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Trustee in Bankruptcy
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Estate No. 31-1901795

**IN THE MATTER OF THE BANKRUPTCY OF
MAPLE RIDGE REAL ESTATE INVESTMENTS CORP.
OF THE CITY OF TORONTO
PROVINCE OF ONTARIO**

**TRUSTEE'S PRELIMINARY REPORT TO THE FIRST MEETING OF CREDITORS
SEPTEMBER 4TH, 2014**

DISCLAIMER:

In preparing this report and making the comments herein, The Trustee has been provided with, and has relied upon certain unaudited, draft and/or internal financial information, the Bankrupt's books and records, discussion with management of the Bankrupt company, and information from third party sources, being the Bankrupt's Accountant and/or Book-keeper, collectively ("the Information").

Except as described in this Report:

- a) The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy of completeness of the Information in a matter that would wholly or partially comply with the generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and accordingly, the Trustee expresses no opinion on or other form of assurance in respect of the Information;*
- b) The Trustee has prepared this Report in its capacity as Trustee of the Estate of the Bankrupt, and has made a copy available to all known creditors of the Bankrupt's Estate. Parties using this Report are cautioned that it may not be appropriate for their purposes.*

Maple Ridge Real Estate Investments Corp. (hereafter called "the **Bankrupt**") filed an assignment in bankruptcy on August 19, 2014 and Russo Corp., the undersigned was appointed as Trustee of the Estate of the Bankrupt by the Official Receiver. Joanne Russo, CIRP, is the Trustee responsible for the administration of the estate and Evelyn Bowles, Sr. Estate Administrator is assisting with the administration.



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I. BACKGROUND/ CAUSES OF INSOLVENCY

The Trustee is advised that the Bankrupt was incorporated in June 2006. It is an Ontario Corporation which had its offices in Perth, Ontario. In 2006 the former director and officer of the Bankrupt was Kevin Collins.

The Shareholders of the Bankrupt were Kevin Wayne Collins who held 100 percent of the Class A Shares and Bonnie Collins, the spouse of Kevin Wayne Collins who held 100 percent of the Class B shares.

Mr. Collins filed a Division One Proposal on April 11, 2013 which was refused by the creditors at the meeting of creditors held on May 2, 2013. Mr. Collins was thereupon deemed to have filed an assignment in bankruptcy on the 2nd day of May, 2013. A. Farber & Partners was affirmed as the Trustee at the meeting of creditors, they were subsequently substituted twice and Schonfeld Inc. Receivers & Trustees was appointed as Trustee In Bankruptcy. As a result of the bankruptcy of Mr. Collins, all his shares in the Bankrupt Corporation became vested with his Trustee In Bankruptcy.

The Trustee understands the causes of financial difficulty stems from several reasons being as follows:

1. The Bankrupt is the owner of a number of co-ownership units in an apartment complex on Godstone Road in Toronto, Ontario, ("Godstone"). The intention of the co-ownership was to bring in investors to purchase the co-ownership units in Godstone with the intention to renovate and update the various complex units with the view of selling each renovated unit with a significant added value based on the renovations conducted.
2. The Bankrupt is a co-owner of 15 units on Godstone Road. Described as follows:

57 Godstone Road, Toronto, Ontario:

Suite 110, 111, 117, 119, 120,

59 Godstone Road-, Toronto, Ontario:

Suites- 110, 111, ,116, 117



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63 Godstone Road, Toronto, Ontario:

110, 111, 115, 116, 117

71 Godstone Road, Toronto, Ontario

Suite 118.

The closing of all 15 purchases took place on September 21, 2007.

3. In 2007 Duca issued mortgage commitments to provide first mortgages for the purchases of specific units. Duca had agreed to finance 77 of the co-ownership units. 15 of which are owned by the Bankrupt. As a result of their interest in financing, a Co-ownership Agreement was drafted.
4. On closing, Duca was provided with first mortgages on each of the units purchased by the Bankrupt. Private financing was also arranged by the Bankrupt. Ms. Luckevich provided a second mortgage on each of the units purchased by the Bankrupt.
5. In addition to the 1st mortgage position granted to Duca, Duca was also provided with a collateral mortgage on 10 of the units owned by Lape Residences Inc, an arms-length Corporation;
6. The Bankrupt was renting their units out pursuant to the terms of a Rental Pool Agreement. Mr. Ivany, who was the appointed member of the Board managing the co-ownership was the party who managed and entertained the Pool Agreement with the various unit owners. The Pool Agreement also provided authority to the Board with the flexibility to investigate and entertain a Lease to own program with RGL which would have provided the benefit of a sold unit(s). In basic terms, RGL was to lease the Suites with an option to acquire ownership of the Suites;
7. In 2008 the co-ownership was having financial difficulty as payments were not being met under the Pool Rental Agreement and the Co-ownership Agreement ;
8. Ms. Luckevich, a significant secured creditor in the Bankrupt estate had secured the sum of \$516,000 against her undivided interest in the units owned by the Bankrupt. The charge was for a one year term. The Mortgage matured on July 1, 2008 and the Bankrupt had



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defaulted under the mortgage terms. Ms. Luckevich commenced legal action against the Bankrupt;

9. In 2009 the principals of the Bankrupt passed a resolution which imposed a special assessment on all owners of the co-ownership in order to fund the improvements of the Property and cover the expenses pertaining thereto;
10. It is our understanding- after reviewing various legal actions commenced against the Bankrupt by either the Godstone Co-ownership and or Lydia Luckevich that the Bankrupt was in default with respect to outstanding maintenance fees, cumulative interest that was to be paid pursuant to the Co-ownership Agreement; legal bills; mortgage payments; taxes insurance fees; repairs to the common areas and the like;
11. It is also our understanding that RGL and its principals went into possession of the units that were being rented. The Trustee will be conducting a review of any purchase and sale agreement and rent to own agreements. In addition reviewing any rental income that should be payable by RGL to the Bankrupt;

II. TRUSTEE'S ACTIONS TO DATE

Upon the assignment in bankruptcy, in addition to the statutory duties required up to the first meeting, the Trustee has done, but not limited to, the following:

- The Trustee is attempting to locate and gather all the books and records of the bankrupt. The Trustee has not yet conducted any investigation of any historical transactions, nor will any such investigation be done, unless the Trustee is authorized by the creditors/inspectors to do so and the creditors provide funding for such an investigation;
- Arranged for notice of the bankruptcy to appear in the Financial Post on August 21, 2014;
- Contacted Duca with regard to obtaining mortgage particulars, payouts and an accounting for any outstanding balances owing, (if any), under their specific mortgages;
- Requested books and records from the current director via his trustee in bankruptcy;
- Written to various Solicitors of record on the various legal actions commenced against the Bankrupt;



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- Review of claims filed in the Estate and whether these claims are provable claims in the Estate;

III. SECURED CREDITORS

Trustee conducted a PPSA Search which reveals no security registrations.

The only know secured creditors are the specific secured creditors who hold security over the various units in Godstone.

IV. LEGAL PROCEEDINGS

The Trustee is aware of two legal actions commenced against the Bankrupt. The first being legal action 12-9934-oocl Godstone Co-Ownership Inc. as Plaintiff; legal action 71528/11 Lydia Luckevich as Plaintiff and Carmen Campagnaro, Paul Ivany and Lape Residences Inc. as Third Party Claimants.

V. EVALUATION OF ASSETS and ANTICIPATED REALIZATION

Currently the only asset known are the proceeds being generated from the rental income currently being generated under any Lease to Own contracts.

The Trustee will be reviewing the sale process of any units and the recovery of funds; specifically noting the disposition of the funds on closing and whether any funds should have flowed to the Bankrupt.

Lastly the Trustee will be reviewing the payout of funds to Duca under the collateral mortgages. The Trustee will be reviewing the accreditation to Duca on the 1st mortgages and the net losses which would have resulted in the collateral mortgages being called upon.



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VI. REVIEWABLE TRANSACTIONS/PREFERENCE PAYMENTS/SETTLEMENTS

The Trustee has not conducted any investigation of any historical transactions, nor will any such investigation be done, unless the Trustee is authorized by the creditors/inspectors to do so and the creditors provide funding for such an investigation.

There appear to be transactions which may be reviewable. The trustee will be seeking instructions from the creditors in this regard.

VII. PROOFS OF CLAIM(S)

Please see attached claims register on claims received to date. Proofs of claim will be reviewed for admissibility in the estate, specifically the claims of creditors who were awarded default judgments.

VIII. OTHER MATTERS

The Trustee will also be seeking directions from the creditors/inspectors on the following matters:

- a) Approval of all of the Trustee's actions to date including the actions outlined in this Preliminary Report and affirmation of Trustee's appointment;
- b) Appointment of inspectors;
- c) Trustee fees are being covered by way of third party funding. There are no assets in the assets to cover the costs of the Trustee and or its legal fees ;
- d) Investigation into the Bankrupt's books and records and funding for same:
 - a. Preference Payments;
 - b. Reviewable Transactions;
 - c. Settlements;
- e) Any other matters which may arise at this first meeting;



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DATED at Aurora, Ontario this 4th day of September, 2014.

RUSSO CORP.
Trustee of the Estate of
Maple Ridge Real Estate Investments Corp., a bankrupt



Per: **Joanne Russo, CIRP, Trustee In Bankruptcy**