

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**

SUPPLEMENT TO THE SIXTEENTH REPORT OF THE RECEIVER

APRIL 22, 2015

1. INTRODUCTION

1. By Court Order dated October 18, 2012, A. Farber & Partners Inc. (“**Farber**”) was appointed receiver (the “**Receiver**”) of the assets undertakings and properties of Dondeb Inc. (“**Dondeb**”) and those debtors listed on **Appendix “A”** (collectively the “**Debtors**”). The Court Order was subsequently amended and restated to be dated October 17, 2012.
2. The Receiver filed its Sixteenth Report to Court dated April 14, 2015 (the “**Sixteenth Report**”) in support of a motion of the Receiver returnable April 23, 2015. This report is supplemental to the Sixteenth Report; it should be read in conjunction therewith and is subject to the same qualifications set out therein.
3. All capitalized terms used herein and not otherwise defined have the meaning ascribed to them in the Sixteenth Report.

2. PURPOSE OF THIS REPORT

4. The purpose of this Supplement to the Sixteenth Report is to provide an update to the Court on the certain matters which have arisen following the service of the Receiver’s motion returnable April 23, 2015 and the impact of those matters on the relief requested by the Receiver.

3. COMMUNICATIONS FROM DEBTOR’S FORMER COUNSEL

5. Following service of the Receiver’s motion, on the afternoon of Friday, April 17, 2015, former counsel to the Debtors, Dickinson Wright LLP (“**DW**”) sent a letter to the service list advising that they intended to bring a motion for payment of their outstanding fees and requesting a Charging Order over certain of the Debtor’s property. As they advised that they had not completed their material, an adjournment of 10 days was requested. A copy of the correspondence from DW dated April 17, 2015 is attached hereto as **Appendix “B”**.
6. Upon the hearing of the original CCAA Application in October of 2012, DW had also raised the issue of payment of their outstanding fees and disbursements. In his Original Reasons (which are attached as Appendix D to the Sixteenth Report) at paragraph 30, Justice

Campbell had stated: “Counsel for the debtor requested that the court consider a request for fees and costs on the part of the debtor. In order to give an opportunity for the parties to consider the details of such request and possible resolution the issue was deferred to a later date.”

7. Following receipt of the correspondence from DW, the Receiver engaged in a number of discussions with DW and with a number of the secured creditors. The Receiver understands that DW has agreed that an amount of \$80,000 be held back from the proceeds of the Preston Springs Garden Property (the “**Reserve**”) and the impacted secured creditor have indicated to the Receiver that they do not oppose the creation of such a Reserve.

4. IMPACT ON THE RELIEF SOUGHT

8. Providing for this Reserve and payment to DW, impacts on Proposed GARE Allocation and the Additional Distributions.
9. Attached hereto as **Appendix C** is a revised Proposed GARE Allocation (the “**Revised Proposed GARE Allocation**”) taking into account the Reserve.
10. Attached hereto as **Appendix D** is a revised listing of Additional Distributions (the “**Revised Additional Distributions**”) taking into account the Reserve.
11. It is the Revised Proposed GARE Allocation and Revised Additional Distributions that the Receiver now intends to seek approval of on April 23, 2015.

5. ADDITIONAL MATTERS

12. As noted in paragraph 40 of the Sixteenth Report, the transaction to sell the FIT Contract in respect of the Prospan Rockin Boats Property, which was previously approved by the Court, was expected to close prior to the return of the Receiver’s motion on April 23, 2015. At this time the transaction still has not closed, but the Receiver expects that it will close shortly on the terms previously approved by this Honourable Court. Should the transaction not close for any reason, the Receiver will return to this Court to seek directions as the relief requested assumes a closing of such transaction.

13. As well, in paragraph 50 of the Sixteenth Report, in discussing the terms of the Leon's APS for which approval is being sought, the Receiver noted, among other things that (i) a deposit of \$50,000 had been received and (ii) closing was scheduled for 5 business days following approval of the transaction, if granted. The Receiver notes that the provision requiring payment of a deposit was struck from the Leon's APS as the Leon's Purchaser is a party related to the second mortgagee on the Leon's Property and therefore it was determined by the Receiver that a deposit was not necessary in the circumstances. Further the Leon's Purchaser has advised that it will likely request an extension of the closing date, and the Receiver is inclined to agree to such an extension.

6. RECOMMENDATION

14. The Receiver respectfully recommends that this Court grant an order for the relief requested in Section 2 of the Sixteenth Report as modified by the Revised Proposed GARE Allocation and the Revised Additional Distributions.

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.,

APPENDIX “A”

SCHEDULE "A"

1281515 Ontario Inc.

2338067 Ontario Inc.

2198392 Ontario Ltd.

King City Holdings Ltd.

Guelph Financial Corporation

Briarbrook Apartments Inc.

2009031 Ontario Inc.

1267818 Ontario Ltd.

1711060 Ontario Ltd.

1182689 Ontario Inc.

Ace Self Storage and Business Centre Inc.

APPENDIX “B”



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TELEPHONE: (416) 777-0101
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LISA S. CORNE
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April 17, 2015

VIA EMAIL

Neil Rabinovitch
Dentons Canada LLP
77 King Street West
Suite 400
Toronto, Ontario M5K 0A1

- and -

Jane Dietrich
Cassels Brock
Suite 2100, Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Dear Mr. Rabinovitch and Ms. Dietrich:

**Re: In the Matter of Dondeb Inc., et al. Court File No.: CV-12-9794-00CL
Our File No.: 52394-1**

As you know, we previously represented the companies listed on Schedule "A" to the Receiver's Notice of Motion ("Debtors") in connection with an Application by the Debtors for relief pursuant to the *Companies Creditors Arrangement Act*.

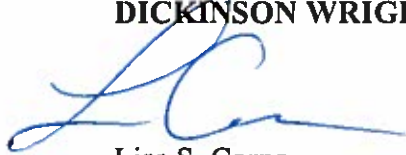
We intend to bring a motion for payment and Charging Order over all unencumbered funds remaining in the estates of the Debtors in order to secure payment of amounts outstanding pursuant to accounts for legal services and disbursements rendered by our firm to the Debtors.

We have not yet completed preparation of our motion material and accordingly we are seeking an adjournment for a period of ten days, of the Receiver's Motion for approval of the

April 17, 2015
Page 2

proposed allocation of general administrative and restructuring expenses. If that is not acceptable, please contact the undersigned and we will arrange to speak to the matter in Chambers early next week.

Very truly yours,
DICKINSON WRIGHT LLP



Lisa S. Corne

LSC/jss

cc: Service List
David Preger
TORONTO 52394-1 1031684v1

APPENDIX “C”

A. Farber & Partners Inc.
Dondeb et al
Proposed Revised GARE Allocation
GARE Estimate - \$ 900,000

No.	Group	Property	Property Value	%
1	Dondeb	Ace Self Storage	\$ 6,874,234	14.6%
2	Dondeb	Ontario Street (note 1)	\$ 115,000	0.2%
3	Dondeb	Coldwater (note 1)	\$ 780,000	1.7%
4	Dondeb	Devonshire Place (note 1)	\$ 165,000	0.4%
5	Dondeb	Rockin' Boats	\$ 680,000	1.4%
6	Dondeb	Remo's Ristorante	\$ 360,000	0.8%
7	Dondeb	Orillia Retirement Residence	\$ 3,180,000	6.8%
8	Dondeb	Sussex Place	\$ 5,412,500	11.5%
9	Dondeb	Barrie Business Centre	\$ 3,275,000	7.0%
10	Dondeb	Tim Horton's/Wendy's	\$ 2,000,000	4.3%
11	Dondeb	240 Yeoman (note 1)	\$ 245,594	0.5%
12	Dondeb	Brechin (note 1)	\$ 55,000	0.1%
22	Dondeb	Dorset (note 1)	\$ 7,325,000	15.6%
26	Dondeb	Panelization Machine	\$ 178,000	0.4%
27	Dondeb	FIT Contracts	\$ 850,000	1.8%
Dondeb subtotal			\$ 31,495,329	67.1%
13	1182689	Hatch House	\$ 1,273,500	2.7%
14	1182689	Orillia Prep School	\$ 455,000	1.0%
17	1267818	Georgian Manor	\$ 600,000	1.3%
18	1281515	Whispering Pines	\$ 730,000	1.6%
25	1281515	Scotia Rd Emsdale	\$ 25,000	0.1%
19	1711060	Lafontaine	\$ 1,585,000	3.4%
20	2009031	Tudhope Manor	\$ 1,200,000	2.6%
21	2198392	Orillia Independent Living	\$ 4,970,000	10.6%
23	Briarbrook	Leon's	\$ 3,200,300	6.8%
24	Guelph	Preston Springs	\$ 1,200,000	2.6%
15/16	KCH	King City Holdings	\$ 198,000	0.4%
Total Property Values / Property funded Gare			\$ 46,932,129	100%

Total Proceeds funded GARE
Proposed GARE Allocation

Note 1: Pursuant to a Court Order dated March 24, 2014 the Receiver was authorized to consoilidate segregated accounts for Ontario Street, Coldwater, Devonshire Place, Sussex Place, 240 Yoemen, Brechin and Dorset Place. These funds were consolidated into the Dondeb General Account.

"Appendix C"

Dondeb General 218,671
KC Cash 109,294

Guelph Cash 164,907

Property Funded 407,127

Total GARE	%
72,229	17.7%
-	0.0%
-	0.0%
-	0.0%
7,145	1.8%
3,783	0.9%
33,413	8.2%
56,871	14.0%
34,411	8.5%
21,015	5.2%
-	0.0%
-	0.0%
-	0.0%
1,870	0.5%
8,931	2.2%
239,668	58.9%
15,191	3.7%
5,427	1.3%
7,157	1.8%
8,708	2.1%
298	0.1%
18,906	4.6%
14,314	3.5%
59,284	14.6%
38,174	9.4%
-	0.0%
-	0.0%
407,127	100%

492,873
900,000

APPENDIX “D”

**Dondeb Group - Summary of Proposed Revised Additional Distributions
Supplement to the 16th Court Report**

Appendix "D"

Property	Lender to whom Distribution is Proposed	Revised
1 240 Yeoman		
2 Ace Self Storage	Pace Savings & Credit Union Ltd.	40,000
3 Barrie Business Centre	First Source Mortgage Corporation	30,000
4 Brechin		-
5 Coldwater		-
6 Devonshire Place		-
7 GENERAL		-
8 Dorset		-
9 Georgian Manor		-
10 Hatch House	Canada Revenue Agency	220,737
10 Hatch House	Empire Life Insurance Company	9,500
11 King City Holdings		-
12 Lafontaine		-
13 Leon's		-
14 Ontario Street		-
15 Orillia Independent Living	Cameron Stevens Financial Corporation	50,000
16 Orillia Prep School	Empire Life Insurance Company	115,500
17 Orillia Retirement Residence		-
18 Preston Springs		-
19 Remo's Ristorante	First Source Mortgage Corporation	25,000
20 Rockin' Boats	The Toronto Dominion Bank	28,000
21 Panelization Machine	First Source Mortgage Corporation	40,000
21 Panelization Machine	Imperial Tool & Die Ltd.	40,000
21 Panelization Machine	The Toronto Dominion Bank	40,000
22 FIT Contracts	First Source Mortgage Corporation	380,000
22 FIT Contracts	The Toronto Dominion Bank	270,000
23 Sussex Place	First Source Mortgage Corporation	2,000
24 Tim Horton's/Wendy's	First Source Mortgage Corporation	25,000
25 Tudhope Manor	FaithLife Financial	19,000
26 Scotia Rd Emsdale		-
27 Whispering Pines		-
Total Proposed Distributions		\$ 1,334,737

2198392 Ontario Ltd.**Operating as Orillia Independent Living****Court Approved Distributions to March 31, 2015**

Distribution made to Addenda Capital Corporation Inc.	22-Oct-14	4,363,131.71
Distribution made to Cameron Stephens Financial Corporation	23-Oct-14	100,000.00
Total Distributions to date:		4,463,131.71

2198392 Ontario Ltd.**Operating as Orillia Independent Living****Proposed Further Interim Distributions**

Funds held in segregated account - March 31, 2015 131,895

Reserve for Proposed GARE Allocation:	59,284	
less Interim GARE funded:	<u>0</u>	59,284

Reserve for Fees (work in progress) as at March 31, 2015

Receiver	7,653	
Legal - Dentons	87	
Legal - Cassels Brock	<u>181</u>	7,921

Receiver and Legal Fees to Complete	14,500
Total reserves	<u>81,705</u>
Sub Total	50,190
Less:	
Proposed distribution to Cameron Stephens	<u>50,000</u>
Funds held for remaining costs, fees	<u>190</u>

1701532 Ontario Inc.**Formerly operating as Ace Self Storage and Business Centre Inc.****Court Approved Distributions to March 31, 2015**

Distributions made to Pace Savings and Loan:	14-Aug-13	6,200,000.00
	23-Oct-14	45,000.00
Total Distributions to date:		6,245,000.00

1701532 Ontario Inc.**Formerly operating as Ace Self Storage and Business Centre Inc.****Proposed Further Interim Distributions**

Funds held in segregated account - March 31, 2015		139,876
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Reserve for Proposed GARE Allocation:	72,229	
less Interim GARE funded:	(42,931)	29,298

Reserve for Fees (work in progress) as at March 31, 2015

Receiver	2,067	
Legal - Dentons	0	
Legal - Cassels Brock	0	2,067

Receiver and Legal Fees to Complete	14,400
Total reserves	45,765
Sub Total	94,111
Less:	
Proposed payment of CRA trust claim (note 1)	54,045
Proposed distribution to Pace Savings and Loan	40,000
Funds held for remaining costs, fees	66

Note 1 - Payment of trust claims of 51,103.61 for HST and \$2,941.07 with respect to payroll deductions.

1182689 Ontario Inc.**Hatch House and Orillia Prep****Court Approved Distributions to March 31, 2015**

		Hatch House	Orillia Prep	Total
Distributions made to Empire Life:	29-May-13	280,000.00	0.00	280,000.00
	24-Mar-14	160,000.00	0.00	160,000.00
Distributions to CRA	29-May-13	120,000.00	0.00	120,000.00
	24-Mar-14	0.00	180,000.00	180,000.00
Total Distributions to date:		560,000.00	180,000.00	740,000.00

1182689 Ontario Inc.**Hatch House and Orillia Prep****Proposed Further Interim Distributions**

		Hatch House	Orillia Prep	Total
Funds held in segregated account - March 31, 2015		245,223	129,427	374,650
Reserve for Proposed GARE Allocation:	15,191		5,427	
less Interim GARE funded:	(14,955)	236	(5,343)	84
				320
Reserve for Fees to December 31, 2014 - invoiced but unpaid as at March 31, 2015				
Receiver	0		3,158	
Legal - Dentons	0		0	
Legal - Cassels Brock	373	373	3,158	3,531
Reserve for Fees (work in progress) as at March 31, 2015				
Receiver	3,671		3,140	
Legal - Dentons	631		32	
Legal - Cassels Brock	0	4,303	0	3,172
				7,475
Receiver and Legal Fees to Complete	10,000		7,000	17,000
Total reserves	14,912		13,414	28,326
Sub Total	230,311		116,013	346,324
Less:				
Proposed payment of CRA trust claim	220,737		0	220,737
Proposed distribution to Empire Life	9,500		115,500	125,000
Funds held for remaining costs, fees	74		513	587

Note (1) CRA trust claim of \$520,737 was paid down \$300,000. Balance of \$220,737 is proposed to be paid out as part of this motion.

Note (2) The Prescribed Security Interest that Empire Life agreed with CRA on the 118 properties was \$379,149.39.

However as the funds from the proceeds of sale from both 118 properties have been sufficient to satisfy both the prescribed security interest and CRA deemed trust claims, both parties priorities and order of distribution have been satisfied

Dondeb et al**First Source****Court Approved Distributions to March 31, 2015**

Distributions made to First Source:

May 10, 2013 (Sussex Place)	835,000.00
June 28, 2013 (Sussex Place)	250,000.00
June 28, 2013 (Dorset Place)	194,677.17
May 2, 2014 (Barrie Business Centre)	2,630,000.00
May 2, 2014 (Tim Hortons)	160,000.00

Total Distributions

4,069,677.17

Dondeb et al**First Source - Security over Various Properties****Proposed Further Interim Distributions**

	Total	FS portion						
	Panelization	Panelization	BBC	BBC FIT	Tim Hortons	Remo's	Sussex	TOTAL
Funds held in segregated account - March 31, 2015	140,796	46,932	79,679	416,381	35,085	35,688	11,794	625,559
Reserve for Proposed GARE Allocation:	1,870	623	34,411	5,254	21,015	3,783	56,871	121,957
less Interim GARE funded:	(1,996)	(665)	0	0	(23,092)	0	(51,741)	(75,498)
								0
Reserve for Fees to December 31, 2014 - invoiced but unpaid as at March 31, 2015								0
Receiver	0	0			0			0
Legal - Dentons (see note 2)	0	0		6,948	0	337	881	8,166
Legal - Cassels Brock	522	174		88	0			262
								0
Reserve for Fees (work in progress) as at March 31, 2015								0
Receiver	1,940	647	3,991	14,598	1,759	1,306	507	22,808
Legal - Dentons	82	27	410	4,062	8			4,508
Legal - Cassels Brock	0	0		219				219
								0
Receiver and Legal Fees to Complete	8,000	3,000	10,000	5,000	3,000	3,000	3,000	27,000
Total reserves	10,418	3,806	48,812	36,169	2,690	8,425	9,519	109,422
Sub Total	130,378	43,126	30,867	380,212	32,395	27,263	2,275	516,137
Less:								
Proposed distribution to First Source	0	40,000	30,000	380,000	25,000	25,000	2,000	502,000
Funds held for remaining costs, fees	130,378	3,126	867	212	7,395	2,263	275	14,137

Note 1 - First Source realisations on remaining cash proceeds from Tim Hortons/ Remo's is capped at approximately \$50,000.

Dondeb et al

TD Bank

Court Approved Distributions to March 31, 2015

Distributions made to TD Bank:

May 6, 2014

250,000.00

Total Distributions

250,000.00

Rockin Boats/ Prospan - TD Bank

Proposed Further Interim Distributions

Proposed Further Interim Distributions	Total	TD Portion		Rockin Boats		Total
	Panelization	Panelization	Rockin Boats	FIT		
Funds held in segregated account - March 31, 2015	140,796	46,932	51,018	298,871	396,821	
Reserve for Proposed GARE Allocation:	1,870	623	7,146	3,677	11,446	
less Interim GARE funded:	(1,996)	(665)	0	0	(665)	
Reserve for Fees to December 31, 2014 - invoiced but unpaid as at March 31, 2015						
Receiver	0	0			0	
Legal - Dentons (see note 2)	0	0		4,863	4,863	
Legal - Cassels Brock	522	174	150	61	385	
Reserve for Fees (work in progress) as at March 31, 2015						
Receiver	1,940	647	1,137	10,219	12,002	
Legal - Dentons	82	27	451	2,844	3,322	
Legal - Cassels Brock	0	0	0	154	154	
Receiver and Legal Fees to Complete	8,000	2,667	12,500	6,000	21,167	
Total reserves	10,418	3,473	21,384	27,818	52,674	
Sub Total	130,378	43,459	29,634	271,053	344,147	
Less:						
Proposed distribution to TD	0	40,000	28,000	270,000	338,000	
Funds held for remaining costs, fees	130,378	3,459	1,634	1,053	6,147	

Dondeb et al

2009031 Ontario Inc. - Tudhope Manor

Court Approved Distributions to FaithLife to March 31, 2015

Initial Payment to secured creditor (June 11, 20136))	(620,000.00)
Supplemental Payment to secured creditor (March 26, 2014)	<u>(180,000.00)</u>
Total Distributions	<u>(800,000.00)</u>

Funds held in segregated account - March 31, 2015	<u>22,700</u>
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Reserve for Proposed GARE Allocation:	14,314	
less Interim GARE funded:	<u>(14,092)</u>	222

Reserve for Fees to December 31, 2014 - invoiced but unpaid as at March 31, 2015

Receiver	0	
Legal - Dentons	792	
Legal - Cassels Brock	<u> </u>	792

Reserve for Fees (work in progress) as at March 31, 2015

Receiver	679	
Legal - Dentons	0	
Legal - Cassels Brock	<u>0</u>	679

Reserve for op costs

Receiver and Legal Fees to Complete	<u>2,000</u>
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Total reserves	<u>3,692</u>
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Cash after reserves	<u>19,008</u>
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Proposed distribution to FaithLife Financial	<u>19,000</u>
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Funds held for remaining costs, fees	<u><u>8</u></u>
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Imperial Tool & Die Ltd**Proposed Distribution**

	Total	Imperial Portion
	Panelization	Panelization
Funds held in segregated account - March 31, 2015	140,796	46,932
Reserve for Proposed GARE Allocation:	1,503	501
less Interim GARE funded:	(1,996)	(665)
Reserve for Fees to December 31, 2014 - invoiced but unpaid as at March 31, 2015		
Receiver	0	0
Legal - Dentons (see note 2)	0	0
Legal - Cassels Brock	522	174
Reserve for Fees (work in progress) as at March 31, 2015		
Receiver	1,940	647
Legal - Dentons	82	27
Legal - Cassels Brock	0	0
Receiver and Legal Fees to Complete	8,000	2,667
Total reserves	10,051	3,350
Sub Total	130,745	43,582
Less:		
Proposed distribution to TD	0	40,000
Funds held for remaining costs, fees	130,745	3,582

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
PROCEEDING COMMENCED AT TORONTO

SUPPLEMENT TO THE SIXTEENTH
REPORT OF THE RECEIVER
(April 22, 2015)

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