The Receiver explained the duties, roles, powers and responsibilities as a Court

officer in Receivership Proceedings, in general. No books or records were provided at the meeting.

23. On July 7, 2019, the Receiver followed up with the Debtor via e-mail requesting the books and records (items outlined in the e-mail on July 4, 2019). The Receiver noted that this request was urgent as the Receiver has statutory reporting duties, among other duties, that were approaching. On July 23, 2019, after various communications with the Gaidhars and their counsel, the Receiver received the first set of books and records of Ceana Sunridge from the Gaidhars. The Receiver was advised that, due to health matters, Bob Gaidhar could not provide the Receiver with any financial information sooner. On various dates thereafter, the Gaidhars provided the Receiver with certain other books and records and financial information.
24. On August 13, 2019, Shameer Gaidhar provided by email to the Receiver certain financials for Ceana Sunridge (G/L as at December 31, 2018) and its version of the accounting for the Hillsboro loan. Also, included in this e-mail was a copy of a letter Bob Gaidhar that was delivered to the Office of the Superintendent of Bankruptcy (the “**OSB**”), which included, among other things, the advising the OSB of the Debtor’s expectations of the Receiver during the Receivership proceedings and concerns with respect to the accuracy of the amount of claim from Hillsboro. Correspondence in response to this letter was exchanged by the Receiver’s counsel, the OSB and the Gaidhars.
25. The Receiver met with the Gaidhars face to face at the Receiver’s office on two separate occasions to discuss the status of the proceedings, their concerns about Hillsboro’s amounts outstanding and requesting that the Receiver review the quantum of these amounts and to provide the Receiver any advice or assistance that the Receiver may agree to. The Gaidhars expressed their continued willingness to assist the Receiver, in addition to possibly help sell additional Units of the Project should its completion proceed.
26. On September 26, 2019, the Receiver met with the Gaidhars to discuss the Project, timing and other matters. The Receiver advised of the progress of the file matters and that it intended to enter into a contractor agreement with a general contractor and possibly a sales agent on the project. On September 17, 2019, the Receiver advised that it provided Bob

Gaidhar a non-disclosure agreement (“**NDA**”) to sign to allow the Receiver to provide confidential information on the general contractors and real estate proposal agents for their consideration. The NDA was not executed by Bob Gaidhar until October 2, 2019 and the Receiver, upon receipt of an executed copy of the NDA, immediately arranged to provide certain information to Bob Gaidhar. The Receiver also advised that the Receiver would be seeking Court approval of proceeding with the Project and the selection of the general contractor, together with potentially increasing the Receiver’s borrowing limit.

Communication with Connect First and Hillsboro

27. During the Receivership Proceedings, the Receiver has exchanged various communication with the two main secured creditors on receivership matters. Most of the file discussions were based on file progression and the intent of the Receiver with respect to proceeding with the Project and other matters, including going through a process to seek proposals of suitable general contractors and possible real estate agent proposals to assist the Receiver in determining the potential cost to complete the Project and its overall expected value, if completed.
28. On September 19, 2019, the Receiver advised the Senior Lenders that it had certain financial and Project information that it could provide to both Hillsboro and Connect First relating to the Project, but required confirmation of confidentiality from firms to keep any information provided to them by the Receiver under strict confidence. Both Senior Lenders confirmed this confidentiality, and both have also signed an NDA.
29. On September 27, 2019, the Receiver met with Connect First and Hillsboro (and its legal counsel), along with the Receiver’s selected quality surveyor (QSSi). At this meeting, the Receiver updated the Senior Lenders with respect to the real estate agent proposals received, the general contractor proposals and its selection of a general contractor, the Receiver’s views on proceeding with the Project and also the Receiver’s requirement to borrow funds through a Receiver’s Certificate to complete the Project.

30. The Receiver explained at this meeting that it intended to seek Court approval of it proceeding with the Project and also seek the approval of an increase in the Receiver's Borrowings.
31. The Receiver advised the Senior Lenders that a total financing commitment of approximately \$6.0 million was necessary in order for the Receiver to carry out the construction of Buildings A to D under the Receivership Proceedings, which would require an increase in the Receiver's Borrowings approved by this Court.
32. The Senior Lenders were supportive of the Receiver completing the Project, the selection of the general contractor to complete the Project, and they understood that an increase in the Receiver's Borrowings may be required.
33. Following the September 27, 2019 meeting, the Receiver was advised that Senior Lenders have agreed that Hillsboro would fund the Receiver's Borrowings. Specifically, the Senior Lenders agreed, in respect of amounts borrowed by the Receiver from Hillsboro, the Property shall be charged by way of a fixed and specific charge (the "**Hillsboro Charge**") as security for the payment of the monies borrowed from Hillsboro. The Hillsboro Charge shall rank subordinate in priority and payment to the security interests of the Receiver's Charge, the Receiver's Borrowing Charge, the security of Connect First against the Property, and the charges set out in sections 14.06(7), 81.4(4), 81.6(2), and 88 of the BIA.

PROJECT PROPOSALS

Overview

34. As noted above, the Project is located in northeast Calgary and currently consists of 19 ground floor bays and 5 second floor offices for a total of 24 Units. The Project was designed primarily as a multi-commercial retail space for professional services firms. There are 5 buildings (i.e. buildings A-E) considered for this Project and the Receiver currently has 7 purchase and sale agreements representing 9 of 24 Units sold with deposits, which represents approximately 35% of the Project, based on square footage sold. The Receiver is reviewing the sales contracts and deposits with its counsel. A copy of the design plan for the Project is attached as Appendix A.

35. The Receiver underwent a thorough and comprehensive process to understand the financial feasibility of the Project, including, but not limited to: 1) the understanding of potential gross realizations of the proposed commercial retail Units upon completion (either *en bloc* or separately sold), and 2) the remaining cost to construct these Units.

Commercial Realty Proposals

36. The Receiver contacted five (5) separate commercial realty brokerages (the “**Brokers**”) in order to obtain their professional and independent views of the market and potential gross realizations of the Project, including any alternative development strategies that may increase potential realizations for the estate. Each Broker was under an NDA with respect to information received and the Brokers provided their proposals to the Receiver on and around September 6, 2019.
37. The Receiver reviewed each proposal and in certain cases met with each of the Brokers to further understand and discuss their proposals. A summary of the proposals received from Brokers is attached as Confidential Appendix 1 to this Report. The proposals outlined the Brokers’ estimation of the potential gross realizations that may be achieved for Buildings A to E, if the Project was completed.
38. Due to the sensitive business nature of the information provided in the Brokers’ proposals with respect to value and given the fact that the Receiver has not yet initiated a sales process of the proposed Units in the Project or has concluded if it will accept some or all of the existing purchase contracts entered into by Ceana Sunridge and a purchaser prior to the Receivership Date, the Receiver is of the view that if the information is disclosed to third parties prior to the closing of the existing sales of any of the Units or future sales of the Units, the disclosure would materially jeopardize the sale (or, if the sale does not close, such disclosure could materially jeopardize the value that the Receiver could subsequently obtain from a future sale of the Units). As such, the Receiver is respectfully of the view that the values proposed in the various Broker proposals is commercially sensitive, and it is appropriate that the Court grant the Receiver’s request for the Restricted Court Access Order to seal Confidential Appendices 1, 2 and 3 containing the summary of the Brokers’

proposals, the GC proposals and estimated realization analysis of the overall Project, respectively.

39. The Receiver continues to evaluate the appropriate Brokers' proposals on how best to market and sell the Project at the opportune time.

General Contractor Proposals and Recommendation

40. The Receiver identified four (4) potential GCs that would be suitable to complete the Project. The Receiver held meetings with each GC during the month of July 2019 and requested that each GC prepare a detailed proposal, including costs to complete and propose a construction contract, to complete Buildings A to D, and Building E.
41. The Receiver obtained the proposals from the GCs on and around July 31, 2019. The Receiver assessed and compared the proposals and commenced follow up meetings and conference calls with each of the GCs to better understand the proposals. A summary of the proposals and the cost to complete from each GC as well as the proposal from EFC is attached as Confidential Appendix 2 of this Report.
42. Based on its review, the Receiver short-listed two GCs to complete Buildings A to D and the estimated cost to complete is approximately \$3.8 million, before certain soft costs and other ancillary costs (including architect, engineering/scoping, property taxes, etc.) of approximately \$1.0 million. For clarity, the Receiver understands that the total costs to complete construction of Buildings A to D is approximately \$4.8 million, excluding costs of the Receiver and its counsel and potential other costs or possible significant cost overruns. The contemplation of completing Building E will be reviewed with the stakeholders and addressed in another future report of the Receiver, but is currently on-hold until a decision of funding for this building is determined. The completion of building E is not contingent or required to complete Buildings A-D. For certainty, the dollar amounts set forth in this paragraph are preliminary estimates proposed by the GCs and may be subject to change upon finalization of the applicable construction contract(s).
43. Upon review of the GC proposals, the Receiver, in consultation with Balbi and QSSi, was of the view that it would be appropriate in the circumstances to select EFC as the GC or

Prime contractor to complete the construction of Buildings A to D, primarily on the basis of:

- a) detailed and comprehensive cost estimates provided by EFC;
- b) competitive cost estimates provided by EFC;
- c) significant experience and background of EFC in these types of construction projects and specifically in respect of this Project; and
- d) ability to undertake this engagement immediately.

- 44. The Receiver is currently in the final stages of finalizing the standard form of CCDC contract with EFC, with the assistance of QSSi and Torys. The Receiver entered into an interim services agreement with EFC to complete certain preliminary work (i.e. surveying dirt balance, soil engineering and video inspection of sanitary and storm drains) with limited but necessary scope, so that it can proceed forward with the full Project should this Honourable Court approve the Receiver in completing the Project and increased Receiver's Borrowings.
- 45. The Receiver prepared an initial analysis with respect to the Project metrics, realizations and costs. Based on its analysis, the Receiver believes that by completing the Project (i.e. Buildings A-D), the potential recoveries to the significant creditors may be significant. A copy of this realization analysis is attached as Confidential Appendix 3 to this Report. Additional recoveries may be available in respect of the sale and build-out of Building E, but this will be brought forward by the Receiver in an additional report in due course.
- 46. The Receiver is of the respectful view that this Honourable Court should approve the selection of EFC as the Receiver's GC and for the Receiver to proceed in completing Buildings A through D of the Project. The Receiver is advised that both Hillsboro and Connect First do not object to the Receiver selecting EFC as the GC, and both Secured Lenders are supportive of completing the Project.

SECURITY OPINION

47. The Receiver's independent counsel, Torys, performed a review of the Connect First and Hillsboro security and has determined that the security filed independently for both secured creditors is valid and enforceable against the Company's Property.
48. The Receiver is not aware of any other claimant that may have priority over Connect First's and Hillsboro's security, other than potential "super priority" claims with respect to CRA, the WEPP and the Receiver's Charge as set out in the Receivership Order.
49. The Receiver has not yet independently confirmed the quantum of the amounts outstanding by Connect First and Hillsboro as against Ceana Sunridge, but intends to do so in due course.

RECEIVER'S BORROWINGS

50. Pursuant to paragraph 20 of the Receivership Order, the Receiver has been empowered to borrow up to \$4,500,000 (or such greater amount as the Court may further order).
51. The Receiver has not made arrangements yet to borrow any funds and utilize its Receiver's Certificate until it could become comfortable on the direction in which it was proceeding with respect to the Project. As discussed above, in order to complete the Project and ensure there is enough ability to borrow against the Project, the Receiver requires an additional \$1.5 million in Receiver's Borrowings to ensure they can commit to the various operational costs, and ensure that professionals are secured for the upcoming and future invoices on this Project.
52. Accordingly, the Receiver is respectfully requesting this Court to grant the Receiver's proposed Order to increase the Receiver's Borrowings to \$6.0 million.
53. Connect First (the first secured) and Hillsboro (the second secured) as the main Secured Lenders in the Receivership Proceedings have a significant economic interest in the future recoveries and realizations of Ceana Sunridge's assets, along with other creditors and Bob Gaidhar. As discussed above, the Receiver obtained an opinion from its counsel confirming the validity and enforceability of the Connect First and Hillsboro security in relation to the

Ceana Sunridge assets. The Receiver is advised by its legal counsel that both the Connect First security and Hillsboro security rank in priority to ordinary unsecured creditors.

54. The Receiver negotiated the commercial terms of the Receiver's Borrowings with Hillsboro, subject to Court approval. Specifically, Hillsboro has agreed to lend the proposed \$6.0 million (subject to Court approval) at a rate of 10% per annum. In return, Hillsboro has agreed that this loan is being lent on the basis that it remains behind in priority ranking of the Receiver's Charge, the Receiver's Borrowings, Connect First's secured loan and that the Property shall be charged by way of a fixed and specific charge (the "**Hillsboro Charge**") as security for the payment of the monies borrowed from Hillsboro. For clarity, the Hillsboro Charge shall rank subordinate in priority and payment to the security interests of Connect First against the Property, the Receiver's Charge, the Receiver's Borrowing Charge, and the charges set out in sections 14.06(7), 81.4(4), 81.6(2), and 88 of the BIA. A copy of the proposed new form of Receiver's Certificate is attached as Appendix B to this Report.
55. The Receiver is advised that both Connect First and Hillsboro support the Receiver's application to increase the Receiver's Borrowings to \$6.0 million, subject to Court approval.
56. The Receiver believes that the increase to the Receiver's Borrowings by \$1.5 million to \$6.0 million is appropriate under the circumstance, given the estimated cost to complete Buildings A-D on the Project and based on the estimated realization of the Project once the Project is completed. In addition, based on the Receiver's experience and review of other recent insolvency files that require either Receiver's Borrowings or interim financing pursuant to the *Companies' Creditors Arrangement Act* or another debtor-in-possession filing pursuant to the BIA, the Receiver believes that the proposed percentage rate of 10% per annum to be applied against the proposed Receiver's Borrowings of \$6.0 million is reasonable under the circumstance and the Receiver supports this percentage rate.

RECEIPTS AND DISBURSEMENTS – JULY 3, 2019 TO OCTOBER 21, 2019

57. The following is a statement of the Receiver's receipts and disbursements ("R&D") in respect of Ceaná Sunridge from July 3, 2019 to October 21, 2019 (the "Reporting Period"):

Ceaná Development Sunridge Inc. - In Receivership Statement of Receipts & Disbursements CAD\$, unaudited July 3, 2019 to October 21, 2019	
Opening bank balance	960
Receiver's Certificate (borrowings)	-
Receipts	
Deposits Collected	2,856
Total Receipts	\$ 3,816
Disbursements	
Project Site Costs	2,270
OSB Fee	70
Cheque Order / Bank Fees	87
Total disbursements	\$ 2,427
Ending cash balance	\$ 1,389

58. There was \$960 of opening cash available as at the Receivership Date that was transferred from the Company's former bank, Canadian Western Bank.
59. The Receiver collected approximately \$2,856 in deposits from KH Dunkley Law Group, who was acting as external counsel to Ceaná Sunridge, with respect to legal services in maintaining and controlling the Sales Deposits and operating trust funds.
60. The Receiver made disbursements of approximately \$2,427 during the Reporting Period, of which \$2,270 was for trailer and fence rentals, \$70 was to the OSB regarding the prescribed fee for the Receivership proceedings and approximately \$87 for cheques of the receivership operating trust account.
61. In addition to the operating cash noted above, the Receiver requested KH Dunkley Law Group to transfer \$992,376 of Sales Deposits (representing 7 Units) to the Receiver's

counsel, along with copies of the purchase contracts and associated communication to the purchasers pursuant to the *Condominium Property Act*. The Receiver has provided a listing of the purchase contracts and associated Sales Deposits in trust to the Gaidhars for their review and commentary and assistance in confirmation of completeness. As discussed above, Torys, with the assistance of the Receiver, is reviewing each of the legal contracts that Ceana Sunridge entered into with prospective purchasers of Units.

62. Total cash on hand held by the Receiver as at October 21, 2019 is \$1,389.
63. Municipal taxes in the amount of \$195,435 was paid by Hillsboro on September 30, 2019. This payment was made in order to prevent associated penalties and interest from being incurred and the Receiver had not yet drawn on its Receiver's Certificate. The Receiver confirmed with Hillsboro that it would permit this payment to be made by Hillsboro (as the Receiver has not yet made arrangements for borrowing funds under a Receiver's Certificate at time) and would ensure that a proper Receiver's Certificate would be drafted in due course. This transaction will be included in the Receiver's statement of receipts and disbursements to be included in its next report.

Commitments

64. As discussed above, the Receiver has committed EFC to spend approximately \$35,000 per the services agreement in order to commence preliminary work on the Project. These monies will be paid once the Receiver's Borrowings and arrangement have been made.
65. Since the Receivership Date to September 30, 2019, the Receiver has incurred, approximately \$143,000 in professional fees and out of pocket expenses, excluding GST, and the Receiver's Counsel has incurred approximately \$50,000 in professional fees and out of pocket expenses, excluding GST. The Receiver anticipates paying these fees and costs through the Receiver's Borrowings.

RECEIVER'S ONGOING ACTIVITIES AND FUTURE COURSE OF ACTION

66. The Receiver's next steps include, but are not limited to the following:

- a) negotiate and finalize an appropriate standard form of construction contract and supplementary conditions with the EFC to construct Buildings A to D and perform necessary site work;
- b) obtain the necessary increased funding through increased Receiver's Borrowings, subject to Court approval;
- c) finalize the Receiver's strategy in marketing and selling the remaining future Units of the Project, which may include the selection of the realty brokers who submitted their proposals to the Receiver;
- d) completion of the Receiver's analysis of Building E, and subject to those considerations, negotiate the form of construction contract and additional funding with a potential general contractor to construct Building E and a lender, respectively;
- e) evaluating the quantum of the claims filed by Hillsboro and Connect First;
- f) working with QSSi, EFC and its sub-contractors to complete the Project, subject to Court approval; and
- g) continued communication with the Company's significant stakeholders.

RECEIVER'S CONCLUSIONS AND RECOMMENDATIONS

67. The Receiver is of the view that it has made commercially reasonable efforts to obtain, secure, control and stabilize the operations and Project of Ceana Sunridge since the Receivership Date.
68. The Receiver is also of the view that it has performed reasonable and sufficient market analysis of the potential gross realizations of the Project, as well as reasonable due diligence to select an appropriate general contractor and determine the estimated costs to

complete Buildings A-E and the required funding to complete this portion of the Project along with costs for the general administration of the estate.

69. The Receiver is of the view that EFC is the most appropriate and suitable general contractor to complete the construction of Buildings A to D.
70. The Receiver is of the view that it has acted with due care and process with all stakeholders, including the Debtor and the Senior Lenders.
71. The Receiver recommends that this Honourable Court grant the following relief, advice and directions:
 - a) approve the engagement of EFC, as the General (Prime) Contractor to complete the Project on terms acceptable by the Receiver; and
 - b) increase the Receiver's Borrowing Charge to \$6.0 million;
 - c) approve the conduct, actions and activities of the Receiver and of the Receiver's counsel, and their fees and disbursements, during the Receivership Proceedings to date;
 - d) grant a Restricted Court Access Order in respect of certain commercial sensitive documents and information, which are included in Confidential Appendices 1, 2 and 3 to this Report; and
 - e) notwithstanding anything in the Receivership Order granted in these proceedings on July 3, 2019, in respect of amounts borrowed by the Receiver from Hillsboro, the whole of the Property shall be charged by way of a fixed and specific charge as security for the payment of the monies borrowed from Hillsboro. The subject Hillsboro Charge shall rank subordinate in priority and payment to the security interests of Connect First against the Property, the Receiver's Charge, the Receiver's Borrowing Charge, and the charges set out in sections 14.06(7), 81.4(4), 81.6(2), and 88 of the BIA.

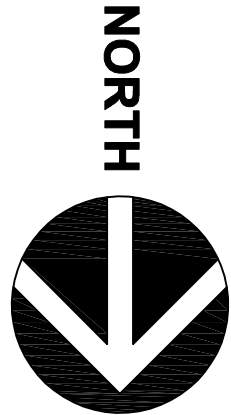
All of which is respectfully submitted this 22nd day of October, 2019.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as the Court-appointed Receiver of
Ceana Sunridge Development Inc., and not in
its personal or corporate capacity**



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

APPENDIX “A”



SITE INFORMATION

LEGAL ADDRESS
LOT 1 - BLOCK 8:
PLAN 9817891

MUNICIPAL ADDRESS
2255 32 STREET NE

LANDUSE
ZONING - D0C47256 1-2 GENERAL LIGHT INDUSTRIAL DISTRICT
SITE AREA 13862.15 SQM (3.45 ACRES)
FAR-1.0 THE GROSS FLOOR AREA ALL USES EXCEPT OFFICE BUILDINGS
FAR-0.5 THE GROSS FLOOR AREA FOR OFFICE BUILDINGS(0.5 SITE AREA)
TOTAL BUILDING AREA=3265 t/m2 (FAR=0.234)
OFFICE AREA= 826.0m2 (FAR=0.59)
MAXIMUM BUILDING HEIGHTS 12m
SIDE YARD 1.2m
REAR YARD 1.2m
LANDSCAPE AREA: REFER LANDSCAPE DRAWING
TOTAL FLOOR AREA OF THE PROJECT -
BUILDING 'A' TO 'E' =4092.0m2

BUILDING "A"
FLOOR AREA -579.7m2
USE - COMMERCIAL RENTAL SERVICE ONLY
PARKING REQUIREMENT - 1 PARKING STALL PER 3.5 sq OF NET FLOOR AREA EXCLUDING KITCHEN
(NET FLOOR AREA - RENTABLE FLOOR AREA EXCLUDING STAIRWAYS,ELEVATORS, LOBBIES, WASHROOMS)
NET FLOOR AREA EXCLUDING LOBBY & WASHROOM=420m2
REQUIRED PARKING=97 / 31 STALLS= 32 STALLS

BUILDING "B"
FLOOR AREA -472.7m2
USE - COMMERCIAL RENTAL UNITS
PARKING REQUIREMENT - RETAILS STORES - NEIGHBOURHOOD SHOPPING
5.5 PARKING STALL PER 39m2 OF NET FLOOR AREA
(NET FLOOR AREA - RENTABLE FLOOR AREA EXCLUDING STAIRWAYS,ELEVATORS, LOBBIES, WASHROOMS)
NET FLOOR AREA EXCLUDING LOBBY & WASHROOM=420m2
REQUIRED PARKING=420 / 33 X 5.5 STALLS= 24.8 STALLS= 25 STALLS

BUILDING "C"
FLOOR AREA -436.0m2
USE - COMMERCIAL RENTAL UNITS
PARKING REQUIREMENT - RETAILS STORES - NEIGHBOURHOOD SHOPPING
5.5 PARKING STALL PER 39m2 OF NET FLOOR AREA
NET FLOOR AREA - RENTABLE FLOOR AREA EXCLUDING STAIRWAYS,ELEVATORS, LOBBIES, WASHROOMS
NET FLOOR AREA EXCLUDING LOBBY & WASHROOM=392m2
REQUIRED PARKING=392 / 33 X 5.5 STALLS= 23.1 STALLS= 24 STALLS

BUILDING "D"
FLOOR AREA -531.0m2
USE - MEDICAL OFFICE
PARKING REQUIREMENT - MEDICAL CLINICS
1 PARKING STALL PER 25m2 OF GROSS FLOOR AREA
REQUIRED PARKING=500 / 25 X 1 STALLS= 20 STALLS

BUILDING "E"
FLOOR AREA MAIN FLOOR -1351m2
FLOOR AREA 2ND FLOOR -825.9m2
USE - COMMERCIAL RENTAL UNITS - MAIN FLOOR
USE - OFFICE 2ND FLOOR
PARKING REQUIREMENT MAIN FLOOR AREA - RETAILS STORES - NEIGHBOURHOOD SHOPPING
5.5 PARKING STALL PER 39m2 OF NET FLOOR AREA
(NET FLOOR AREA - RENTABLE FLOOR AREA EXCLUDING STAIRWAYS,ELEVATORS, LOBBIES, WASHROOMS)
NET FLOOR AREA AT MAIN FLOOR EXCLUDING LOBBY & WASHROOM=1187m2
REQUIRED PARKING FOR MAIN FLOOR=1187 / 33 X 5.5 STALLS= 70.1 STALLS= 72 STALLS
PARKING REQUIREMENT 2ND FLOOR AREA - OFFICE
1 PARKING STALL PER 46m2 OF NET FLOOR AREA
(NET FLOOR AREA - RENTABLE FLOOR AREA EXCLUDING STAIRWAYS,ELEVATORS, LOBBIES, WASHROOMS)
NET FLOOR AREA AT MAIN FLOOR EXCLUDING LOBBY & WASHROOM=705m2
REQUIRED PARKING FOR MAIN FLOOR=705 / 46 X 1 STALLS= 15.3 STALLS= 14 STALLS

PARKING REQUIREMENTS
REQUIRED PARKING=247 STALL
10% REDUCTION - 25 STALLS
REQUIRED PARKING = 222 STALLS
PARKING PROVIDED = 221 STALLS

LEGEND

- EXISTING GRADE X 8.4.65
- PROPOSED GRADE 1000
- EXTERIOR LAMP
- EXTERIOR LAMP
- STREET LAMP
- BOLLARD
- PROPERTY BOUNDARIES

LANDSCAPE DATA
LAND PLANTER DETAILS
REFER TO THE LANDSCAPE DRAWINGS

Client- CEANA DEVELOPMNTS INC

Design by-

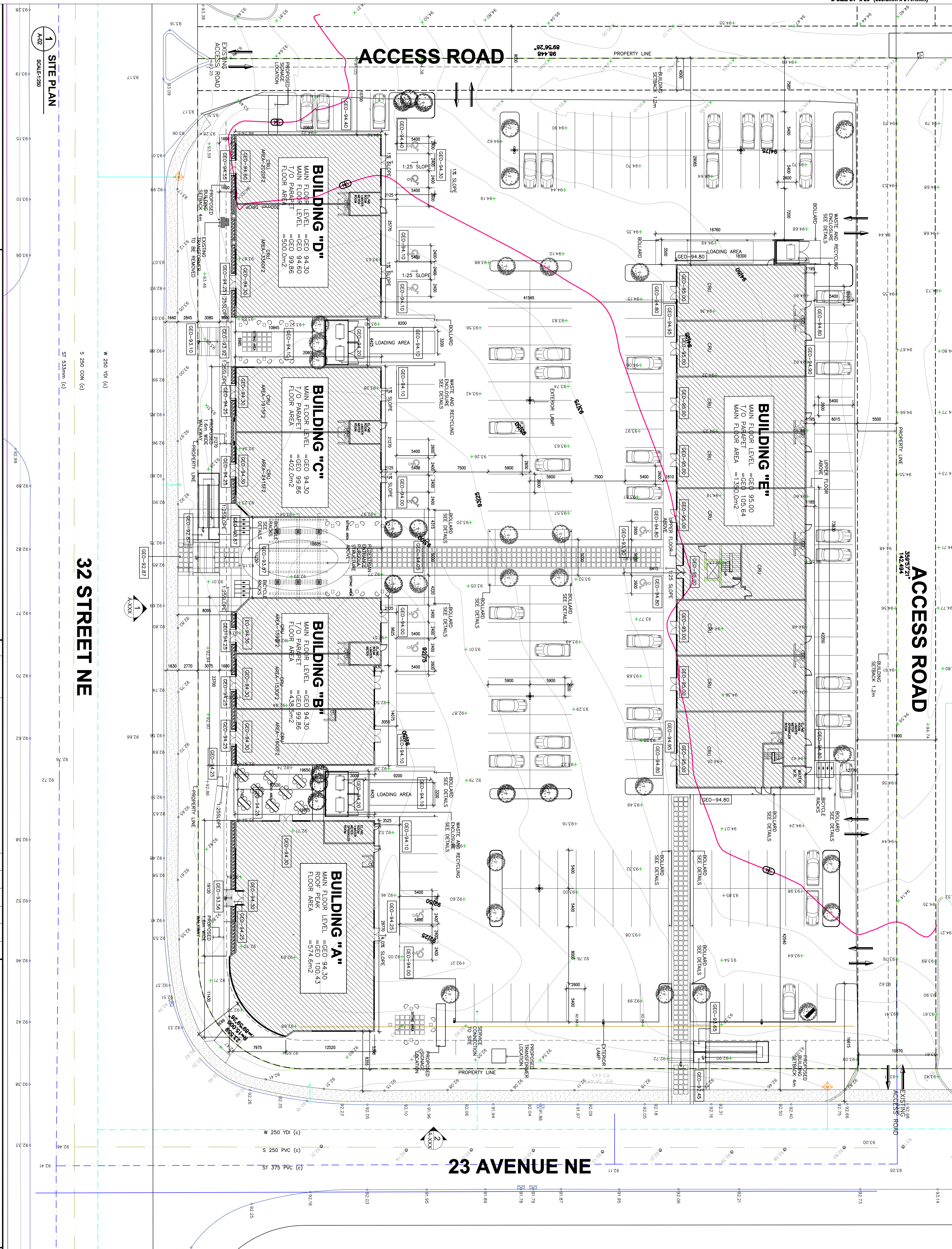
Seika Architecture Ltd
651 MACGIVAN DRIVE NW CALGARY ALBERTA, T2K 3R1
TEL:403.210.0065

PROPOSED COMMERCIAL DEVELOPMENT

AT 2255-32 STREET NE

DEVELOPMENT PERMIT DRAWINGS

SITE PLAN		ISSUE/REVISION	
PROJECT NUMBER	DRAWING NUMBER		
SE-140	A-02	01	



32 STREET NE

ACCESS ROAD

23 AVENUE NE

1 SITE PLAN
SCALE: 1:250

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1	15/09/10	ISSUED FOR DEVELOPMENT PERMIT	AK	AK	DRN	CHK	DGS	ENG	IDR	APP
I/R	YY/MM/DD	ISSUE/REVISION DESCRIPTION								

APPENDIX “B”

RECEIVER CERTIFICATE

CERTIFICATE NO. 1
AMOUNT \$

1. THIS IS TO CERTIFY that Alvarez and Marsal Canada Inc., the court-appointed receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties of Ceana Development Sunridge Inc. appointed by Order of the Court of Queen's Bench of Alberta (the “**Court**”) dated the 3rd day of July, 2019 (the “**Order**”) made in action number 1801-04745, 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 \$6,000,000 that 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 [daily] [monthly not in advance on the ☐ day of each month] after the date hereof at a notional rate per annum equal to the rate of ☐ per cent above the prime commercial lending rate of Bank of ☐ from time to time.
3. Subject entirely to paragraph 5 hereof, 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 (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and 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 _____.
5. Notwithstanding anything to the contrary in any Order granted in these proceedings, in respect of amounts borrowed by the Receiver from Hillsboro Ventures Inc. (“**Hillsboro**”), the whole of the Property (as defined in the Order) shall be charged by way of a fixed and specific charge (the “**Hillsboro Charge**”) as security for the payment of the monies borrowed from Hillsboro. The Hillsboro Charge shall rank subordinate in priority and payment to the security interests of Connect First Credit Union Ltd. against the Property, the Receiver's Charge, the Receiver's Borrowing Charge, and the charges set out in sections 14.06(7), 81.4(4), 81.6(2), and 88 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3.
6. 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.
7. 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.
8. 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 October, 2019.

ALVAREZ AND MARSAL CANADA INC.,
solely in its capacity as Receiver of the
Property (as defined in the Order), and not
in its personal capacity

Per: _____
Name:
Title:

28704148