

Court File No. CV-12-9794-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

**IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF
THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED
AND**

**IN THE MATTER OF SECTION 101 OF *THE COURTS OF JUSTICE ACT*, R.S.O.
1990 C. C.43, AS AMENDED WITH RESPECT TO DONDEB INC. AND ALL
THE DEBTORS LISTED AT SCHEDULE "A" HERETO**

**A. FARBER & PARTNERS INC.
COURT APPOINTED RECEIVER**

SIXTEENTH REPORT OF THE RECEIVER

APRIL 14, 2015

1. OVERVIEW

1. Dondeb Inc. (“**Dondeb**”) and the other 11 corporations listed on **Appendix “A”** (collectively, the “**Debtors**” or the “**Dondeb Group**”), sought protection under the *Companies’ Creditors Arrangement Act*, R.S.C 1985, C-36, as amended (“**CCAA**”) by application originally returnable October 11, 2012 (the “**CCAA Application**”). Prior to the commencement of the CCAA Application, seven of the Debtors, had filed notices of intention to make a proposal (“**NOIs**”) pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). A. Farber & Partners Inc. (“**Farber**”) had been appointed proposal trustee under the NOIs and was proposed as monitor in the CCAA Application.
2. Collectively, the Debtors were in the primary business of acquiring or developing properties (each a “**Property**” and collectively, the “**Properties**”) for rent or sale throughout Southern Ontario.
3. At the time of the CCAA Application there were 24 identified Properties held by the 12 Debtors which included: four retirement homes and/or independent living homes; two multiple unit apartment buildings; two private schools; five commercial properties; one residential condo unit; one golf course; and nine properties under development comprising vacant land. The list of known properties and assigned numbers is attached as **Appendix “B”**. Property numbers and names as defined in Appendix “B” are used throughout this report.
4. At the hearing of the CCAA Application, which took place over four days, 11 of the 19 different secured lenders who had provided approximately 29 separate loans and various amendments to those facilities attended at court, the majority of who opposed the CCAA Application. Of the 19 lenders who had registered security over the various Properties, 7 had registered security over more than one Property resulting in complex cross-collateralization amongst the Debtors’ assets. Significant deemed trust amounts were also owing to Canada Revenue Agency (“**CRA**”) by a number of the Debtors. As a result of the cross-collateralization, and, as explained below, the integrated operational nature of the Debtors, it was difficult to unwind any one Debtor or any one Property from the Dondeb Group.

5. At the conclusion of the CCAA Application hearing on October 17, 2012, Justice Campbell dismissed the CCAA Application and instead appointed Farber as receiver (the “**Receiver**”) of the assets, properties and undertakings of all of the Debtors. The form of order was finalized the next day. As a result, by order dated October 18, 2012, Farber was appointed as Receiver. The relevant Court Order was subsequently amended to be dated October 17, 2012 (the “**Receivership Order**”). A copy of the Receivership Order is attached as **Appendix “C”**.
6. On November 22, 2012, Justice Campbell released written reasons supporting the granting of the Receivership Order (the “**Original Reasons**”). A copy of the Original Reasons are attached as **Appendix “D”**.
7. The Original Reasons (see paragraph 8) note that the concept of appointing Farber as Receiver was an alternative proposed by a number of the secured creditors, to maximize creditor control of the process and ensure that costs of administration be allocated to each individual property and company. Further, Justice Campbell noted that a significant number of creditors had opposed the CCAA Application because they had lost confidence in Mr. Mel Dancy (“**Dancy**”) the principal of the Dondob Group.
8. In order to address the allocation of costs of administration, the Receivership Order provided at paragraph 3, that all funds received in respect of any Property be deposited into a property-specific account (the “**Segregated Accounts**”). Only disbursements in respect of a specific Property were to be withdrawn from that Property’s Segregated Account. The Receivership Order also provided in paragraph 19 that the Receiver and its counsel were to keep separate records for General Restructuring Administrative Expenses (“**GARE**”); being those expenses that were not specifically attributable to any individual Property.

9. The following table summarizes the 26 Segregated Accounts which were maintained. The legal entity which owned each property/asset also indicated.

Dondeb Group of Companies - Properties and Assets

Legal Entity	Property/Asset	Legal Entity	Property/Asset
Dondeb Inc	Ace Self Storage	1182689 Ontario Inc	Hatch House
Dondeb Inc	Ontario Street	1182689 Ontario Inc	Orillia Prep School
Dondeb Inc	Coldwater	King City Holdings Ltd	Pepper/ Palmer
Dondeb Inc	Devonshire Place	1267818 Ontario Ltd	Georgian Manor
Dondeb Inc	Prospan Rockin Boats	1281515 Ontario Inc	Whispering Pines Scotia Road
Dondeb Inc	Remos Ristoranti	1281515 Ontario Inc	Laftontaine Terrace
Dondeb Inc	Orillia Retirement Residence	1711060 Ontario Ltd	Tudhope Manor
Dondeb Inc	Barrie Business Centre	2009031 Ontario Inc.	Orillia Independent Living
Dondeb Inc	Sussex Place	2198392 Ontario Ltd	Dorset Place
Dondeb Inc	Tim Hortons/ Wendys	2338067 Ontario Inc	Leons
Dondeb Inc	Yeomen Street	Briarbrook Apartments Inc.	Preston Springs Gardens
Dondeb Inc	Brechin	Guelph Financial Corporation	
Dondeb Inc	FIT Contract - asset		
Dondeb Inc	Panelization - asset		

10. The Receivership Order also stayed and suspended the NOIs.

11. The Receivership proceedings are now nearing their end. To date, sales of 23 of the 24 originally known Properties have been completed and a request for approval of the sale of the remaining Property, is now being brought to the Court. As well, one subsequently discovered Property, being a vacant piece of land located at 20 Scotia Road in Emsdale Ontario (Township of Perry) owned by 1281515 Ontario Inc. (the “**Scotia Road Property**”) has also been sold. Other significant assets which have been dealt with by the Receiver include certain Feed-In-Tariff contracts (“**FIT Contracts**”) held by Dondeb at the time of the Receivership Order and a panelization machine (the “**Panelization Machine**”) transferred by Dondeb out of the ordinary course of business shortly before the Receivership Order, but which remained subject to the relevant secured creditors’ claims. In terms of accounting for proceeds, fees, costs and expenses, the Receiver has, to date, treated the FIT Contracts and the Panelization Machine as if they were each a Property.

12. In total, estimated realizations during the Receivership proceeding are approximately \$47.0 million.
13. As outlined in more detail below, the Court has previously approved a number of transactions which have resulted in approximately 15 different secured loans (some to the same secured lender) being repaid in full or assumed by a new party and another 14 different secured loans as well as CRA, receiving partial distributions.

2. PURPOSE OF REPORT

14. The Purpose of this sixteenth report to the Court of the Receiver (the “**Sixteenth Report**”) is to report to the Court on the activities of the Receiver since the filing of the Receiver’s Fifteenth Report to the Court and to provide support for the Receiver’s request for an Order:
- (i) approving this Sixteenth Report and the activities of the Receiver set out herein;
 - (ii) approving the completion of the sale transaction (the “**Leon’s Transaction**”) contemplated by the agreement of purchase and sale in respect of the real property municipally known as 555 Memorial Avenue, Orillia, ON and the business located thereon, between the Receiver as vendor and 555 Memorial (Orillia) Inc. as purchaser (the “**Leon’s Purchaser**”) made as of February 24, 2015, (the “**Leon’s APS**”); vesting in the Leon’s Purchaser the Real Property (as defined in the Leon’s APS) free and clear of encumbrances, other than Permitted Encumbrances (as defined in the Leon’s APS); and providing that the relief set out in the order be subject to provisional execution;
 - (iii) approving the Proposed GARE Allocation as set out in **Appendix “L”** hereto and as defined and described below;
 - (iv) approving the Additional Distributions as set out in **Appendix “M”** hereto and as defined and described below;

- (v) approving the fees and disbursements of Farber as Receiver as set out in the affidavit of Paul Denton sworn April 14, 2015 (the “**Denton Affidavit**”);
- (vi) approving the fees and disbursements of Dentons Canada LLP, formerly FraserMilner Casgrain LLP (“**Dentons**”), as counsel to the Receiver as set out in the affidavit of Neil Rabinovitch sworn April 14, 2015 (the “**Rabinovitch Affidavit**”); and
- (vii) approving the fees and disbursements of Cassels Brock & Blackwell LLP (“**Cassels**”), as counsel to the Receiver as set out in the affidavit of Jane Dietrich sworn April 14, 2015 (the “**Dietrich Affidavit**”).

3. **DISCLAIMER**

15. Farber has relied upon the financial records and information provided by the Debtors, as well as other information supplied by management, appraisers, accountants, auditors and advisors.

4. **BACKGROUND**

16. Since its appointment on October 17, 2012, the Receiver has submitted fifteen prior reports to Court as well as four supplemental reports. The reports were submitted in support of the prior 37 Orders granted in this Receivership proceeding. A description of the various orders received and significant steps in the Receivership proceeding is outlined below. Copies of the Orders and the reports are available on the Receiver’s website at <http://www.farberfinancial.com/insolvency-engagements/topic/dondeb-inc-et-al> and copies of the various orders will be available for the Court at the hearing.
17. By Order dated October 26, 2012, the Court, among other matters, authorized Receiver Borrowings, with the consent of the mortgagees, by way of a revolving credit up to \$500,000, secured by the Properties, with the foregoing limit excluding borrowings for the completion of the Barrie Business Centre (Property #9). The Receiver was also granted authority, without the consent of The Empire Life Insurance Company (“**Empire Life**”), to borrow by way of revolving credit of up to \$60,000 for the purpose of funding interim expenditures in respect of the real property located at 301 Byron Street South, Whitby, Ontario and the Hatch House Montessori School operated thereon (Property #13).

Collectively, such borrowings were to be secured by way of a fixed and specific charge (“**Receiver’s Borrowing Charge**”) as security for payment of monies, in priority to all security interests, trusts and lien claims including but not limited to deemed trust claims under subsection 227(4) and (4.1) of the *Income Tax Act*, subsection 23(3) and (4) of the *Canada Pension Plan* and subsection 86(2) and (2.1) of the *Employment Insurance Act*, but subordinate in priority to the Receiver’s Charge (as defined in the Receivership Order) and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

18. On January 8, 2013, the Receiver filed its Second Report to Court (the “**Original Second Report**”) seeking, among other things, approval of agreements of purchase and sale for the following four Properties: (i) Devonshire Place property (Property #4); (ii) Tim Hortons/Wendy’s property (Property #10); (iii) Dorset Place property (Property #22); and (iv) Preston Springs Gardens property (Property #24).
19. On January 11, 2013, the Receiver filed a supplement to its Second Report (the “**First Supplement**”) addressing minor amendments to the transactions involving the Tim Hortons/Wendy’s and the Preston Springs Gardens Properties.
20. On January 14, 2013, (i) without objection from any party, the Court granted the approval and vesting order approving the Devonshire Place property sale; and (ii) the Debtors advised the Court that they were in the process of retaining new counsel and requested an adjournment of one week for the remaining relief; an adjournment until January 15, 2013 for the approval of the remaining agreements of purchase and sale was granted.
21. On the morning of January 15, 2013, the Debtors, having retained new counsel, filed a responding affidavit and in reply the Receiver filed a second supplement to the Second Report (the “**Second Supplement**” and together with the Original Second Report and the First Supplement, the “**Second Report**”).
22. After hearing submissions on January 15, 2013, Justice Morawetz delivered his endorsement orally (the “**January 15 Endorsement**”), *inter alia* (i) approving the Tim Hortons/Wendy’s, the Dorset Place and the Preston Springs Gardens agreements of purchase and sale; and (ii) adjourning the requested approval of the Receiver’s activities as set out in the Second Report so that new counsel for the Debtors had time to consider the matters addressed therein with

such approval to be brought back before the Court within 60 days. A copy of the January 15 Endorsement is attached as **Appendix “E”** hereto.

23. The Tim Hortons/Wendy’s property transaction closed on January 17, 2013. The Dorset Place property transaction closed on January 22, 2013. The Preston Springs Gardens property transaction closed on January 28, 2013.
24. By Court Order dated February 13, 2013, among other matters, the Receiver’s activities were approved as set out in the Second Report and the Third Report of the Receiver dated February 6, 2013, and interim distributions of proceeds held for the Dorset Place, Preston Springs Gardens and Tim Hortons/Wendy’s Properties were approved. Approval and vesting orders were also granted on February 13, 2013, in respect of transactions involving the Coldwater (Property #3) and Brechin (Property #12) Properties.
25. The Coldwater property transaction closed on February 15, 2013. The Brechin property transaction closed on February 28, 2013. The Devonshire Place property transaction closed on March 1, 2013.
26. On March 25, 2013, the Court granted orders (i) approving an interim distribution in respect of the Coldwater and Devonshire Place Properties; and (ii) approving the activities of the Receiver set out in the Fourth Report of the Receiver dated March 15, 2013. In addition, on March 25, 2013, the Court granted approval and vesting orders as requested by the Receiver in respect of transactions for the sale of the Sussex Place (Property #8) and the Georgian Manor (Property #17) Properties.
27. The Georgian Manor property transaction closed on March 27, 2013. The Sussex Place property transaction closed on April 24, 2013.
28. On May 10, 2013, the Court granted orders (i) approving agreements of purchase of sale of the following properties: Ontario Street (Property #2), Hatch House Montessori School (Property #13) and Tudhope Manor (Property #20); (ii) approving an Auction Agreement for the Panelization Equipment, as well as approval of a stalking horse sales agreement for the Ace Self Storage property and business (Property #1) and stalking horse sales process for same; (iii) approving the distribution of funds held in respect of the Georgian Manor and

Sussex Place Properties; and (iv) approving the activities of the Receiver set out in the Fifth Report of the Receiver dated May 3, 2013.

29. The Ontario Street property transaction closed on May 15, 2013 and the Hatch House Montessori School transaction closed on May 21, 2013.
30. On May 29, 2013, the Court granted (i) an order approving an interim distribution in respect of the Ontario Street and Hatch House Montessori School properties; and (ii) an approval and vesting order in respect of the sale of the Lafontaine Terrace property (Property #19).
31. On June 11, 2013, following a contested hearing, Justice Newbould made two Orders which, among other things, declared that Empire Life was not entitled to an interest differential on four properties: Dorset Place, Sussex Place, Hatch House Montessori School and Leon's (Property #23), and approved interim distributions on the Tudhope Manor and Lafontaine Terrace properties, which had closed on May 30 and June 4, 2013, respectively.
32. In a motion originally returnable on July 30, 2013, the Receiver sought an approval and vesting order in respect of the Ace Self Storage business and property. Dancy appeared in person at the hearing and advised the Court that he was again attempting to retain new counsel and requested an adjournment of the Receiver's motion. Justice Morawetz granted an adjournment until August 6, 2013. At the return of the Motion on August 6, 2013, Dancy advised that he had still not been able to retain new counsel. Notwithstanding same, the approval and vesting Order was granted for the sale of the Ace Self Storage business and property to Pace Savings & Credit Union Limited ("**Pace**") (the "**Ace Self Storage Transaction**"), which sales transaction was the result of the previously approved stalking horse sales process. Upon closing of the Ace Self Storage Transaction, \$6.2 million was authorized to be distributed to the purchaser, Pace. In addition, an Order of the Court was granted on August 6, 2013 which, among other matters, approved interim distributions to the secured creditor of the Coldwater Property and the Brechin Property and reallocation of proceeds from 2338067 Ontario Inc. to Dondeb Inc., related to the sale of the Dorset Place property.
33. On December 2, 2013, the Court granted (i) an order approving a distribution from the remaining proceeds of sale of the Lafontaine Terrace Property; (ii) approval and vesting

orders in respect of the sales of the Orillia Prep School (Property #14), Orillia Retirement Residence (Property #7), Whispering Pines (Property #18), Pepper/Palmer (Property # 15/16) and the 240 Yeoman Street (Property #11) properties; and (iii) an order that a motion brought by Dancy seeking leave to file a complaint against Farber be dismissed on a with prejudice basis and without costs unless Dancy provided written notice on or before January 10, 2014 of his intention to bring on the motion. Dancy did not provide such notice.

34. On March 24, 2014, the Court granted an order (i) authorizing the Receiver to consolidate the Segregated Accounts for any Property held by Dondeb where the secured mortgagees had been repaid in full, including Ontario Street, Coldwater, Devonshire Place, Sussex Place, 240 Yeoman Street, Brechin and Dorset Place into one account (the “**Dondeb General Account**”); (ii) authorizing the Receiver to transfer \$108,565.68 from the Dondeb General Account to the Tim Hortons/Wendy’s property Segregated Account to reimburse the Tim Hortons/Wendy’s property in respect of deemed trust amounts owing by Dondeb to CRA which were paid to the CRA pursuant to the Order of Justice Morawetz made on February 13, 2013; (iii) authorizing the Receiver to make partial distributions to Faithlife Financial from proceeds of the Tudhope Manor property; (iv) authorizing the Receiver to make a partial distribution to CRA in respect of amounts deemed to be held in trust by the Debtor 1182689 Ontario Inc. (“**118**”); (v) authorizing the Receiver to make a partial distribution to Empire Life from the proceeds of the Hatch House Montessori School property; (vi) authorizing the Receiver to make a distribution to Sun Life Assurance Company of Canada in full and final satisfaction of all amounts owing to Sun Life by Dondeb; and (vii) authorizing the Receiver to make a distribution to The Bank of Nova Scotia, Trustee (“**BNS**”) in full and final satisfaction of all amounts secured in respect by a charge/mortgage granted by 2339506 Ontario Inc. in favour of BNS as against the Tim Hortons/Wendy’s Property. Also on March 24, 2014, approval and vesting orders in respect of the sales of the Prospan Rockin Boats (Property #5), Remo’s Ristoranti (Property #6), Scotia Road and Barrie Business Centre (Property #9) properties were granted. As well, an approval and vesting order in respect of a transaction involving the FIT Contract between Dondeb and Ontario Power Authority (the “**OPA**”) related to the Prospan Rockin Boats property was made.

35. On May 2, 2014, the Court granted an Order (i) approving the Twelfth Report and the activities of the Receiver set out therein; (ii) authorizing the Receiver to make a partial distribution to First Source Mortgage Corporation and Mark Cosman (“**First Source/Cosman**”) from the funds held by the Receiver in the account maintained for the BBC property; (iii) authorizing the Receiver to make an additional partial distribution to First Source/Cosman from the funds held by the Receiver in the account maintained for the Remo’s Ristoranti property; and (iv) authorizing the Receiver to make a partial distribution to The Toronto-Dominion Bank (“**TD**”) from the proceeds of sale of the Prospan Rockin Boats property.
36. On July 28, 2014, the Court granted Orders (i) approving the Thirteenth Report to Court of the Receiver and the activities of the Receiver set out therein; (ii) approving the completion of the sale transaction related to the FIT Contract associated with the Barrie Business Centre property location; and (iii) approving Farber’s fees and disbursements as Receiver for the period October 17, 2012 to May 31, 2014 and the fees and disbursements of Farber’s independent legal counsel, Dentons, for the period October 17 2012 to May 31, 2014 and Cassels for the period March 2, 2014 to May 31, 2014 for the following 13 properties: Ace Self Storage and Business Centre Inc., 240 Yeoman, Brechin, Coldwater, Devonshire, Dorset Place, Georgian Manor, King City Holdings (Belleville – Pepper/Palmer), Ontario Street, Orillia Independent Living, Preston Springs, Sussex Place and Tudhope Manor.
37. On September 12, 2014, the Court granted an Order approving the sale transaction in respect of the Orillia Independent Living (Property #21) (“**OIL**”) and approving the Fourteenth Report to Court of the Receiver and the activities of the Receiver as set out therein. The OIL Transaction closed on September 17, 2014.
38. On October 22, 2014 the Court granted an Order authorizing, among other matters, the Receiver to make a distribution to Addenda Capital Inc. (“**Addenda**”) and in full and final satisfaction of the charge/mortgage granted by Dondeb to Addenda and to make a partial distribution to Cameron Stephens Financial Corporation (“**Cameron Stephens**”) in respect of a charge/mortgage granted by Dondeb in favour of Cameron Stephens against the OIL Real Property. The October 22, 2014, Order also approved the Fifteenth Report to the Court of the Receiver and the activities of the Receiver as set out therein.

39. In summary, to date, of the 25 Properties, sales have been completed in respect of the following 24 Properties: Tim Hortons/Wendy's, Dorset Place, Preston Springs Gardens, Devonshire Place, Coldwater, Brechin, Georgian Manor, Sussex Place, Ontario Street, Hatch House Montessori School, Tudhope Manor, Lafontaine Terrace, Ace Self Storage, Orillia Prep School, Orillia Independent Living, Orillia Retirement Residence, Whispering Pines, Pepper/Palmer, Yeomen Street, Prospan Rockin Boats, Remo's Ristoranti property, Scotia Road, and the Barrie Business Centre. Sales have also been complete in respect of the FIT Contracts and the Panelization Machine. The only remaining property is the Leon's Property, for which approval of sale transaction is now being sought.

5. RECEIVER'S ACTIVITIES

40. Since October 14, 2014, the Receiver's activities have included, among other things:

- Monitoring receipts and disbursements, coordinating debt service payments where cash flow permits and liaising with mortgagees, as appropriate;
- Working to complete the two FIT Contract sale transactions previously approved by the Court including executing assignment agreements; extensive discussions with Independent Electricity System Operator ("IESO") (formerly the OPA) and respective purchasers to negotiate and finalize all necessary agreements. The transaction to sell the FIT Contract in respect of the Prospan Rockin Boats Property is scheduled to close prior to the hearing scheduled for April 23, 2015 and the Receiver expects to receive proceeds of sale of \$350,000. The transaction to sell the FIT Contract in respect of the Barrie Business Centre Property closed on March 12, 2015 and the Receiver received proceeds of sale of \$500,000;
- Preparing for and attendance at Court on October 24, 2014 for approval of the OIL distributions;
- Attending to the distribution of OIL proceeds pursuant to the Court Order dated October 24, 2014;

- Further marketing of the Leon's Property and negotiating of the Leon's APS;
- Undertaking extensive review and analysis of GARE fees and costs to develop a recommendation as to the most appropriate allocation of GARE;
- Discussing with various stakeholders the Proposed GARE Allocation and Additional Distributions;
- Drafting this Sixteenth Report and supporting motion materials including preparing Proposed GARE Allocation and extensive analysis and preparation of fee affidavit materials; and
- Corresponding by email and telephone with the Debtors' creditors.

6. SALE APPROVAL OF LEON'S PROPERTY, 555 MEMORIAL AVE, ORILLIA, ONTARIO

41. The Leon's Property is piece of real property located at 555 Memorial Avenue, Orillia on which is a 41,612 square foot retail store. Pursuant to a lease (the "**Lease**"), the building is leased to a franchisee who operates a Leon's furniture store from the premises. The Property is owned by Briarbrook Apartments Inc. ("**Briarbrook**"). The mortgagees of record are Empire Life and BNS, with a collateral mortgage, held by First Source / Cosman. A title abstract for the Leon's Property is attached as **Appendix "F"**.
42. The Receiver has obtained a legal opinion from its independent legal counsel, Dentons that, subject to the customary assumptions and qualifications, the Empire Life Charge and BNS charges registered against the Leon's Property are valid. A copy of the Dentons' security opinion dated March 18, 2013 is attached as **Appendix "G"**.
43. Throughout the receivership proceeding, the Leon's Property was operated under a lock-box arrangement with the tenant subject to the Lease. Proceeds were collected through the lock-box arrangement by the second mortgagee (BNS) which was an arrangement in place prior to commencement of these Receivership proceedings. BNS and the Receiver have joint signing authority on the Leon's Property bank account, and have been making monthly mortgage payments to Empire Life and BNS throughout the receivership proceedings. The Receiver is

currently working with BNS to finalize the HST returns and pay the HST liabilities. The Receiver anticipates that all outstanding HST liabilities will be finalized at the time of closing of the Leon's Transaction, if approved by this Honourable Court.

44. After consultation with Empire Life and BNS, the Receiver listed the Leon's Property with DTZ Barnicke on November 15, 2012. The Receiver received offers from 2 prospective purchasers under the DTZ Barnicke listing period. Due to a variety of reasons (further described below), none of the offers received by the Receiver moved to a binding agreement of purchase and sale.
45. The DTZ listing agreement expired and the Receiver, with the mortgagees' consent, listed the property with Remax Orillia Realty (1996) Ltd ("**Remax**") on May 15, 2013. One offer was received during the Remax listing, however the offer was not on terms acceptable to the Receiver and the relevant mortgagees. The Remax listing expired on August 31, 2013. After consultation with the relevant mortgagees, the Leon's Property was re-listed with Royal LePage First Contact Realty ("**RLP**") from November 18, 2013 to March 31, 2014, with further extensions until July 31, 2014. The RLP listing resulted in five (5) prospective purchasers entering into conditional agreements of purchase and sale. The Receiver negotiated with four (4) of the prospective purchasers in an attempt to sell the property, however, the anticipated selling price could not be satisfied or the prospective purchaser's due diligence conditions ultimately could not be waived.
46. Notwithstanding the fact the market was extensively canvassed and three different brokers had listed the property, no satisfactory offer was received over that time period that culminated in the Receiver entering into an unconditional agreement of purchase and sale.
47. The Receiver, in marketing the Leon's Property, was advised by prospective purchasers that the ability to conclude a transaction was made difficult by the fact that the Lease expires on February 28, 2017. The Receiver understands that in past dealings with Briarbrook, the tenant would confirm and extend its Leon's franchise agreement prior to negotiating an extension to the Lease. Notwithstanding that the tenant has leased the Leon's Property since 1992, the tenant will not commit to a Lease extension until such time as the Leon's franchise agreement has been extended. Without the secure long term rental stream of a tenant with

the corresponding long term franchise agreement, the valuation of the Leon's Property is uncertain. The Receiver has canvassed the tenant on numerous occasions, as well as the franchisor in an effort to secure a firm agreement of purchase and sale, with little success.

48. As noted above, the Receiver engaged the services of three well known real estate brokerages in an attempt to market the Leon's Property. The market has been widely canvassed by the real estate brokers over a period of approximately 20 months. In total, 9 offers were submitted under the three different listings, none of which culminated in a transaction being able to be finalized satisfactory to the Receiver and relevant mortgagees.
49. Ultimately in late 2014, the second mortgagee BNS determined that it would proceed with an offer to purchase the Leon's Property from the Receiver given the continuing uncertainty over whether a deal could be concluded and the ongoing fees and costs of the Receiver. Through negotiation in December 2014, January and February 2015 the Receiver entered into the Leon's APS made as of February 24, 2015, which was ultimately fully signed on March 17, 2015 with the Leon's Purchaser.
50. Key terms of the Leon's APS include: (i) a Purchase Price of \$3,200,300 which includes, a deposit of \$50,000 at signing, assumption of the first mortgage held by Empire Life in the principal amount of approximately \$1,335,131 effective March 1, 2015, assumption of the second mortgage held by BNS in the approximate principal amount of \$1,686,154 at February 26, 2015 with the balance of the purchase price to be paid at closing subject to closing adjustments; (ii) as a condition to Closing, an assignment of the Lease to the Leon's Purchaser; and (iii) closing of the transaction 5 business days after the granting of the approval and vesting order by the Court.
51. A copy of the Leon's APS is attached as **Appendix "H"**.

Evaluation of the Leon's APS

52. The Receiver is of the view that the Leon's APS should be approved by the Court for the following reasons: (i) the Receiver is of the view that the market was extensively canvassed and a competitive process undertaken; (ii) the purchase price is the best offer received and on

terms most acceptable to the Receiver in the circumstances; and (iii) the relevant mortgagees Empire Life and BNS have approved the Receiver entering into the Leon’s APS.

7. PROPOSED ALLOCATION OF GARE

53. As noted above, the Receivership Order required the Receiver to not only establish the Segregated Accounts, but to also separately record any GARE (being expenses not attributable specifically to any one Property). Specifically, paragraph 19 of the Receivership Order reads:

“..the Receiver is hereby authorized to deposit proceeds of sale of any personal property of the Debtors into the appropriate Segregated Account and in connection with Dondeb Inc., the Receiver shall be authorized to apply the said proceeds to the General Restructuring Administrative Expenses (GARE). The Receiver shall keep separate records for GARE defined in paragraph 19 herein”

54. The Receiver and its independent legal counsel have kept separate records of GARE fees and costs, with those fees and expenses for the period October 17, 2012 to December 31, 2014 summarized below and detailed in the Denton Affidavit, the Rabinovitch Affidavit and the Dietrich Affidavit attached as **Appendices “I”, “J” and “K”**.

55. A summary of the amounts of GARE incurred until December 31, 2014 is set out below.

**Dondeb Group - GARE Receiver and Legal Fees
October 17, 2012 to December 31, 2014**

Firm	
Receiver A. Farber & Partners Inc.	559,997.81
Dentons	241,498.96
Cassels	18,357.14
Total	819,853.91

Includes fees, disbursements and HST

Current estimate to completion 900,000.00

56. The activities which are captured as GARE include: set up and maintenance of the segregated banking and accounting; attending to group insurance program; attending to physical security, possession and control of properties and assets; coordination of CRA review and

audits; managing ongoing banking relationships and transition to the global receivership and segregated banking structure, which included ensuring no interruption to pre-authorized deposits from tenant of the various properties; dealing with multiple proposals/ offers from Dancy or associated entities for the refinancing of the group and related court proceedings; drafting and finalization of the agreement of purchase and sale template; management of ongoing general supplier and overhead queries and correspondence including head office expenses; maintenance of the corporate records including payroll records and dealing with WSIB; maintenance of the Receiver's web site; court attendance and general reporting; fee and cost accounting; review of marshalling and apportionment issues across the Dondeb Group given the extensive cross collateralization; and review and analysis of GARE and the appropriate basis of allocation.

57. A strict reading of Paragraph 19 of the Receivership Order may lead to the conclusion that proceeds from the Dondeb personal property only, be first applied to reduce the GARE. However, it is the Receiver's understanding that at the time of granting of the Receivership Order, and in particular when Paragraph 19 was negotiated amongst the parties, the impact of first applying proceeds of Dondeb personal property to reduce GARE was not fully appreciated. Specifically, no consideration was given to the impact of the realized value of the FIT Contracts (as personal property of Dondeb) or more specifically the secured creditors who held the FIT Contracts as collateral, or to the surplus in a number of the Debtor's estates after payment in full of secured creditor and mortgagee claims. Further, the Receivership Order provides no guidance on how GARE should be allocated amongst the Properties.
58. When considering allocation of GARE, given the extensive effort undertaken to review and negotiate sale of the FIT Contracts and the Panelization Machine, the Receiver has treated these as if they were separate properties and has maintained segregated ring fenced accounting to track realizations, costs and fees. In essence, these significant assets have been treated as if they were separate properties.
59. Further, as it relates to evaluation of the most appropriate allocation of GARE fees across the Dondeb Group, as more fully explained below, in the period preceding the Receivership, due to the increasing liquidity challenges of the Dondeb Group (all 12 legal entities and underlying properties), income and cash flow generated by legal entities and the underlying

properties were comingled and transferred across the group on a day to day basis, to allow operations to continue. Likewise much of the security given to support the group's credit facilities were blanketed over multiple properties and legal entities. In many respects, the Dondeb Group operated as one entity throughout this period.

60. After considering a number of different methods to allocate GARE, for the reasons set out below, the Receiver recommends the following (the "**Proposed GARE Allocation**"):

- (i) Proceeds held in the Dondeb General Account (including proceeds transferred from Dondeb Segregated Accounts where the registered real property mortgagees have been paid in full (or are proposed to be paid in full under the Additional Distributions described below) in accordance with the Order of this Court dated March 24, 2014 in the approximate amount of \$218,671 would first be applied to reduce GARE;
- (ii) Proceeds held in Segregated Accounts where all secured creditors have been paid in full (being the Preston Springs Gardens account in the approximately amount of \$244,907 and Pepper/Palmer account in the approximate amount of \$109,294) would then be applied to reduce GARE;
- (iii) The remaining amount of GARE, being approximately \$327,127, assuming a total estimated GARE of \$900,000 would be allocated amongst the remaining Segregated Accounts based on the value of the proceeds realized from such Property.

61. The amounts of the Proposed GARE Allocation in respect of the various Properties is attached as **Appendix "L"** hereto.

62. The Receiver did consider other GARE allocation scenarios, including allocating GARE against each of the Segregated Property Accounts based on realization value without regard to whether or not secured creditors were satisfied in full on any Property ("**Pure Valuation Allocation**"). However, in the Receiver's view such would not be equitable as it would not be consistent with the equitable principal of marshalling: being that a prior common charge should first look to assets for which there is no subordinate encumbrance.

63. The Receiver also considered allocation of GARE in accordance with a strict reading of Paragraph 19 of the Receivership Order (the “**Dondeb Personal Property First**”) scenario. However, as noted above, the Receiver’s view is that secured creditors with a specific charge of the FIT Contracts and the Panelization Machine would be unfairly prejudiced in this scenario.
64. The Receiver’s view after considering the Pure Valuation Allocation, the Dondeb Personal Property First Allocation, the Proposed GARE Allocation and other variations, is the above Proposed GARE Allocation is equitable, reasonable and appropriate in that: (i) it first places the burden of GARE, which is a common charge on all of the Debtors and the Properties, against the funds available after satisfaction of secured debts. This proposed allocation method is entirely consistent with how the Dondeb Group conducted its affairs pre-receivership and in essence operated as if one single entity; (ii) the basis of allocation (being value recovered) as amongst secured creditors with a specific security interest in a Segregated Account is consistent with allocations employed in other similar insolvency proceedings such as the CCAA and Receivership Proceedings of the First Leaside Group; and (iii) it respects the underlying premise in Paragraph 19 of the Receivership Order that generally once real property secured creditors had been paid in full, the remaining amounts in Dondeb should be used to satisfy GARE, while modifying such to recognize the significant realizations from the FIT Contracts and Panelization Machine that are subject to specific security interests.
65. The Receiver has consulted with a number of the affected secured creditors with respect to the Proposed GARE Allocation and specifically with a majority of the Remaining Secured Creditors who will suffer a shortfall in recoveries. To the date of this reporting, a number of those parties have expressed support of the Proposed GARE Allocation.

8. PROPOSED ADDITIONAL DISTRIBUTIONS

66. If the Proposed GARE Allocation is approved, it will permit the Receiver to make the Additional Distributions attached as **Appendix “M”** hereto.
67. Other than with respect to the FIT Contracts and the Panelization Machine, these distributions are to secured creditors where interim distributions have previously been

approved by the Court. The amounts proposed to be distributed to such secured creditors noted in Appendix “M” in the total amount of \$1,370,737, will if approved operate to partially satisfy the remaining secured creditors (collectively, the “**Remaining Secured Creditors**”).

68. The Additional Distributions also reflect a settlement agreed to between CRA and Empire Life. Previously a dispute had existed between CRA and Empire Life in respect of the priority between CRA’s deemed trust claim and Empire Life’s security and specifically the amount of Empire Life’s ‘prescribed security interest’ in accordance with the *Income Tax Act* and related regulations. The Receiver understands that CRA and Empire Life have now agreed on a settlement of this amount which is reflected in the Additional Distribution to Empire Life and CRA related to the Hatch House Montessori School and Orillia Prep School properties.

Panelization Machine Distribution

69. The proposed distribution in respect of the Panelization Machine reflects a settlement between TD, Imperial Tool & Die Ltd. (“**Imperial**”) and First Source/Cosman, the three parties who may have an interest in the Panelization Machine proceeds.

70. The Panelization Machine was located on the Prospan Rockin Boats premises at 61 Forest Plain Road, Orillia, Ontario (“**61 Forest Plain**”). Prior to the Receivership Order, Imperial had performed certain repair work on the Panelization Machine which was owned by Dondeb. Dondeb, not having the cash to pay Imperial, instead agreed with Imperial to sell the Panelization Machine to Imperial in August of 2012.

71. As the sale of the Panelization Machine was out of the ordinary course of business of Dondeb, arguably, the sale was not free and clear of the interest of secured creditors who had a security interest over the Panelization Machine.

72. The results of a search of the personal property registration system in Ontario against Dondeb Inc. (current as to April 1, 2015) are attached hereto as **Appendix “N”** (the “**PPSA Search Results**”). The search shows multiple registrations against Dondeb, however, the majority of

the registrations contain general collateral descriptions limiting the collateral over which security is perfected to properties other than 61 Forest Plain.

73. The two creditors with specific registrations over 61 Forest Plain are TD and OWMCO. OWMCO and Dancy also have general registrations with no limiting collateral description.

74. From a timing point of view, the Receiver is advised that TD's registration was originally made on October 31, 2005, lapsed on October 31, 2011 and was reperfected on February 27, 2014. TD's registration had therefore lapsed between October 31, 2011 and February 27, 2014 (the "**Lapsed Period**").

75. It was during this Lapsed Period that Imperial obtained an interest (i.e. purchased) the Panelization Machine. The relevant order of events is:

- (i) TD Registration: October 31, 2005
- (ii) OWMCO registration specific to Panelization Machine: January 15, 2007
- (iii) Dancy general registration: December 3, 2008
- (iv) OWMCO general registration: December 19, 2008
- (v) TD Registration Lapses: October 31, 2011
- (vi) Imperial purchase of Panelization Machine: August 2012
- (vii) TD Reperfection: February 27, 2014

76. As a result, when Imperial obtained an interest in the Panelization Machine in August of 2012, OWMCO had a perfected security interest in the Panelization Machine. The security interest granted to OWMCO in the Panelization Machine was collateral security for the principal amount of \$800,000 which was also secured by a charge of the Sussex Place Property. OWMCO was paid in full from the proceeds of sale of the Sussex Place Property. In accordance with the Order of May 10, 2013, the distribution to OWMCO from the Sussex Place Property was without prejudice to the rights of subordinate creditors on the Sussex Place Property, and specifically First Source/Cosman, with respect to marshalling or

apportionment. First Source/Cosman, has not been paid in full and therefore has apportionment rights, through OWMCO's security over the Panelization Machine.

77. Dentons has previously provided the Receiver with opinions that, subject to typical assumptions and qualifications the security held by TD, OWMCO and First Source/Cosman is valid. No review of security held by Dancy has been done. The Receiver notes that at the time Dancy made his registration under the PPSA, both TD and OWMCO held perfected security over the personal property at 61 Forest Plain.
78. The proceeds of sale, net of costs, of the Panelization Machine are \$140,796 as detailed in the statement of receipts and disbursements attached as **Appendix "O"** hereto.
79. Given the competing circular claims of TD, First Source/Cosman (through OWMCO) and Imperial to the Panelization Machine proceeds, rather than engage in a litigious determination as to entitlement to proceeds, the Receiver engaged each of TD, First Source/Cosman and Imperial in discussions regarding a potential settlement. Through those discussions, TD, First Source/Cosman and Imperial have each agreed to accept 1/3 of the estimated net proceeds as a settlement of the potential priority dispute, provided however, that the other relief (i.e. additional distributions and fee approval/allocation) is also granted (the "**Proposed Settlement**").
80. The Proposed Settlement is reflected in the Additional Distributions attached as Appendix "M". In the Receiver's view given the potential for a circular priority fight, the costs of litigation and relative amounts in dispute, the Proposed Settlement is reasonable in the circumstances. Further, given the amounts in dispute, the Receiver's view is that no other party would have an interest in the Panelization Machine net proceeds and therefore requests the Court approve the Additional Distributions which reflect the Proposed Settlement.

FIT Contract Distributions

81. Distributions in respect of the FIT Contracts (being contracts in respect electricity produced at the Prospan Rockin Boats Property (the "**Rockin Boats FIT Contract**") and Barrie Business Centre Property (the "**BBC FIT Contract**")) are proposed to be made to TD and First Source/Cosman respectively.

82. Both FIT Contracts were personal property of Dondeb.
83. As noted above, with respect to the Rockin Boats FIT Contract, TD's registration, originally made on October 31, 2005 and reperfected on February 27, 2014 appears to have priority over the net proceeds. No party appears to have obtained rights in the Dondeb personal property associated with 61 Forest Plain during the Lapsed Period. As a result, the Receiver proposes to distribute the net proceeds of the Rockin Boats FIT Contract, which are estimated to be approximately \$270,000 to TD as noted in the Additional Distributions.
84. In accordance with the PPSA Search Results, First Source/Cosman, appears to have the first registration over the personal property of Dondeb associated with 92 Davidson Drive, Barrie (being the Barrie Business Centre Property associated with the BBC FIT Contract). As a result, the Receiver proposes to distribute the net proceeds of the BB FIT Contract, which are estimated to be approximately \$380,000 to First Source/Cosman as noted in the Additional Distributions.
85. A statement of receipts and disbursements for the FIT Contracts is attached as **Appendix "P"**. For the purposes of this assessment the Rockin Boats FIT Contract sale is assumed closed by the hearing date on April 23, 2015 with closing proceeds accrued in the statement of receipts and disbursement. The fees and disbursements specifically allocable to the FIT Contracts have been allocated among the proceeds of the Rockin Boats FIT Contract and the BBC FIT Contract based on the value received for each such FIT Contract. In the Receiver's view, such an allocation is fair and reasonable as many of the expenses incurred were in furtherance of monetizing the FIT Contracts generally and not specifically with respect to any one FIT Contract. Further, the Receiver has discussed such a proposed allocation with both TD and First Source/Cosman who, provided the remainder of the relief requested (i.e. with respect to fees, allocation and distribution of Panelization Machine proceeds) is granted, have consented to such.

Summary

86. The Receiver has previously received (and reported to the Court) on the independent security opinions provided to the Receiver by Dentons for each of the secured creditors for which approval for Additional Distributions are now being sought. Each of the security opinions received provided that, subject to customary qualifications and assumptions, the security held by those secured creditors was valid.
87. The Receiver has reviewed the relevant payout statements for the Remaining Secured Creditors and is satisfied, subject to the comments below regarding First Source / Cosman, that at least the amount proposed to be distributed to such Remaining Secured Creditor as set out in Appendix M is properly owing.
88. The Receiver notes that with respect to the amounts claimed to be owing by First Source / Cosman, the Receiver had certain concerns with the treatment of prior distributions as well as certain amounts claimed. The Receiver has engaged in discussions with First Source / Cosman who has agreed to treat the total outstanding amount as \$542,000 (the “**Outstanding Amount**”) as opposed to the \$607,000 claimed. In the Receiver’s view this is reasonable given the amounts involved and the estimated costs of finally determining the amounts that may be owing. The proposed Additional Distributions for First Source / Cosman are less than the agreed Outstanding Amount.
89. As a result, should the Court approve the Proposed GARE Distribution, the Receiver recommends the Court also approve the Additional Distributions.

9. APPROVAL OF THE RECEIVER’S AND INDEPENDENT COUNSEL’S FEES AND EXPENSES

90. Pursuant to paragraph 20 of the Appointment Order, the Receiver and its legal counsel are to seek approval from this Honourable Court for their fees and expenses from time to time.
91. On July 28, 2014 the Receiver and its legal counsel, Dentons and Cassels previously sought and were granted approval of their fees and expenses for the period from October 17, 2012 to May 31, 2014 on the 13 following Properties: Ace Self Storage and Business Centre, 240 Yeoman, Brechin, Coldwater, Devonshire, Dorset Place, Georgian Manor, Pepper/Palmer,

Ontario Street, OIL, Preston Springs, Sussex Place and Tudhope Manor (collectively, the “Previously Approved Properties”).

92. The Receiver is now seeking approval of the Receiver’s fees and expenses as well as those of Dentons and Cassels:

- (i) for those properties/assets not previously approved (being Barrie Business Centre, Hatch House Montessori School, Lafontaine Terrace, Leon’s, Orillia Prep School, Orillia Retirement Residence, Remo’s Ristoranti, Prospan Rockin Boats, Tim Hortons/Wendy’s, Scotia Road, Whispering Pines, the FIT Contracts and the Panelization Machine) from the commencement of the Receivership proceedings until December 31, 2014; (referred to as “Additional Properties”).
- (ii) for the Previously Approved Properties, from June 1, 2014 until December 31, 2014; and
- (iii) for the GARE from the commencement of the Receivership proceedings until December 31, 2014

93. The Receivership proceedings of the Dondeb Group have been extremely complex and difficult given the number and condition of the Debtors and Properties. Below is a summary of certain background information to provide context on the complexity and challenges faced during the Receivership proceedings.

94. The Dondeb Group and underlying properties represented a diverse range of properties, operations and stakeholders. As noted above, Properties ranged from a golf course to schools to retirement homes to apartment buildings to commercial properties for lease, each with some form of ongoing operation, and also various properties held for development. It comprised 12 companies, 25 Properties, as well as the FIT Contracts and Penalization Machine with 19 secured lenders many with various cross-collateralized loans and multiple other stakeholders.

95. In the period preceding the receivership, the combination of severe liquidity challenges as well as management and infrastructure shortcomings, negatively impacted the state and

condition of the individual properties and underlying operations in a significant way. In addition, the individual debtor company's financial reporting and controls were in significant arrears and of little utility at the time of the Receivership Order, which presented further challenges in managing the affairs of the Dondeb Group. Deficiencies at the time of the Receivership Order included:

- (i) Cash management and banking was in significant disarray. There was neither cash management nor bank accounts in place by individual property and legal entity, rather cash was pooled from across the property portfolio and transferred between entities and properties as needed. Additionally, funds borrowed by specific entities were routinely utilized across the Dondeb Group.
- (ii) The books and records of the Debtors and underlying properties were in excess of 3 months in arrears at the Receiver's appointment, while the most recent annual financial statements (review engagement) for legal entities completed was up to December 31, 2010 and/or December 31, 2009 or April 30, 2010 in the case of King City Holdings Ltd.
- (iii) There was over \$2 million in CRA payroll and HST obligations accrued and owing which related to obligations going back over three years for six entities and related properties.
- (iv) Significant arrears in municipal property taxes had accrued (in excess of \$800,000).
- (v) There were numerous deficiencies in property management, reporting and compliance including: failure to pay insurance premiums resulting in issuance of cancellation notices; threatened or actual disconnection of property service and utility providers including elevator services due to non payment; deferral of property maintenance, which in certain instances resulted in municipal by-law infractions; failure to comply with Retirement Home Regulatory Authority Agency application and reporting deadlines; failure to coordinate in a timely and orderly fashion audit and other

regulatory reporting to obtain certain government funding (grants and subsidies) for day care and domiciliary subsidies for retirement homes; and non-compliance with certain safety and environmental matters.

- (vi) As a result of increasing liquidity challenges prior to the receivership, which included the fact the Dondeb Group was forced to sell revenue producing properties, the Dondeb Group continued to leverage the existing property portfolio with expensive subordinated debt and collateral mortgages. This layering on of debt and further obligations has made for a complex unwinding of the legal entities and property portfolio and ensuing sale of individual properties. This added a level of complexity in terms of the formulation of the marketing and sales strategy for each property, the determination of rights of certain mortgagees and creditors, and ultimately the sale of each property and distribution of proceeds. In particular, in addition to specific security rights, there have been and are allocation, apportionment and marshalling rights which are required to be addressed.

96. In summary, the Receiver and its independent legal counsel inherited a highly dysfunctional group of entities and properties, which required extensive effort to first stabilize operations and then put in place the infrastructure to help manage individual properties and legal entities going forward in order to market the assets in a way to maximize value.

97. Further, with the benefit of hindsight, the value of the individual properties and overall portfolio asserted by Dancy prior to the Receivership Order was much inflated, with many properties located outside the greater Toronto area in tougher real estate markets, and in certain instances not fully developed. As a consequence, significant time and resources were committed on the part of the Receiver and its legal counsel to work with the relevant mortgagees, and as appropriate seek appraisals and multiple competitive listing proposals, so that a marketing and sales process could be tailored to the property and mortgagees, and in so doing validate where the market value truly was for these properties.

98. Since the onset of the Receivership, the Receiver has on a regular basis distributed invoices of the Receiver and its legal counsel to the relevant mortgagees on the relevant Property for review.
99. Detailed particulars of the fees and expenses of the Receiver and its legal counsel are set out in the affidavit of fees provided by the Receiver and its legal counsel, which are referenced below. Key activities common to most properties have included: control, stabilization and ongoing monitoring of operations including in certain instances the need to attend to resumption of essential services and deferred maintenance; implementation and maintenance of ring fenced accounting, segregated banking and ongoing monitoring of cash flow, including attending to Receiver's Borrowings; liaising with the mortgagees; liaising with legal counsel; retaining real estate listing agents to list and market the properties for sale; compilation of information to facilitate interested party due diligence; review of offers in conjunction with the listing agents and the relevant mortgagees; negotiation of sale agreement documents; reporting to court; court approval of transactions and closing of same; review of security and attending to approval of distribution of proceeds to the mortgagees.
100. Significant time was also spent dealing with the opposition to a number of motions, which included motions by and/or ad hoc requests by Dancy (on behalf of the Debtors), in concert with various advisors, in respect of a number of unsuccessful attempts at recapitalization of the Dondob Group and termination of the Receivership Proceedings. More specifically the Receiver and its legal counsel had to deal with relief sought by Dancy to seek approval of multiple recapitalization plans, termination of the receivership and deferral of approval of various Property sale transactions, which had already been approved by the relevant mortgagees.
101. In addition, outside of dealing with court motion materials, the Receiver and its legal counsel participated in extensive negotiations with Dancy, prospective financiers introduced by Dancy and his various legal counsel. Specifically multiple recapitalization plans were brought to the Receiver by Dancy throughout the majority of 2013 and involved purported offshore funding, which in the end, proved baseless.

102. Ultimately, the Debtor’s recapitalization plans were not successful. Nonetheless, extensive time and effort was required on the part of the Receiver and its legal counsel, in order to deal these matters on a fair and equitable basis. The delay and extra time and effort had a significant impact on the level of fees and disbursements incurred by the Receiver and its counsel.

103. The fees and expenses of Farber for which approval is being sought are set out in detail in the Denton Affidavit, a copy of which is attached as Appendix “I”. A summary of those fees and expenses are set out in the below tables as follows: (i) Previously Approved Properties; (ii) Additional Properties and (iii) GARE.

104. The fees and expenses of Dentons for which approval is being sought are set out in detail in the Rabinovitch Affidavit, a copy of which is attached as Appendix “J”. A summary of those fees and expenses are set out in the below tables as follows: (i) Previously Approved Properties; (ii) Additional Properties and (iii) GARE.

105. The fees and expenses of Cassels for which approval is being sought are set out in detail in the Dietrich Affidavit, a copy of which is attached as Appendix “K”. A Summary of those fees and expenses are set out in the below tables as follows: (i) Previously Approved Properties; (ii) Additional Properties and (iii) GARE.

Dondeb Group - Summary of Receiver and Legal Fee Taxation (\$ inclusive of HST)

Previously Approved Properties

June 1, 2014 to December 31, 2014

Property	Receiver	Dentons	CBB	Total
240 Yeomen	1,471.65	0.00	537.88	2,009.53
Ace Self Storage	7,804.14	805.13	463.30	9,072.57
Brechin	1,238.58	0.00	298.32	1,536.90
Coldwater	1,123.64	0.00	463.30	1,586.94
Devonshire Place	2,195.58	0.00	463.30	2,658.88
Dorset	3,629.52	961.91	463.30	5,054.73
Georgian Bay (Georgian Manor)	1,576.61	0.00	485.90	2,062.51
King City Holdings (Palmer/Pepper)	1,517.33	0.00	463.30	1,980.63
Ontario Street	1,058.07	0.00	463.30	1,521.37
Orillia Independent Living	96,055.37	7,373.25	18,389.32	121,817.94
Preston Springs	1,433.08	0.00	463.30	1,896.38
Sussex Place	2,400.97	881.40	463.30	3,745.67
Tudhope Manor	1,650.80	791.85	465.00	2,907.65
Totals:	123,155.34	10,813.54	23,882.82	157,851.70

Dondeb Group - Summary of Receiver and Legal Fee Taxation (\$ inclusive of HST)

Additional Properties

October 17, 2012 to December 31, 2014

Property	Receiver	Dentons	CBB*	Total
Barrie Business Centre	161,819.98	221,831.78	8,363.74	392,015.50
Hatch House	173,177.65	132,495.42	372.90	306,045.97
Lafontaine	119,859.98	81,001.20	0.00	200,861.18
Leon's	70,742.90	79,343.32	1,939.08	152,025.30
Orillia Prep School	160,193.13	29,897.92	2,834.04	192,925.09
Orillia Retirement Residence	94,844.56	35,330.75	0.00	130,175.31
Remo's Ristorante	57,441.87	22,696.45	7,304.93	87,443.25
Prospan Rockin' Boats	88,592.00	60,205.03	7,320.47	156,117.50
Panelization Machine	15,361.76	20,150.73	522.06	36,034.55
FIT Contracts	88,081.54	138,617.88	13,403.33	240,102.75
Tim Hortons/Wendy's	67,563.19	74,799.86	0.00	142,363.05
Scotia Road	6,102.22	4,617.36	4,844.31	15,563.89
Whispering Pines	64,663.11	35,901.81	0.00	100,564.92
Totals:	1,168,443.89	936,889.51	46,904.86	2,152,238.26

** Period for CBB invoices is March 2, 2014 to December 31, 2014.*

Dondeb Group - GARE Receiver and Legal Fees (\$ inclusive of HST)

October 17, 2012 to December 31, 2014 (note see dates below)

Firm	Receiver - 12/31/14	Dentons LLP	CBB	Total
General (GARE)	559,997.81	241,498.96	18,357.14	819,853.91

106. Given the complexities set out above, in the circumstances, the Receiver's view is that the fees and expenses for which approval is now being sought are reasonable and appropriate. The Receiver recommends the approval of such fees and disbursements as set out in the Denton Affidavit, the Rabinovitch Affidavit and the Dietrich Affidavit.

10. OTHER MATTERS

107. As noted above, the Receivership proceeding is nearing its end. Remaining matters to be addressed include:

- (i) working to finalize HST returns;
- (ii) closing of the Leon's Transaction, if approved by this Court;
- (iii) completing the administration of five vacant land parcels adjacent to or abutting the main residence of Dancy, in the Corporation of the Township of King ("**King Township**"), four of which are owned by King City Holdings Limited one of which is held in the name of 780550 Ontario Limited (which was amalgamated into the Debtor 1711060 Ontario Ltd.). These are relatively small irregular shaped lots, only one of which has access to a municipal road (Weston Road). The Receiver understands that approximately \$26,000 of outstanding property taxes are owing on these parcels. The Receiver is liaising with King Township in this regard and as well as the realtor which the Receiver understands has been engaged to sell the Dancy residence; and
- (iv) completing the Additional Distributions, if authorized by the Court to do so.

11. RECOMMENDATION

108. The Receiver respectfully recommends that this Court grant an order for the relief requested in Section 2 hereof.

A. FARBER & PARTNERS INC.

In its capacity as Receiver of the Debtors

Listed on Appendix A and not in its personal capacity

A. Farber & Partners Inc