

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF URBANCORP CUMBERLAND 2 GP INC., URBANCORP CUMBERLAND 2
L.P., BOSVEST INC., EDGE ON TRIANGLE PARK INC., AND EDGE
RESIDENTIAL INC.

(the "Applicants")

SIXTH REPORT TO COURT OF THE FULLER LANDAU GROUP INC.
AS MONITOR OF THE APPLICANTS

JUNE 13, 2017

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I. INTRODUCTION AND BACKGROUND

1. On April 29, 2016, Bosvest Inc. (“**Bosvest**”), Edge Residential Inc. (“**Residential**”) and Edge on Triangle Park Inc. (“**Triangle**”, and together with Bosvest and Residential, the “**Edge Companies**”) each filed with the Official Receiver a Notice of Intention to Make a Proposal (“**NOI**”), pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”). The Fuller Landau Group Inc. was named as proposal trustee (“**FL**” or the “**Proposal Trustee**”) under the NOIs.
2. On May 20, 2016, Urbancorp Cumberland 2 GP Inc. (“**Cumberland 2 GP**”) and Urbancorp Cumberland 2 L.P. (“**Cumberland 2 LP**”, and together with Cumberland 2 GP, the “**Cumberland Companies**”) each filed a NOI with the Official Receiver. FL was named as Proposal Trustee under the NOIs.
3. The Edge Companies and Cumberland Companies are collectively referred to as the “**Cumberland Group**”.
4. The Proposal Trustee issued the Edge Companies First Extension Report dated May 26, 2016, the Cumberland Companies First Extension Report dated June 13, 2016, the Cumberland Group’s Second Extension Report dated July 6, 2016, the Third Report dated August 18, 2016, and the Fourth Report dated September 30, 2016. The Fourth Report provided a summary of the Proposal Trustee’s previous activities and Reports, and orders obtained in the NOI proceedings of the Cumberland Group.
5. On October 6, 2016, the Court granted an order:
 - a. approving the Proposal Trustee’s activities as described in the Fourth Report;
 - b. continuing the NOI proceedings of the Cumberland Group under the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) with an initial stay of proceedings until November 4, 2016;
 - c. appointing the Proposal Trustee as the monitor of the Cumberland Group (the “**Monitor**”) with the enhanced powers previously given to the Proposal Trustee under previous orders of the Court;
 - d. continuing the “Protocol for Co-Operation Among Canadian Court Offer and Israeli Functionary” dated June 8, 2016 with the Monitor in place of the Proposal Trustee; and
 - e. granting the Administration Charge, the DIP Charge and the Directors’ Charge.
6. On October 21, 2016, the Monitor issued its first report to court (the “**Monitor’s First Report**”) and on October 28, 2016, the Court issued an order, granting, among other relief, an extension of the stay of proceedings in respect of the Applicants until December 23, 2016 (the “**October 28th CCAA Order**”).

7. On December 2, 2016, the Monitor issued its second report to court (the “**Monitor’s Second Report**”) and issued under seal a supplementary report (the “**Supplementary Report**”) on various transactions completed by the Cumberland Group.
8. On December 16, 2016, the Court issued:
 - a. an approval and vesting order (the “**Triangle Residential Units Approval and Vesting Order**”) approving the bulk sales transactions for 18 leased residential condominium units;
 - b. an approval and vesting order (the “**Residential Units Approval and Vesting Order**”) approving the bulk sales transactions for three (3) leased residential condominium units;
 - c. an approval and vesting order (the “**Retail Units Approval and Vesting Order**”) approving the bulk sales transactions for the five (5) retail units;
 - d. a claims procedure order (the “**Claims Procedure Order**”) approving the proposed claims process (the “**Claims Process**”) in respect of the Cumberland Group; and
 - e. a stay extension, sealing and approval of activities order (the “**December 16th Stay Extension Order**”), approving, among other relief:
 - i. the solicitation of interest, and potential formation, of a voluntary *ad hoc* creditors committee to advise the Monitor with regards to taking further actions related to certain transfers of property (the “**Creditors Committee**”) as detailed in the Supplementary Report;
 - ii. that the Supplementary Report be sealed; and
 - iii. an extension of the stay of proceedings in respect of the Cumberland Group until March 17, 2017.
9. On March 3, 2017, the Monitor issued its third report to court (the “**Monitor’s Third Report**”).
10. On March 16, 2017, the Court issued an order granting the Monitor, amongst other things, an extension of the stay of proceedings until June 19, 2017 and the authorization to repay the existing DIP facility (the “**DIP Facility**”), and to use available cash held in the estate to meet the Monitor’s funding requirements as they arise.
11. On June 8, 2017, the Monitor issued its fourth report to court (the “**Monitor’s Fourth Report**”) reporting on a \$12 million payment to Canada Revenue Agency (“**CRA**”) in

early March 2016 to partially settle Triangle's HST obligations. The Motion is scheduled to be heard on a date to be set by the scheduling office of the Commercial List.

12. On June 8, 2017, the Monitor issued its fifth report to court (the "**Monitor's Fifth Report**") reporting on steps taken by the Monitor in these proceedings, seeking approval of such steps, and seeking an extension of the CCAA stay of proceedings.
13. Copies of the Monitor's reports filed and Court Orders issued can be found at the Monitor's website at www.fullerllp.com/active_engagements/edge-triangle-park-inc/

II. PURPOSE OF THIS REPORT

14. The purpose of this sixth report of the Monitor (the "**Monitor's Sixth Report**") is to update the Court with respect to the transfer of condominium units, parking spaces, and locker units to various creditors of the Edge Companies, creditors of other Urbancorp entities, and other parties.
15. In preparing this Monitor's Sixth Report, the Monitor has relied upon unaudited financial information of the Cumberland Group, the Cumberland Group's records, financial statements and discussions with the Cumberland Group's management and employees. While the Monitor has reviewed various documents provided by the Cumberland Group and believes that the information therein provides a fair summary of the transactions as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises ("**ASPE**") or International Financial Reporting Standards ("**IFRS**"). Accordingly, the Monitor expresses no opinion or other form of assurance pursuant to ASPE or IFRS with respect to such information.
16. For reference purposes, any capitalized terms not otherwise defined in the Monitor's Sixth Report shall have the meanings ascribed to them in the Edge Companies First Extension Report, the Cumberland Companies First Extension Report, the Cumberland Companies Second Extension Report, the Third Report, the Fourth Report, the Monitor's First Report, the Monitor's Second Report, the Monitor's Third Report, the Monitor's Fourth Report and the Monitor's Fifth Report.

III. CONDOMINIUM UNITS TRANSFERRED TO TRADE CREDITORS

17. The Monitor's investigation into the books and records of Triangle and Residential has disclosed that between August 6, 2015 and January 6, 2016, a number of condominium units from the Edge Triangle Project (including parking spaces and storage units) were transferred to third parties being either trade creditors of Triangle or trade creditors of other Urbancorp entities or their designees.
18. Specifically, 35 condominium units, 14 parking spaces, and 25 storage units were transferred to trade creditors. As far as the Monitor is aware, all of these trade creditors appear to be arm's length third parties.

19. The Monitor understands from discussions with Urbancorp management that the transfer of these units was due to Triangle and other Urbancorp entities being unable to fund payment of its obligations. As such, some trade creditors of the Urbancorp group of companies were approached and offered condominium units in the newly registered Edge Triangle Project condominium. Some, but not all, of the trade creditors accepted this offer.
20. Specifically, the participating trade creditors were:
 - a. Cooltech Air Systems Ltd./Genesis Home Services Inc.;
 - b. Triumph Roofing and Sheet Metal Inc.;
 - c. MDF Mechanical Limited;
 - d. Lido Construction Inc.;
 - e. Furkin Construction Inc.;
 - f. Elite Stone Design Corp.;
 - g. FirstService Residential Property Services Ontario Ltd.;
 - h. Pacific Hardwood Limited;
 - i. CLM General Enterprise Ltd. (operating under the registered business name of “CLM General Enterprises”); and
 - j. M5V Realty Inc./Century 21 Atria Realty Inc.
21. If the trade creditors accepted the offer to exchange their debt for units in the Edge Triangle Project, various units would be transferred to the trade creditors or their designee. The Monitor’s review of the registered land titles documents shows that in some cases the transferee was the trade creditor and in other cases it was a principal or designee of the trade creditor.
22. In addition to the transfer of units to the above-noted trade creditors, the Monitor has identified other individuals that may have received units under a similar contra arrangement. These individuals are Thuy Trang Thi Tran, Barry Kerbel, Wayne Murdock and Olena Shcherbakova. The Monitor is continuing to investigate these transfers of units to determine whether Triangle and Residential received fair market consideration in exchange for units transferred to these individuals.
23. The Monitor has been able to identify the following transfers to third parties, and the consequent impact on the balance sheet of the Cumberland Group, from a search of the land title registry and the books and records of the Cumberland Group. A chart summarizing the Monitor’s investigation is as follows:

Third Parties with Transferred Units	Residential Units	Parking Units	Storage Units	Total Units Held	Total Urbancorp Invoices Applied to Transfers	Edge Invoices Applied to Transfers	Non-Edge Invoices Applied to Transfers
CLM General Enterprise Ltd.					\$553,329.00	\$553,329.00	NA
1755427 Ontario Ltd.	1	1	1	3	NA	NA	NA
Gabriela Villegas	1	1	1	3	NA	NA	NA
Lido Construction Inc. / 870528 Ontario Limited	3	2	3	8	\$1,115,517	\$818,179	\$297,338
Furkin Construction Inc.	1	0	0	1	\$424,808	\$424,808	NA
FirstService Residential Property Services Ontario Ltd	2	0	1	3	\$453,254	\$422,880	\$30,374
Elite Stone Design Corp. / Moje Hassan Holdings Inc.	2	0	2	4	\$256,541	\$100,121	\$156,420
Pacific Hardwood Limited	2	2	0	4	\$592,564	\$566,800	\$25,764
M5V Realty Inc. / Century 21 Atria Realty Inc. / Sherard McQueen	3	1	3	7	NA	NA	NA
Triumph Roofing and Sheet Metal Inc. /Ribeiro Holdings Ltd.	5	1	2	8	\$1,437,713	\$408,227	\$1,029,486
MDF Mechanical Ltd.					\$1,014,535		\$1,014,535
Amanda Kimberly Penrice	1	0	0	1	NA	NA	NA
Vince Troiano	1	1	1	3	NA	NA	NA
Angelo Troiano	1	1	1	3	NA	NA	NA
Mauro Galati	1	0	0	1	NA	NA	NA
Cooltech Air Systems Ltd. / Genesis Home Services Inc.					\$2,383,920	\$329,067	\$2,054,853
AEM Fantin Capital Corp.	7	3	7	17	NA	NA	NA
Icarus Holdings (Milton) Inc.	1	0	1	2	NA	NA	NA
Olena Shcherbakova	1	0	0	1	NA	NA	NA
Trang Tan	1	0	0	1	NA	NA	NA
Wayne Cameron Murdock	0	0	1	1	NA	NA	NA
Barry Kerbel	1	1	1	3	\$373,990	NA	NA
Totals	35	14	25	74	\$8,606,171	\$3,623,411	\$4,608,770

24. In this Report, the Monitor will be commenting on the trade creditors who obtained Edge condominium units in exchange for non-Edge debt. The Monitor continues to investigate whether trade creditors who exchanged Edge condominium units for Edge debt did so at a fair market value. As a result, this Report will comment on the following seven trade creditors who received Edge units for non-Edge debt:

- a. Cooltech Air Systems Ltd./Genesis Home Services Inc.;
- b. Triumph Roofing and Sheet Metal Inc.;
- c. MDF Mechanical Limited;
- d. Lido Construction Inc.;
- e. Elite Stone Design Corp.;
- f. FirstService Residential Property Services Ontario Ltd.; and
- g. Pacific Hardwood Limited.

a. Cooltech Air Systems Ltd. / Genesis Home Services Inc.

Cooltech Air Systems Ltd. (“**Cooltech**”) and Genesis Home Services Inc. (“**Genesis**”) are Ontario corporations with the registered office address of 37 Nixon Road, Bolton, Ontario. The sole officer and director of Cooltech is Leonard Fantin. The sole director of Genesis is Michael Fantin. Attached as **Appendices “A” and “B”** are, respectively, copies of the corporate profile reports of Cooltech and Genesis.

The Monitor understands that Cooltech is in the business of supplying plumbing and HVAC work to construction improvements and had supplied such services to a number of Urbancorp entities. The Monitor also understands that Genesis is in the business of renting or leasing water heaters, boilers, hot water tanks, and other air conditioning and heating equipment, and had furnished such rental equipment to various Urbancorp buildings.

As best as the Monitor can determine, Triangle and other Urbancorp entities were indebted to both Cooltech and Genesis for work done at:

- a) the Edge Triangle Project in the amount of \$329,067;
- b) Epic on Triangle Park (48 Abell St., Toronto, Ontario) (“**Epic**”) in the amount of \$252,153;
- c) 50 Curzon St., Toronto, Ontario (“**Leslieville**”) in the amount of \$680,475; and
- d) 42 Edgewood Ave., Toronto, Ontario (“**The Beach**”) in the amount of \$286,269.

The books and records of Triangle record a line-item debt due to Genesis in the amount of \$335,956 but the Monitor cannot particularize the construction site where this debt was incurred. In the circumstances, the Monitor is treating this debt as a non-Edge debt. In addition, the Monitor is aware of a loan from Cooltech to Mr. Alan Saskin and then to TCC/Urbancorp (Bay/Stadium) LP in the amount of \$500,000 which is an additional obligation to the amounts above.

In light of the above, the Monitor understands that the total debt owed to Cooltech and Genesis from all of the Urbancorp entities totalled \$2,383,920: \$329,067 from Edge and \$2,054,853 from other Urbancorp entities.

As part of agreement to exchange Triangle or Residential condominium units for debt, the books and records of Residential disclose that on August 4, 2015 Residential entered into the following eight agreements of purchase and sale:¹

¹ The Monitor reports that many of the agreements of purchase and sale referenced in this Report provide

- i) Suite 202, unit 2, level 2 (PIN: 76448-0016)
 - a) Purchaser: Icarus Holding (Milton) Inc.;
 - b) Purchase Price: \$323,990.00;
 - c) Transfer date: August 14, 2015.

- ii) Suite 205, unit 4, level 2 (PIN: 76448-0018)
 - a) Purchaser: AEM Fantin Capital Corp.;
 - b) Purchase Price: \$352,990.00;
 - c) Transfer date: August 14, 2015.

- iii) Suite 207, unit 6, level 2 (PIN 76448-0020)
 - a) Purchaser: AEM Fantin Capital Corp.;
 - b) Purchase Price: \$352,990.00;
 - c) Transfer date: August 14, 2015.

- iv) Suite 211, unit 10, level 2 (PIN 76448-0024)
 - a) Purchaser: AEM Fantin Capital Corp.;
 - b) Purchase Price: \$352,990.00;
 - c) Transfer date: August 14, 2015.

- v) Suite 606, unit 5, level 5 (PIN 76448-0296)
 - a) Purchaser: AEM Fantin Capital Corp.;
 - b) Purchase Price: \$254,990.00;
 - c) Transfer date: August 14, 2015.

- vi) Suite 606E, unit 31, level 5 (PIN 76448-0322)
 - a) Purchaser: AEM Fantin Capital Corp.;
 - b) Purchase Price: \$254,990.00;
 - c) Transfer date: August 14, 2015.

- vii) Suite 705E, unit 57, level 7 (PIN 76448-0461)
 - a) Purchaser: AEM Fantin Capital Corp.;
 - b) Purchase Price: \$241,990.00;
 - c) Transfer date: August 14, 2015.

- viii) Suite 706E, unit 34, level 6 (PIN 76448-0377)
 - a) Purchaser: AEM Fantin Capital Corp.;
 - b) Purchase Price: \$248,990.00;
 - c) Transfer date: August 14, 2015.

for the purchase and sale of storage lockers and parking spots in addition to residential condominium units, but for the sake of brevity this Report will not include those references and will focus only on the transfer of condominium units.

The Schedule A to all of these agreements and purchase and sale provides the following text:

Below are the Units to be purchased.

- 1) 705E - \$241,990
 - 2) 606 - \$254,990
 - 3) 606E - \$254,990
 - 4) 706E - \$248,990
 - 5) 202 - \$323,990
 - 6) 205 - \$323,990
 - 7) 207 - 323,990 [sic]
 - 8) 211 - \$323,990
 - 9) 8 Lockers at no charge
- Total - \$2,383,920

The following invoices are to be applied as payment to the outstanding invoices.

This total amount is used as credit to the Purchase Price.

1. Triangle - \$329,067
 2. Epic - \$252,153
 3. Curzon - \$680,475 (including the cost to complete and holdbacks) excluding future extras
 4. Edgewood - \$286,269 (including the cost to complete 33 units and holdbacks) excluding the future extras
 5. Genesis - \$335,956
 6. Loan - \$500,000
- Total of the above amounts equal \$2,383,920

Attached as **Appendix "C"** is, collectively, the subject agreements of purchase and sale, amendments to the agreements of purchase and sale dated, as applicable, supporting invoices, as available, and statements of adjustments.

The Monitor understands that this schedule illustrates the various debts owed to Cooltech and Genesis by Triangle and other Urbancorp entities and credits these amounts against the purchase of condominium units by designees of Cooltech and Genesis. As a result of these credits, no actual money was paid for the purchase of the units.

In addition, as these units came from Residential (who was already renting out the units to residential tenants), both Residential and Triangle entered into assignments of leases dated August 14, 2015 (the same day the units were transferred) assigning the residential leases to the respective purchaser of the unit. Attached as **Appendix "D"** is a copy of a representative assignment of lease agreement.

The Monitor believes that the purchasers of these units, Icarus Holding (Milton) Inc. ("**Icarus**") and AEM Fantin Capital Corp. ("**AEM**") are non-

arm's length designees of Cooltech and Genesis. Both have the same registered office addresses as Cooltech and Genesis (37 Nixon Road, Bolton, Ontario). The sole director of both Icarus and AEM is Michael Fantin, who is the sole director of Genesis. The Monitor also notes that Icarus previously had the corporate name of "Genesis Home Services (Cathedral Town) Inc.". Attached as **Appendices "E" and "F"** are, respectively, copies of the corporate profile reports of Icarus and AEM.

The Monitor is of the opinion that the effect of these agreements of purchase and sale with Residential in exchange for debts owed by Triangle and other Urbancorp entities to Cooltech and Genesis is oppressive to the other creditors and stakeholders of Triangle and Residential, and Residential acted oppressively by making such agreements. Cooltech and Genesis received the benefit of \$2,383,920 worth of value from the purchase of Residential's condominiums, while Edge only got the benefit of a compromise of debt worth only \$329,067. Other Urbancorp entities and Mr. Saskin obtained a benefit of \$2,054,853 at the expense of the creditors and stakeholders of Edge.

b. Triumph Roofing and Sheet Metal Inc.

Triumph Roofing and Sheet Metal Inc. ("**Triumph**") is an Ontario corporation with a registered office address of 1 Connie Street, Toronto, Ontario. Triumph has two officers and directors: Mario and Francisco Ribeiro. Attached as **Appendix "G"** is a copy of the corporate profile report of Triumph.

The Monitor understands that Triumph provided roofing, flashing, and soffit work to the following Urbancorp sites:

- a) Edge Triangle Project – in the amount of \$408,227;
- b) Leslieville – in the amount of \$371,192;
- c) Epic – in the amount of \$151,326;
- d) The Beach – in the amount of \$485,964;
- e) The Neighbourhood of Riverdale (55 Howie Ave., Toronto) ("**Riverdale**") in the amount of \$6,954; and
- f) The Bridge (38 Joe Shuster Way, Toronto) ("**The Bridge**") in the amount of \$9,100.

The Monitor is also aware of \$4,950 held by Residential as security deposits for units rented by Triumph or its designees.

In light of the above, the Monitor understands that the total debt owed to Triumph from all of the Urbancorp entities totalled \$1,437,713: \$408,227 from Triangle, and \$1,029,486 from other Urbancorp entities.

As part of agreement to exchange Edge condominium units for debt, the books and records of Triangle disclose that on June 26, 2015 Triangle entered into the following two agreements of purchase and sale:

- i) Suite 805, unit 4, level 7 (PIN: 76448-0408)
 - a) Purchaser: Ribeiro Holdings Ltd.
 - b) Purchase Price: \$233,270;
 - c) Transfer date: August 7, 2015.

- ii) Suite 628, unit 24, level 5 (PIN: 76448-0315)
 - a) Purchaser: Ribeiro Holdings Ltd.;
 - b) Purchase Price: \$284,150;
 - c) Transfer date: August 7, 2015.

On September 22, 2015 Residential entered into the following two agreements of purchase and sale:

- iii) Suite 601E, unit 27, level 5 (PIN: 76448-0318)
 - a) Purchaser: Ribeiro Holdings Ltd.
 - b) Purchase Price: \$288,150.40;²
 - c) Transfer date: November 26, 2015.

- iv) Suite 501E, unit 27, level 4 (PIN: 76448-0266)
 - a) Purchaser: Ribeiro Holdings Ltd.;
 - b) Purchase Price: \$307,550.40;³
 - c) Transfer date: November 26, 2015.

On November 5, 2015, Residential entered into the following agreement of purchase and sale:

- v) Suite 301, unit 1, level 3 (PIN: 76448-0094)
 - a) Purchaser: Ribeiro Holdings Ltd.
 - b) Purchase Price: \$305,990;
 - c) Transfer date: November 26, 2015.

Attached as **Appendix “H”** is, collectively, the subject agreements of purchase and sale, amendments to the agreements of purchase and sale

² There is a discrepancy between the numerically stated purchase price and the written purchase price, which appears incomplete. However, the title abstract records the transfer price as the same (rounded down to the nearest dollar) as the numerically stated amount. The Monitor is relying on the official public documents.

³ There is a discrepancy between the numerically stated purchase price and the written purchase price, which appears incomplete. However, the title abstract records the transfer price as the same (rounded down to the nearest dollar) as the numerically stated amount. The Monitor is relying on the official public documents.

dated, as applicable, supporting invoices, as available, and statements of adjustments.

Each of the agreements of purchase and sale contain either a schedule or an amendment listing the outstanding Triumph invoices for services supplied to Urbancorp projects that were credited towards the purchase price of Triangle condominium units. As a result of these credits, no actual money was paid for the purchase of the units.

The Monitor believes that the purchaser of these units, Ribeiro Holdings Ltd. is a non-arm's length designee of Triumph. Both have the same registered office address: 1 Connie Street, Toronto, Ontario. Furthermore, Mario Ribeiro, a director and officer of Triumph, is the sole director of Ribeiro Holdings Ltd. Attached as **Appendix "I"** is a copy of the corporate profile report of Ribeiro Holdings Ltd.

The Monitor is of the opinion that the effect of these agreements of purchase and sale with Triangle and Residential in exchange for debts owed by Triangle and other Urbancorp entities to Triumph is oppressive to the other creditors and stakeholders of Triangle and Residential, and Triangle and Residential acted oppressively by making such agreements. Triumph received the benefit of \$1,437,713 worth of value from the purchase of Triangle's and Residential's condominiums, while Triangle and Residential only got the benefit of a compromise of debt worth only \$408,227. Other Urbancorp entities obtained a benefit of \$1,029,486 at the expense of the creditors and stakeholders of Edge.

c. MDF Mechanical Limited

MDF Mechanical Limited ("**MDF**") is an Ontario corporation with a registered office address of 2100 Steeles Ave. E., Brampton, Ontario. Triumph has three officers and directors: Garry Penrice, Vince Troiano, and Angelo Troiano. Attached as **Appendix "J"** is a copy of the corporate profile report of MDF.

The Monitor understands that MDF provided mechanical work to the following Urbancorp sites:

- a) Riverdale – in the amount of \$436,281;
- b) Leslieville – in the amount of \$386,807;
- c) Ravines on Lawrence (1780 Lawrence Ave. West, Toronto) ("**Lawrence**") in the amount of \$82,170;
- d) The Beach – in the amount of \$85,321; and
- e) Homes on Valermo Dr. (300 Valermo Drive, Toronto) ("**Valermo**") – in the amount of \$23,956.

In light of the above, the Monitor understands that the total debt owed to MDF from all of the Urbancorp entities totalled \$1,014,535, none of which was owed by either Triangle or Residential.

As part of agreement to exchange Edge condominium units for debt, the books and records of Triangle and Residential disclose the following agreements of purchase and sale:

- i) Suite 605E, unit 30, level 5 (PIN: 76448-0321)
 - a) Purchaser: Vince Troiano;
 - b) Vendor: Edge on Triangle Park Inc.;
 - c) Date of Agreement of Purchase and Sale: June 27, 2015;
 - d) Purchase Price: \$231,350;
 - e) Transfer date: August 7, 2015.

- ii) Suite 505E, unit 30, level 4 (PIN: 76448-0269)
 - a) Purchaser: Angelo Troiano;
 - b) Vendor: Edge on Triangle Park Inc.;
 - c) Date of Agreement of Purchase and Sale: June 27, 2015;
 - d) Purchase Price: \$230,390;
 - e) Transfer date: August 7, 2015.

- iii) Suite 805E, unit 32, level 7 (PIN: 76448-0436)
 - a) Purchaser: Mauro Galati
 - b) Vendor: Edge on Triangle Park Inc.
 - c) Date of Agreement of Purchase and Sale: June 27, 2015
 - d) Purchase Price: \$233,270;
 - e) Transfer date: August 7, 2015.

- iv) Suite 705, unit 4, level 6 (PIN: 76448-0347)
 - a) Purchaser: Amanda Kimberly Penrice
 - b) Vendor: Edge on Triangle Park Inc.
 - c) Date of Agreement of Purchase and Sale: July 2, 2015
 - d) Purchase Price: \$232,310;
 - e) Transfer date: August 7, 2015.

There are two subsequent agreements of purchase and sale dated September 16, 2015 between each of Vince and Angelo Troiano for the purchase of a storage unit and parking spot. In both cases the purchase price was \$28,000, for a total of \$56,000.

Attached as **Appendix "K"** is, collectively, the subject agreements of purchase and sale, amendments to the agreements of purchase and sale dated, as applicable, supporting invoices, as available, and statements of adjustments.

Each of the agreements of purchase and sale contain amendments whereby outstanding MDF invoices for services supplied to Urbancorp projects were credited towards the purchase price of Edge condominium units. As a result of these credits, no actual money was paid for the purchase of the units.

The Monitor believes that the purchasers of these units are non-arm's length designee of MDF. Both Vince and Angelo Troiano are officers and directors of MDF. Amanda Kimberly Penrice shares the same surname as the other officer and director: Garry Penrice. Mauro Galati's LinkedIn profile lists him as the Vice President of MDF, and the listing for MDF in the Toronto Region Board of Trade publication Contact Toronto 2015/2016 lists Mr. Galati as the "VP Ops". Attached as **Appendices "L" and "M"** are, respectively, copies of Mauro Galati's LinkedIn profile, and a copy of the 2015/2016 Contact Toronto directory.

The Monitor is of the opinion that the effect of these agreements of purchase and sale with Triangle and Residential in exchange for debts owed by other Urbancorp entities to MDF is oppressive to the other creditors and stakeholders of Edge and Residential, and Edge and Residential acted oppressively by making such agreements. MDF received the benefit of \$1,014,535 worth of value from the purchase of Triangle's and Residential's condominiums, while Edge and Residential received no corresponding consideration. Other Urbancorp entities obtained a benefit of \$1,014,535 at the expense of the creditors and stakeholders of Edge.

d. Lido Construction Inc.

Lido Construction Inc. ("**Lido**") is an Ontario corporation with a registered office address of 665 Millway Ave., Unit 1, Concord, Ontario. Lido has two officers: Donato Montesano and Madeleine Montesano. Mr. Montesano is the sole director of Lido. Attached as **Appendix "N"** is a copy of the corporate profile report of Lido.

The Monitor understands that Lido provided carpentry and millwork to the following Urbancorp sites:

- a) Edge Triangle Project – in the amount of \$818,179;
- b) Riverdale – in the amount of \$1,220;
- c) Leslieville – in the amount of \$80,230; and
- d) The Beach – in the amount of \$15,888

In addition to the construction trade debt, the Monitor understands that a promissory note dated September 4, 2015 and due September 4, 2015 was also included in the calculation of the total debt to Lido. This promissory note was made by Alan Saskin and Urbancorp Toronto Management Inc.,

jointly and severally, to Lido in the amount of \$200,000. Attached as **Appendix “O”** is a copy of the promissory note dated September 4, 2015.

In light of the above, the Monitor understands that the total construction debt owed to Lido from all of the Urbancorp entities totalled \$1,115,517. Of this amount, \$818,179 was owed by either Triangle or Residential and \$297,338 was owed by other Urbancorp companies.

As part of agreement to exchange Edge condominium units for debt, the books and records of Triangle and Residential disclose the following agreements of purchase and sale:

- i) Suite 222, unit 19, level 2 (PIN: 76448-0033)
 - a) Purchaser: 870528 Ontario Limited and Lido Construction Inc.;⁴
 - b) Vendor: Edge Residential Inc.;
 - c) Date of Agreement of Purchase and Sale: September 1, 2015;
 - d) Purchase Price: \$380,990;
 - e) Transfer date: November 25, 2015.

- ii) Suite 303, unit 3, level 3 (PIN: 76448-0096)
 - a) Purchaser: 870528 Ontario Limited and Lido Construction Inc.;⁵
 - b) Vendor: Edge Residential Inc.;
 - c) Date of Agreement of Purchase and Sale: September 1, 2015;
 - d) Purchase Price: \$321,990;
 - e) Transfer date: November 25, 2015.

- iii) Suite 902E, unit 17, level 8 (PIN: 76448-0480)
 - a) Purchaser: 870528 Ontario Limited and Lido Construction Inc.;⁶
 - b) Vendor: Edge Residential Inc.
 - c) Date of Agreement of Purchase and Sale: September 1, 2015
 - d) Purchase Price: \$415,990;
 - e) Transfer date: November 25, 2015.

⁴ While both corporations are registered as purchasers in the agreement of purchase and sale, title was taken solely by 870528 Ontario Inc. on closing.

⁵ While both corporations are registered as purchasers in the agreement of purchase and sale, title was taken solely by 870528 Ontario Inc. on closing.

⁶ While both corporations are registered as purchasers in the agreement of purchase and sale, title was taken solely by 870528 Ontario Inc. on closing.

Attached as **Appendix “P”** is, collectively, the subject agreements of purchase and sale, amendments to the agreements of purchase and sale dated, as applicable, supporting invoices, as available, and statements of adjustments.

Each of the agreements of purchase and sale contain amendments whereby outstanding Lido invoices for services supplied to Urbancorp projects were credited towards the purchase price of Edge condominium units. As a result of these credits, no actual money was paid for the purchase of the units.

The legal transferee of these units was 870528 Ontario Limited (“**870**”). The Monitor believes that 870 is a corporation operating at less than arm’s length from Lido. Both Lido and 870 have the same office address: 665 Millway Ave., Unit 1, Concord, Ontario. Madeleine Montesano and Donato Montesano are both officers and directors of 870. Finally, 870 is the result of an amalgamation between two companies, one of which was named “Lido Drywall & Carpentry Limited”. Attached as **Appendix “Q”** is a copy of the corporate profile report of 870.

The Monitor is of the opinion that the effect of these agreements of purchase and sale with Residential in exchange for debts owed by other Urbancorp entities to Lido is oppressive to the other creditors and stakeholders of Triangle and Residential, and Triangle and Residential acted oppressively by making such agreements. Lido received the benefit of \$297,338 worth of value from the purchase of Residential’s condominiums, while Edge and Residential received no corresponding consideration. Other Urbancorp entities (including Mr. Saskin) obtained a benefit of \$297,338 at the expense of the creditors and stakeholders of Triangle and Residential.

e. Elite Stone Design Corp.

Elite Stone Design Corp. (“**Elite**”) is an Ontario corporation with a registered office address of 2355 Skymark Ave., Suite 300, Mississauga, Ontario. However, the Monitor understands this to be the office address of Harris + Harris LLP, the solicitors for Elite. The mailing address and location for Elite is 1070 Mid-Way Blvd., Suites 1-7, Mississauga, Ontario. Nader Hassan is a director, Ibrahim Hassan is an officer, and Jeries Moje is both an officer and director of Elite. Attached as **Appendix “R”** is a copy of the corporate profile report of Elite.

The Monitor understands that Elite provided stone countertops, backsplashes, fireplace surrounds, and kitchen and vanity work to the following Urbancorp sites:

- a) Edge Triangle Project – in the amount of \$100,121;

- b) Leslieville – in the amount of \$81,359; and
- c) The Beach – in the amount of \$75,061.

In light of the above, the Monitor understands that the total construction debt owed to Elite from all of the Urbancorp entities totalled \$256,541. Of this amount, \$100,121 was owed by either Triangle or Residential and \$156,420 was owed by other Urbancorp companies.

As part of agreement to exchange Edge condominium units for debt, the books and records of Triangle and Residential disclose the following agreements of purchase and sale:

- i) Suite 501, unit 1, level 4 (PIN: 76448-0240)
 - a) Purchaser: Moje Hassan Holdings Inc.;
 - b) Vendor: Edge Residential Inc.;
 - c) Date of Agreement of Purchase and Sale: November 5, 2015;
 - d) Purchase Price: \$170,000;
 - e) Transfer date: November 26, 2015.

- ii) Suite 1701, unit 1, level 14 (PIN: 76448-0639)
 - a) Purchaser: Moje Hassan Holdings Inc.;
 - b) Vendor: Edge Residential Inc.;
 - c) Date of Agreement of Purchase and Sale: November 5, 2015;
 - d) Purchase Price: \$185,000;
 - e) Transfer date: November 26, 2015.

Attached as **Appendix “S”** is, collectively, the subject agreements of purchase and sale, amendments to the agreements of purchase and sale dated, as applicable, supporting invoices, as available, and statements of adjustments.

Each of the agreements of purchase and sale contain amendments whereby outstanding Elite invoices for services supplied to Urbancorp projects were credited towards the purchase price of Edge condominium units. As a result of these credits, no actual money was paid for the purchase of the units.

The legal transferee of these units was Moje Hassan Holdings Inc. (“**MHH**”). The Monitor believes that MHH is a corporation operating at less than arm’s length from Elite. MHH was incorporated on October 19, 2015, less than two weeks prior to the execution of the agreements of purchase and sale referenced above. MHH has the same office address as Elite: 1070 Mid-Way Blvd, Suite 7, Mississauga. Further, Nader Hassan and Jeries Moje are the two directors of MHH. Attached as **Appendix “T”** is a copy of the corporate profile report of MHH.

The Monitor is of the opinion that the effect of these agreements of purchase and sale with Residential in exchange for debts owed by other Urbancorp entities to Elite is oppressive to the other creditors and stakeholders of Triangle and Residential, and Triangle and Residential acted oppressively by making such agreements. Elite received the benefit of \$355,000 worth of value from the purchase of Residential's condominiums, while Triangle and Residential only got the benefit of a compromise of debt worth only \$100,121. Other Urbancorp entities obtained a benefit of \$156,420 at the expense of the creditors and stakeholders of Edge and Residential.

f. FirstService Residential Property Services Ontario Ltd.

FirstService Residential Property Services Ontario Ltd. ("**FirstService**") is an Ontario corporation with a registered office address of 89 Skyway Ave., Suite 200, Toronto, Ontario. Attached as **Appendix "U"** is a copy of the corporate profile report of FirstService.

The Monitor understands that FirstService provided property management services to the following Urbancorp sites:

- a) Edge Triangle Project – in the amount of \$421,230;
- b) Lawrence – in the amount of \$5,650;
- c) West Queen West (952 Queen West) – in the amount of \$6,780;
- d) Homes at Don Mills (15 Mallow Rd.) – in the amount of \$5,650;
- e) Homes at Bathurst & Steeles (425 Patricia Ave.) – in the amount of \$5,650; and
- f) Riverdale – in the amount of \$6,644.

In addition to these amounts, the Monitor understands that FirstService claimed a debt owing to it in the amount of \$1,650 from unit 601 in the Edge Triangle Project as a rental and key deposit.

In light of the above, the Monitor understands that the total property management debt owed to FirstService from all of the Urbancorp entities totalled \$453,254. Of this amount, \$422,880 was owed by either Triangle or Residential and \$30,374 was owed by other Urbancorp companies.

As part of agreement to exchange Edge condominium units for debt, the books and records of Triangle and Residential disclose the following agreements of purchase and sale:

- i) Suite 529, unit 25, level 4 (PIN: 76448-0264)
 - a) Purchaser: FirstService Residential Property Services Ontario Ltd.;
 - b) Vendor: Edge on Triangle Park Inc.;

- c) Date of Agreement of Purchase and Sale: October 30, 2015;
 - d) Purchase Price: \$216,627.46;
 - e) Transfer date: November 26, 2015.
- ii) Suite 601, unit 1, level 5 (PIN: 76448-0292)
 - a) Purchaser: FirstService Residential Property Services Ontario Ltd.;
 - b) Vendor: Edge Residential Inc.;
 - c) Date of Agreement of Purchase and Sale: October 22, 2015;
 - d) Purchase Price: \$236,627.46;
 - e) Transfer date: November 26, 2015.

Attached as **Appendix “V”** is, collectively, the subject agreements of purchase and sale, amendments to the agreements of purchase and sale dated, as applicable, supporting invoices, as available, and statements of adjustments.

Each of the agreements of purchase and sale contain amendments whereby outstanding FirstService invoices for services supplied to Urbancorp projects were credited towards the purchase price of Edge condominium units. As a result of these credits, no actual money was paid for the purchase of the units.

The Monitor is of the opinion that the effect of these agreements of purchase and sale with Triangle and Residential in exchange for debts owed by other Urbancorp entities to FirstService is oppressive to the other creditors and stakeholders of Triangle and Residential, and Triangle and Residential acted oppressively by making such agreements. FirstService received the benefit of \$453,254.92 worth of value from the purchase of Edge and Residential’s condominiums, while Triangle and Residential only got the benefit of a compromise of debt worth only \$422,880. Other Urbancorp entities obtained a benefit of \$30,374 at the expense of the creditors and stakeholders of Triangle and Residential.

g. Pacific Hardwood Limited

Pacific Hardwood Limited (“**Pacific**”) is an Ontario corporation with a registered office address of 15 Fenmar Dr., Toronto, Ontario. Attached as **Appendix “W”** is a copy of the corporate profile report of Pacific.

The Monitor understands that Pacific provided wood flooring and railing work to the following Urbancorp sites:

- a) Edge Triangle Project – in the amount of \$566,800; and
- b) The Beach – in the amount of \$25,764;

In light of the above, the Monitor understands that the total debt owed to Pacific from all of the Urbancorp entities totalled \$592,564.

As part of agreement to exchange Edge condominium units for debt, the books and records of Triangle and Residential disclose the following agreements of purchase and sale:

- i) Suite 701E, unit 30, level 6 (PIN: 76448-0373)
 - a) Purchaser: Pacific Hardwood Limited.;
 - b) Vendor: Edge Residential Inc.;
 - c) Date of Agreement of Purchase and Sale: November 23, 2015;
 - d) Purchase Price: \$295,781.80;
 - e) Transfer date: November 27, 2015.

- ii) Suite 801E, unit 29, level 7 (PIN: 76448-0433)
 - a) Purchaser: Pacific Hardwood Limited.;
 - b) Vendor: Edge Residential Inc.;
 - c) Date of Agreement of Purchase and Sale: November 23, 2015;
 - d) Purchase Price: \$296,781.80;
 - e) Transfer date: November 27, 2015.

Attached as **Appendix “X”** is, collectively, the subject agreements of purchase and sale, amendments to the agreements of purchase and sale dated, as applicable, supporting invoices, as available, and statements of adjustments.

Each of the agreements of purchase and sale contain amendments whereby outstanding Pacific invoices for services supplied to Urbancorp projects were credited towards the purchase price of Edge condominium units. As a result of these credits, no actual money was paid for the purchase of the units.

The Monitor is of the opinion that the effect of these agreements of purchase and sale with Residential in exchange for debts owed by other Urbancorp entities to Pacific is oppressive to the other creditors and stakeholders of Triangle and Residential, and Triangle and Residential acted oppressively by making such agreements. Pacific received the benefit of \$592,563.60 worth of value from the purchase of Triangle and Residential’s condominiums, while Triangle and Residential only got the benefit of a compromise of debt worth only \$566,800. Other Urbancorp entities obtained a benefit of \$25,764 at the expense of the creditors and stakeholders of Triangle and Residential.

Acknowledgments Signed by Trade Creditors

25. The books and records of Triangle disclose that in the case of some of the above-noted transfers, the trade creditor and/or their designee executed an acknowledgment directed to Urbancorp Inc., Triangle, Residential, and Westside Gallery Lofts Inc. confirming

that notwithstanding the terms of any Agreement of Purchase and Sale between us and Edge Residential Inc. and/or Edge on Triangle Park Inc. and/or Westside Gallery Lofts Inc., if applicable, and in particular Schedule "A" thereto, that any units transferred to us or our assignee/designee in accordance with such Agreements of Purchase and Sale were never intended to and do not provide any credit to Urbancorp (Leslieville) Developments Inc., Urbancorp (The Beach) Developments Inc., Urbancorp (Riverdale) Developments Inc., Alan Saskin personally, Epic on Triangle Park Inc., Edgewood or any other projects other than Edge on Triangle Park Inc./Edge Residential Inc.

A representative sample of these acknowledgments is attached as **Appendix "Y"**.

26. The Monitor has been able to discover acknowledgments with the above wording signed by:
- a. Triumph Roofing and Sheet Metal Inc.;
 - b. MDF Mechanical Limited;
 - c. Angelo Troiano and Vince Troiano;
 - d. Elite Stone Design Corp.; and
 - e. Pacific Hardwood Limited
27. All of the acknowledgements are dated December 8, 2015 and feature the identical wording. And despite the reference to schedules to the acknowledgment, none of the acknowledgments in the Monitor's possession have a Schedule "A".
28. The Monitor has no information about why the acknowledgments were prepared or signed. As of December 8, 2015 all of the condominium units discussed above had already been legally transferred to their purchasers. Furthermore, the disclaimer that condominium units "do not provide any credit" to other Urbancorp entities is not borne out by the books and records of Triangle.
29. The Monitor is of the opinion that these acknowledgments have no practical or legal effect on the transfer of condominium units to trade creditors in exchange for their debt.

Summary

30. The Monitor's analysis is that approximately \$4,608,770 of non-Edge invoices were applied to various transfers of Edge condominium units to third party trade creditors. This means that work done for other Urbancorp entities has been paid for with Edge assets to the detriment of Edge creditors.
31. The effect of these transfers of condominium units was twofold. First, Edge's transfer of condominium units in exchange for a compromise of non-Edge debt prejudiced all

creditors because it removed hard assets from the estates of Triangle and Residential that could have been used to satisfy the claims of creditors.

32. Second, the transfers prejudiced the unsecured trade creditors who did not accept the offer for an exchange: they will receive a distribution from the estates of Edge that is far less than the effective return received by the trade creditors who accepted the offer. This means that creditors of the same class will be treated differently only because of the offer to exchange debt for condominium units.
33. In light of the above, the Monitor, with input from the *ad hoc* Creditors Committee is of the view that the transfer of Edge condominium units in exchange for Urbancorp debt was oppressive, unfairly prejudicial to, or unfairly disregarded the interests of the other creditors and stakeholders of Edge, and Edge acted oppressively by making such payments. The reasonable expectations of the creditors and stakeholders of Edge – that similar creditors would be treated similarly – were violated. The effect of the transfers was oppressive to the creditors and stakeholders of Edge.
34. The Monitor is continuing to investigate whether the value attributed to the condominium units as set out in the agreements of purchase and sale (the “**Transfer Value**”) represented the fair market value of the condominium units at the time of the transfer. The Monitor will report its findings as to whether the Transfer Value was equal to fair market value in a supplement report to court.

IV. RECOMMENDATION

35. Based on the foregoing, the Monitor recommends that this Court give the Monitor its advice and directions regarding whether the transfer of condominium units to third party trade creditors for non-Edge debt is oppressive and that the trade creditors (or their designees) that received condominium units from Edge pay to Edge the value transferred out of Edge to satisfy non-Edge debt.

All of which is respectfully submitted on this 13th day of June, 2017.

THE FULLER LANDAU GROUP INC.

in its capacity as CCAA Monitor of
the Cumberland Group and not in its personal capacity

Per: 

Gary Abrahamson CA, CPA, CIRP, LIT