

Court File Number: 32-2228804
Estate No. 32-2228804

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF MERIDION HIGHRISE LTD., MERIDION HOLDINGS CORP.,
MERIDION STRUCTURES LTD., AND 2437156 ONTARIO INC.**

**AND IN THE MATTER OF SECTION 47.1 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

MOTION RECORD
(returnable August 29, 2017)

August 22, 2017

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF MERIDION HIGHRISE LTD., MERIDION HOLDINGS CORP.,
MERIDION STRUCTURES LTD., AND 2437156 ONTARIO INC.**

**AND IN THE MATTER OF SECTION 47.1 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

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TAB 1

Court File Number: 32-2228804
Estate No. 32-2228804

**ONTARIO
SUPERIOR COURT OF JUSTICE
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**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
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MERIDION STRUCTURES LTD., AND 2437156 ONTARIO INC.**

**AND IN THE MATTER OF SECTION 47.1 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

NOTICE OF MOTION
(returnable August 29, 2017)

A. FARBER & PARTNERS INC. (“**Farber**”), in its capacity as trustee in bankruptcy (the “**Trustee**”) of Meridion Highrise Ltd., Meridion Holdings Corp., Meridion Structures Ltd., and 2437156 Ontario Inc. (collectively, “**Meridion**” or the “**Meridion Group**”), will make a motion to a Judge presiding over the Commercial List on August 29, 2017 at 10:00 a.m., or as soon after that time as the motion can be heard at 330 University Avenue, 8th Floor, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

- (a) an order:
 - (i) abridging the time for service of this notice of motion and the motion record so that the motion is properly returnable on August 29, 2017 and dispensing with further service thereof;

- (ii) directing Daniels Waterfront Corporation (“**Daniels Waterfront**”) to pay to the Trustee forthwith the sum of \$149,702.59 in accordance with the Waterfront South project (“**Waterfront Project**”) Developer Funding Agreement, and authorizing and directing the Trustee to distribute such funds, along with the \$367,396.85 currently in its hands that it received from Daniels Waterfront in accordance with the Waterfront Project Developer Funding Agreement, to pay post-NOI obligations with respect to the Waterfront Project;
- (iii) directing Daniels CM Corporation (“**Daniels CM**”) to pay to the Trustee forthwith the sum of \$104,453.72 in accordance with the Regent Block 27 project (“**Block 27 Project**”) Developer Funding Agreement, and authorizing and directing the Trustee to distribute such funds, along with the \$90,328.17 currently in its hands that it received from Daniels CM in accordance with the Block 27 Project Developer Funding Agreement, to pay post-NOI obligations with respect to the Block 27 Project;
- (iv) directing Daniels CM to pay to the Trustee forthwith the sum of \$83,866.31 and authorizing and directing the Trustee to distribute such funds, along with the \$7,446.07 currently in its hands that it received from Daniels CM, to pay post-NOI obligations with respect to the Regent Block 32 project (“**Block 32 Project**”);
- (v) directing Madison Briar Hill Limited and SCP Developments Limited (collectively, “**Madison**”) to pay to the Trustee forthwith the sum of

\$4,651.18 in accordance with the Madison Developer Funding Agreement, and authorizing and directing the Trustee to distribute such funds, along with the \$123,331.32 currently in its hands that it received from Madison in accordance with the Madison Developer Funding Agreement, to pay post-NOI obligations with respect to the Zigg project at 233 St. Clair West, Toronto (“**Zigg Project**”); and

- (vi) directing Madison to pay to the Trustee forthwith the sum of \$9,527.98 in accordance with the Madison Developer Funding Agreement, and authorizing and directing the Trustee to distribute such funds, along with the \$67,577.91 currently in its hands that it received from Madison in accordance with the Madison Developer Funding Agreement, to pay post-NOI obligations with respect to the Briar Hill project at 1100 Briar Hill Avenue, Toronto (“**Briar Hill Project**”); and

- (b) such further and other relief as counsel may request and this Honourable Court may permit.

THE GROUNDS FOR THE MOTION ARE:

1. The Meridion Group carried on business as a provider of structural concrete formwork and tower crane services.
2. In March 2017, the Meridion Group’s operating lender made demand and Meridion was left without an operating line to fund its day-to-day operations.

3. Meridion filed notices of intention (“**NOI**”) to make a proposal and Farber was appointed as proposal trustee (the “**Proposal Trustee**”).

4. As a result of Meridion’s liquidity issues, certain developers for ongoing construction projects (the “**Developers**”) agreed to fund Meridion’s payroll and critical supplier obligations, subject to an interim receiver being appointed to control all receipts and disbursements and make the payments on behalf of Meridion.

5. On March 22, 2017, Farber was appointed as interim receiver (the “**Interim Receiver**”) pursuant to the Order of Justice Hainey, as amended (the “**Interim Receivership Order**”).

6. Meridion entered into two developer funding agreements (the “**Developer Funding Agreements**”) with Daniels with respect to the Waterfront Project and the Block 27 Project, and entered into a Developer Funding Agreement with Madison with respect to the Zigg Project and the Briar Hill Project.

7. The agreements provide that Daniels and Madison would make payment in advance of Allowable Costs (as defined in the Developer Funding Agreements), with the funds being transferred into specific disbursement accounts to be maintained by the Interim Receiver for each of the four Projects based on forecasts provided by Meridion. Actual funding requirements could be subsequently amended based on the actual construction needs of the Projects.

8. Upon termination of the Developer Funding Agreements, a reconciliation of the accounts was to be completed by the Interim Receiver.

9. The Developer Funding Agreements were terminated in April 2017.

10. The Meridion Group did not file a proposal or seek an extension of the deadline by May 29, 2017, and as a result, each company was deemed to have been assigned into bankruptcy and Farber was appointed as Trustee.

11. Pursuant to the Order of Justice Hainey dated June 2, 2017, the Court, among other things, authorized and directed the Trustee to carry out the remaining work of the Interim Receiver under the Developer Funding Agreements.

12. The Trustee prepared draft reconciliations in May 2017 and updated them several times, the most recent of which were provided to Daniels and Madison in August 2017.

13. Daniels and Madison have raised certain issues with the Trustee's reconciliations. The Trustee is of the view that the concerns raised by Daniels and Madison in response to the reconciliations provided by the Trustee have been addressed by the Trustee, and they do not justify or support the continued failure of Daniels and Madison to:

- (a) pay the amounts owed to the Trustee in accordance with the Developer Funding Agreements; and
- (b) authorize the Trustee to release funds on hand, which the Trustee has received from Daniels and Madison, to pay suppliers who had provided services to the Projects following the filing of the NOIs.

14. The Second Report of the Trustee dated August 22, 2017 (the "**Second Report**"), and the appendices thereto.

15. Rules 1.04, 1.05, 2.01, 2.03, and 37 of the *Rules of Civil Procedure*.

16. *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.
17. The equitable and inherent jurisdiction of the Court.
18. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The Second Report; and
2. Such further and other evidence as counsel may advise and this Honourable Court may permit.

August 22, 2017

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TO: THE SERVICE LIST

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF MERIDION HIGHRISE LTD., MERIDION HOLDINGS CORP, MERIDION STRUCTURES LTD. AND 2437156 ONTARIO INC.

AND IN THE MATTER OF SECTION 47.1 OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C.B-3, AS AMENDED

Court File No. 32-2228804

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT
TORONTO

NOTICE OF MOTION

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Bankruptcy

TAB 2

Court File Number: 32-2228804
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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

SECOND REPORT OF THE TRUSTEE IN BANKRUPTCY

AUGUST 22, 2017

Court File Number: 32-2228804
Estate No. 32-2228804

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
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SECOND REPORT OF THE TRUSTEE IN BANKRUPTCY

AUGUST 22, 2017

INTRODUCTION

1. On March 15, 2017, Meridion Holdings Corp., Meridion Highrise Ltd., 2437156 Ontario Inc. and Meridion Structures Ltd. (collectively, “**Meridion**” or the “**Meridion Group**”) each filed a Notice of Intention to Make a Proposal (“**NOI**”) under Section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) (the “**NOI Proceedings**”). A. Farber & Partners Inc. (“**Farber**”) was appointed as proposal trustee in the NOI Proceedings (the “**Proposal Trustee**”).

2. On March 22, 2017, Farber was appointed as interim receiver (the “**Interim Receiver**”) pursuant to the Order of Justice Hainey, as amended (the “**Interim Receivership Order**”), for the limited purpose of borrowing funds for the funding of payroll, independent contractor and critical supplier amounts, overhead and professional fees, and such other amounts payable by Meridion which were required to ensure the continuation of Meridion’s current projects.

3. At the time of the appointment of the Interim Receiver, Meridion's ongoing projects included but were not limited to the following projects:

- (a) the Waterfront South project ("**Waterfront Project**") with Daniels Waterfront Corporation ("**Daniels Waterfront**");
- (b) the Regent Block 27 project ("**Block 27 Project**") with Daniels CM Corporation ("**Daniels CM**" and together with Daniels Waterfront, "**Daniels**");
- (c) the Regent Block 32 project ("**Block 32 Project**") with Daniels CM; and
- (d) the Zigg project at 233 St. Clair West, Toronto ("**Zigg Project**") and the Briar Hill project at 1100 Briar Hill Avenue, Toronto ("**Briar Hill Project**") with Madison Briar Hill Limited and SCP Developments Limited (collectively, "**Madison**").

4. On April 11, 2017, the Court extended the time period for Meridion to file a proposal to May 29, 2017 and approved the following funding agreements entered into by Meridion (collectively, the "**Developer Funding Agreements**"), which are discussed in greater detail below:

- (a) Developer Funding Agreement dated April 11, 2017 between Meridion, Daniels Waterfront, and the Interim Receiver regarding the Waterfront Project;
- (b) Developer Funding Agreement dated April 11, 2017 between Meridion, Daniels CM, and the Interim Receiver regarding the Block 27 Project; and

- (c) Developer Funding Agreement dated April 11, 2017 between Meridion, Madison, and the Interim Receiver regarding the Zigg Project and the Briar Hill Project.

5. Meridion did not enter into a Developer Funding Agreement with Daniels with respect to the Block 32 Project, as the project was transferred to another contractor following the appointment of the Interim Receiver. However, up until the time it was transferred, the Block 32 Project was carried on by parties on the same basis as if a Developer Funding Agreement had been entered into.

6. Meridion was not able to file a viable proposal and by May 29, 2017 did not seek an extension of the period for it to file a proposal.

7. On May 30, 2017, the Meridion Group was deemed to have made assignments in bankruptcy and Farber was appointed as trustee in bankruptcy of Meridion (the “**Trustee**”).

8. The Trustee brought a motion returnable June 2, 2017 seeking, among other things, an order authorizing and directing the Trustee to carry out the remaining work of the Interim Receiver under the Developer Funding Agreements.

9. Pursuant to the Order of Justice Hainey dated June 2, 2017, the Court, among other things, granted the relief sought by the Trustee with respect to the Developer Funding Agreements and sealed the copies of the Developer Funding Agreements that had been filed confidentially with the Court pending further order of the Court.

10. This second report (the “**Second Report**”) has been prepared by Farber in its capacity as the Trustee. The Trustee will bring a motion returnable on August 29, 2017 for an order:

- (a) directing Daniels Waterfront to pay to the Trustee forthwith the sum of \$149,702.59 in accordance with the Waterfront Project Developer Funding Agreement, and authorizing and directing the Trustee to distribute such funds, along with the \$367,396.85 currently in its hands, to pay post-NOI obligations with respect to the Waterfront Project;
- (b) directing Daniels CM to pay to the Trustee forthwith the sum of \$104,453.72 in accordance with the Block 27 Project Developer Funding Agreement, and authorizing and directing the Trustee to distribute such funds, along with the \$90,328.17 currently in its hands, to pay post-NOI obligations with respect to the Block 27 Project;
- (c) directing Daniels CM to pay to the Trustee forthwith the sum of \$83,866.31 and authorizing and directing the Trustee to distribute such funds, along with the \$7,446.07 currently in its hands, to pay post-NOI obligations with respect to the Block 32 Project;
- (d) directing Madison to pay to the Trustee forthwith the sum of \$4,651.18 in accordance with the Madison Developer Funding Agreement, and authorizing and directing the Trustee to distribute such funds, along with the \$123,331.32 currently in its hands, to pay post-NOI obligations with respect to the Zigg Project; and
- (e) directing Madison to pay to the Trustee forthwith the sum of \$9,527.98 in accordance with the Madison Developer Funding Agreement, and authorizing and

directing the Trustee to distribute such funds, along with the \$67,577.91 currently in its hands, to pay post-NOI obligations with respect to the Briar Hill Project.

DISCLAIMER

11. In preparing this Second Report, the Trustee has relied upon unaudited financial information of Meridion, the books and records of Meridion and discussions with representatives of Meridion, including their lawyers. The Trustee has not performed an audit or other verification of such information. The Trustee expresses no opinion or other form of assurance with respect to the financial information presented in this Second Report.

BACKGROUND

12. The Meridion Group carried on business as a provider of structural concrete formwork and tower crane services, mainly for residential high-rise and commercial buildings. Although there are four Meridion corporations, collectively the companies carried on the business. Meridion had nine ongoing construction projects (collectively, the “**Projects**”, and individually, a “**Project**”) with certain developers, including Daniels and Madison.

13. Meridion previously financed its operations with an operating line of credit provided by Royal Bank of Canada (“**RBC**”). In March 2017, RBC called its loan, and Hardcastle Investment Corporation, a company owned by a director of certain companies in the Meridion Group, caused the RBC loan to be repaid. As a result, Meridion was left without an operating line to fund its day-to-day operations and the ongoing costs associated with the Projects.

14. As a result, Meridion filed the NOIs. The principal purposes of the NOI Proceedings were to (i) provide Meridion with a stable environment to continue and complete its work on the Projects; and (ii) negotiate and make a proposal to its creditors.

15. Subsequent to the commencement of the NOI Proceedings, Meridion entered into discussions with the developers to request their financial support in the form of advanced payment of Project progress payments due to Meridion over the course of the Projects.

16. Certain of the developers agreed to fund Meridion's payroll and critical supplier obligations, on the condition that an interim receiver be appointed to control all receipts and disbursements and make the payments on behalf of Meridion.

17. As noted above, the Interim Receiver was appointed on March 22, 2017 pursuant to the Interim Receivership Order.

DEVELOPER FUNDING AGREEMENTS

18. With the assistance of the Interim Receiver, Meridion was able to finalize the Developer Funding Agreements. The agreements provided that Daniels and Madison would advance funds into specific disbursement accounts to be maintained by the Interim Receiver for each of the four Projects based on forecasts provided by Meridion. Actual funding requirements could be subsequently amended based on the actual construction needs of the Projects. The Interim Receiver was essentially to act as a conduit to ensure that obligations incurred by Meridion following the filing of the NOIs were paid in full as required by the *BIA*.

19. All monies in the disbursement accounts could only be used to pay Allowable Costs (as defined in the Developer Funding Agreements) upon written approval and direction by the

applicable developer and Meridion. Allowable Costs included costs relating to labour, expenses, materials, subcontractors and permitted accounts payable, plus certain overhead costs including payroll and benefits, insurance and professional fees.

20. The Developer Funding Agreements also contemplated their termination, and upon termination, a reconciliation of the accounts would be completed by the Interim Receiver, with any shortfall of the Allowable Costs incurred or accrued to be paid by the developers, and any surplus to be paid to the developers.

21. Meridion brought a motion seeking, among other things, approval of the Developer Funding Agreements. On April 11, 2017, Justice Hainey granted an Order, among other things, approving the Developer Funding Agreements and the execution of the agreements by Meridion and the Interim Receiver. A copy of the Order is attached hereto and marked as **Appendix "A"**.

TERMINATION OF FUNDING AGREEMENTS AND RECONCILIATIONS

22. The two Developer Funding Agreements with Daniels, and the Developer Funding Agreement with Madison, were terminated in accordance with their terms in April 2017.

23. Following the terminations of the agreements, the Trustee began working on completing a final reconciliation of the accounts. The Trustee prepared draft reconciliations in May 2017 and updated them several times, the most recent of which were provided to Daniels and Madison in August 2017, as detailed below.

Daniels

24. The Trustee provided draft reconciliations to Daniels with respect to the three Daniels Projects in May 2017. Daniels requested additional information with respect to the method used

by the Trustee to calculate HST in connection with the Daniels Projects. The Trustee sent updated reconciliations with details regarding HST calculations to Daniels in e-mails dated June 20, 2017 with respect to the Waterfront Project and dated June 22, 2017 with respect to the Block 27 Project and the Block 32 Project, copies of which are collectively attached hereto and marked as **Appendix "B"**.

25. The Trustee followed up with Daniels via email on June 29, 2017, and July 5 and July 19, 2017 to inquire as to the status of the required payments. Additionally, the Trustee has repeatedly requested that Daniels provide its written confirmation in accordance with the Developer Funding Agreements that the Trustee could release the funds on hand, which it had received from Daniels, to suppliers who had provided services to Daniels Projects following the filing of the NOIs.

26. On July 16, 2017, Daniels Waterfront informed the Trustee for the first time that it had paid certain invoices directly to a supplier, Salit Steel. As a result, the Trustee completed a revised reconciliation for the Waterfront Project, which was sent to Daniels Waterfront via email on July 19, 2017, a copy of which is attached hereto and marked as **Appendix "C"**.

27. Daniels subsequently requested information from the Trustee with respect to the names of unpaid suppliers, which the Trustee provided to them again in short order, as such information had been previously provided to them by the Trustee. Daniels also requested that the Trustee remove from the reconciliations any suppliers that had registered construction liens against its property, as Daniels had paid funds into Court to have such liens vacated/bonded off.

28. On July 20, 2017, Torkin Manes, lawyers for Daniels, sent a letter to Chaitons LLP (“**Chaitons**”), setting out Daniels’ concerns regarding the reconciliations provided by the Trustee. A copy of the Torkin Manes letter is attached hereto and marked as **Appendix “D”**.

29. The concerns raised by Torkin Manes included the HST and construction lien matters discussed above.

30. On August 4, 2017, Chaitons sent a responding letter to Torkin Manes, a copy of which is attached hereto and marked as **Appendix “E”**.

31. In its letter, Chaitons confirmed that the Trustee had provided full disclosure of the method of HST calculation and basis for Daniels’ HST liability and that Daniels had failed to demonstrate where the Trustee has made any error in the calculation. With respect to the construction lien issue, Chaitons confirmed that, provided the Court would release the Trustee from any liability to the applicable suppliers for non-payment of their invoices, the Trustee was prepared to withdraw the request for payment of those outstanding invoices. Chaitons also informed Torkin Manes that the Trustee had secured Court time on August 29, 2017 and that the Trustee intended to bring a motion in the event that the parties could not resolve the issues.

32. The Trustee once again sent reconciliations to Daniels with respect to the three Daniels Projects via email on August 17, 2017. Copies of the emails are collectively attached hereto and marked as **Appendix “F”**.

33. On August 20, 2017, the Trustee and Chaitons received a responding letter from Torkin Manes dated August 18, 2017, a copy of which is attached hereto and marked as **Appendix “G”**.

34. In the Trustee's view, the most recent letter from Torkin Manes fails to acknowledge that the Trustee has made it clear that the final reconciliations for the Daniels Projects do not include any amounts for invoices that Daniels paid to suppliers directly, and that the Trustee will provide reconciliations to remove amounts with respect to invoices issued by suppliers that have registered construction liens against Daniels' property and have been vacated/bonded off provided that such suppliers and/or the Court release the Trustee with respect to such amounts.

35. The Trustee is of the view that concerns raised by Daniels in response to the reconciliations provided by the Trustee do not justify or support Daniels' failure to pay the amounts outstanding and authorize the Trustee to release funds in accordance with the terms of the Daniels Developer Funding Agreements.

Madison

36. The Trustee completed draft reconciliations following the termination of the Madison Developer Funding Agreement in May 2017, and sent draft final reconciliations of the account with respect to the Zigg Project and the Briar Hill Project to Madison via e-mail on August 17, 2017. A copy of the Trustee's e-mails are collectively attached hereto and marked as **Appendix "H"**.

37. As set out in the Trustee's e-mails, the result of the reconciliations was that there were deficiencies and Madison is required to pay to the Trustee \$4,651.18 with respect to Zigg Project and \$9,527.98 with respect to Briar Hill Project, pursuant to the terms of the Developer Funding Agreement. Madison has also not provided its written confirmation in accordance with the Developer Funding Agreements that the Trustee could release the funds on hand, which it had

received from Madison, to suppliers who had provided services to Madison Projects following the filing of the NOIs.

38. Madison responded to the Trustee's reconciliations and informed the Trustee that it would not be paying any additional funds to the Trustee under the Developer Funding Agreement as a result of its right of set-off. A copy of Madison's responding e-mail dated August 17, 2017 is attached hereto and marked as **Appendix "I"**.

39. The Trustee addressed the issues raised by Madison in its email dated August 18, 2017, a copy of which is attached hereto and marked as **Appendix "J"**.

40. As of the date of this Second Report, the Trustee has not received a further response from Madison to its latest e-mail.

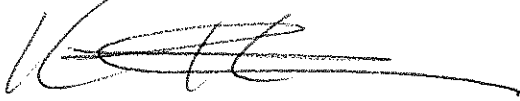
41. The Trustee is of the view that concerns raised by Madison in response to the reconciliations provided by the Trustee do not justify or support Madison's failure to pay the amounts outstanding and authorize the Trustee to release funds in accordance with the terms of the Madison Developer Funding Agreements.

RELIEF SOUGHT FROM THE COURT

42. Based on the foregoing, the Trustee respectfully recommends that this Court make an order granting the relief detailed in paragraph 10 of this Report.

All of which is respectfully submitted this 22nd day of August, 2017.

**A. FARBER & PARTNERS INC.,
in its capacity as Trustee in Bankruptcy of
Meridion Highrise Ltd., Meridion Holdings
Corp., Meridion Structures Ltd., And 2437156
Ontario Inc., and not in its personal capacity**



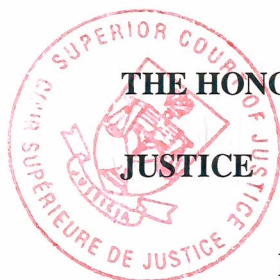
per: Karen Kinzel, Vice President

TAB A

Court File Number: 32-2228804

Estate No. 32-2228804

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)



THE HONOURABLE

JUSTICE

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TUESDAY , THE 11th DAY

OF APRIL, 2017

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
 A PROPOSAL OF MERIDION HIGHRISE LTD., MERIDION HOLDINGS CORP.,
 MERIDION STRUCTURES LTD., AND 2437156 ONTARIO INC.**

**AND IN THE MATTER OF SECTION 47.1 OF THE
 BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

ORDER

THIS MOTION made by Meridion Highrise Ltd. ("**Highrise**"), Meridion Holdings Corp. ("**Holdings**"), Meridion Structures Ltd. ("**Structures**") and 2437156 Ontario Inc. ("**243**") (collectively, "**Meridion**"), for an Order extending the time for the filing of a proposal pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c B-3, as amended (the "**BIA**"), and granting other relief, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion dated April 4, 2017, the Affidavit of Mark Mungo sworn April 5, 2017, the Supplementary Affidavit of Mark Mungo, sworn April 11, 2017 ("**Supplementary Affidavit**") and the First Report of A. Farber & Partners Inc. ("**Farber**") in its capacity as proposal trustee (in such capacity, the "**Proposal Trustee**"), dated April 5, 2017, and on hearing the submissions of counsel for Meridion, the Proposal Trustee and any other party appearing.

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

STAY EXTENSION

2. **THIS COURT ORDERS** that the time for the filing of a proposal by Highrise, Holdings, Structures and 243 be and is hereby extended in accordance with Section 50.4(9) of the BIA from April 14, 2017, for a period of forty-five (45) days, to May 29, 2017.

APPROVAL OF FIRST REPORT

3. **THIS COURT ORDERS** that the First Report and the activities of the Proposal Trustee and Farber in its capacity as interim receiver (in such capacity, the “**Interim Receiver**”) described therein be and are hereby approved.

FUNDING AGREEMENTS

4. **THIS COURT ORDERS** that (a) the Funding Letter Agreements, attached as Confidential Exhibits “A” - “C” to the Supplementary Affidavit (together, the “**Funding Agreements**”), with such minor amendments as the parties may deem necessary, be and are hereby approved, (b) the execution of the Funding Agreements by Highrise, Structures and the Interim Receiver is hereby ratified or authorized, as applicable, and (c) Highrise, Structures and the Interim Receiver are each hereby authorized to perform their obligations as contained in the Funding Agreements.

5. **THIS COURT ORDERS** that Farber, in its capacity as Interim Receiver of Meridion, is hereby released and discharged from any and all liability that Farber now has or may hereafter have by reason of, or in any way arising out of, its acts or omissions while carrying out its obligations under the Funding Agreements, save and except for any gross negligence or wilful misconduct on the part of the Interim Receiver. For certainty, reliance by the Interim Receiver on a Payment Direction (as defined in the Funding Agreements) shall not constitute gross negligence or wilful misconduct on the part of the Interim Receiver and any liability of the

Interim Receiver shall be limited to the amount then held in the applicable Disbursement Account (as defined in the Funding Agreements).

6. **THIS COURT ORDERS** that the fees and disbursements of the Interim Receiver in carrying out the terms of the Funding Agreements shall be secured by the Interim Receiver's Charge (as defined in the Order of the Honourable Justice Hainey, dated March 22, 2017, as amended (the "**Interim Receivership Order**"))).

7. **THIS COURT ORDERS** that all Interim Receiver's Certificates (as defined in the Interim Receivership Order) issued by the Interim Receiver to Daniels HR Corporation, Daniels Waterfront Corporation, Daniels CM Corporation (collectively, "**Daniels**"), SCP Developments Limited ("**SCP**"), Madison Briar Hill Limited ("**Madison**") and 20 Ashtonebee Holdings Limited be and are hereby satisfied in full and cancelled.

8. **THIS COURT ORDERS** that, exclusively with respect to any portion of the Advances (as defined in the Funding Agreements) payable in respect of Payroll, Warehouse Staff, Office Staff, Source Deductions, Union Remittances, Contingency, Overhead Allocation, Professional Fees, Post-Filing HST Remittance (as set out in the Cost Forecasts (as defined in the Funding Agreements)) and all such similar amounts (collectively, "**Employee and Overhead Payables**"), Daniels, Madison, and SCP (each a "**Developer**" and collectively, the "**Developers**"), be and are hereby relieved of their obligations pursuant to Sections 22 and 24 of the *Construction Lien Act* (Ontario) ("**CLA**"), if any, to retain (a) a holdback equal to 10 per cent of the price of the services or materials supplied, and/or (b) an amount sufficient to satisfy any lien of which notice has been given pursuant to the CLA (collectively, the "**Holdback**"). Each Developer is hereby authorized, strictly pursuant to the terms of the Funding Agreements, to pay to the Interim Receiver all such amounts which, in the absence of this Order, would otherwise be retained by the Developer as Holdback in respect of the Employee and Overhead Payables pursuant to the CLA. Each Developer shall not incur and is hereby released from any liabilities to Meridion or any other persons as a result of compliance with this Order, including any liability that the Developer would otherwise be subject to pursuant to the CLA if, as a result of not retaining any Holdback as authorized by this Order, the total amount held back by the Developer in connection with the project is less than ten per cent of the total contract price.

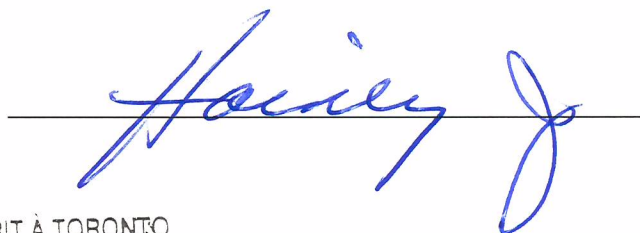
9. **THIS COURT ORDERS** that, with respect to the Employee and Overhead Payables, the Interim Receiver, for and on behalf of Meridion, be and is hereby relieved from its obligations pursuant to Section 22 and 24 of the CLA, if any, to retain the Holdback. The Interim Receiver is hereby directed to disburse all such amounts on account of the Employee and Overhead Payables (as directed by the Developers and Meridion pursuant to each Payment Direction) which, in the absence of this Order, would otherwise be retained as Holdback by the Interim Receiver pursuant to the CLA. The Interim Receiver and Meridion shall not incur and are hereby released from any and all liabilities to the Developers or any other persons as a result of it not retaining Holdback as authorized by with this Order.

10. **THIS COURT ORDERS** that, strictly subject to and on the condition that the Interim Receiver is in receipt of Advances in amounts sufficient to pay the Payroll and Union Remittances (as set out in the Cost Forecasts), and without the necessity of a Payment Direction, the Interim Receiver is hereby directed to pay all such Payroll and Union Remittances on a weekly basis, unless the Interim Receiver, Meridion and the applicable union all agree to alternative payment arrangements.

SEALING

11. **THIS COURT ORDERS** that Meridion is hereby authorized, *nunc pro tunc*, to redact from the Supplementary Affidavit served on any party other than this Honourable Court the Funding Agreements attached as Confidential Exhibits "A" - "C".

12. **THIS COURT ORDERS** that the unredacted version of the Supplementary Affidavit filed with this Honourable Court be sealed from the public record until further order of this Court.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

APR 11 2017



IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF MERIDION HIGHRISE LTD., MERIDION HOLDINGS CORP., MERIDION STRUCTURES LTD., AND 2437156 ONTARIO INC.
AND IN THE MATTER OF SECTION 47.1 OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED

ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)
PROCEEDING COMMENCED AT TORONTO
ORDER
DENTONS CANADA LLP 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON M5K 0A1 John Salmas (LSUC # 42336B) Tel: (416) 863-4737 Fax: (416) 863-4592 john.salmas@dentons.com Sara-Ann Van Allen (LSUC # 56016C) Tel: (416) 863-4402 sara.vanallen@dentons.com Vanja Ginic (LSUC # 69981W) Tel: (416) 863-4673 vanja.ginic@dentons.com Lawyers for Meridion Holdings Corp., Meridion Highrise Ltd., Meridion Structures Ltd., and 2437156 Ontario Inc.

TAB B

Sam P. Rappos

Subject: RE: Waterfront Reconciliation

From: Karen Kimel

Sent: Tuesday, June 20, 2017 12:30 PM

To: gpisharoty@danielscorp.com

Cc: Stuart Mitchell; Peter Crawley; harvey@chaitons.com; karen.groulx@dentons.com; Sam Tassone (stassone@danielscorp.com); Jeffrey Simpson (jsimpson@torkinmanes.com); Salmas, John (john.salmas@dentons.com)

Subject: Waterfront Reconciliation

Gokul,

You have previously received from us preliminary draft funding reconciliations for each of the Daniel's projects. Those highlighted matters for follow up, including clarification of the HST. The following serves as a final draft of the funding reconciliations, including clarity on the HST.

- The schedule below summarizes both the amounts paid to date by IR on the Waterfront project (\$2,073,358 before HST) pursuant to the DFA as well as the amounts still required to be paid on the Waterfront Project (\$435,797 before HST) for which you have received documentation from us over the last number of weeks.
- You will note that the total paid and unpaid invoices is \$2,509,154 before HST:

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	1,504,494.09	43,952.00	1,548,446.09
Pre	568,863.54	62,856.00	631,719.54
Total Paid	2,073,357.63	106,808.00	2,180,165.63
<u>Unpaid</u>			
Aluma	217,253.01	28,242.89	245,495.90
Apr 24 invoices	3,810.56	248.75	4,059.31
May 1 invoices	99,479.88	12,932.38	112,412.26
May 12 invoices	62,328.63	8,076.70	70,405.33
Prefiling Salit	2,312.27	300.60	2,612.87
May 26 invoices	25,374.53	3,298.19	28,672.72
Northfleet HB	7,831.32	1,018.07	8,849.39
Salit HB	17,406.54	2,262.85	19,669.39
Total Unpaid	435,796.74	56,380.43	492,177.17
Total Paid and Unpaid Costs	2,509,154.37	163,188.43	2,672,342.80

- Meridion is required to charge HST on construction services provided to its customers/developers.
- If both the paid and unpaid amounts above are funded by Daniels and paid by the IR, the amount Meridion would be required to invoice to Daniels would be \$2,835,344 (\$2,509,154 + HST).
- To date the IR has received \$2,546,742 from Daniels.
- **This leaves a shortfall of \$288,602, as set out below:**

	TOTAL	Paid to Date	Outstanding From Daniels
Costs to be billed	2,509,154.37	2,253,754.12	255,400.26
HST on amounts billed	326,190.07	292,988.03	33,202.03
Billings with HST	2,835,344.44	2,546,742.15	288,602.29

- As per the above schedules, Daniels has funded \$2,546,742 of which the IR has paid out \$2,180,166 in supplier costs.
- As a result, the IR is currently holding \$366,577 on account, as set out below:

Allocation of Funds on Hand	
Total Received	2,546,742.15

Total Paid	2,180,165.63
Bank on Account	366,576.52

- As per the below schedule, If Daniels funds the IR the outstanding shortfall of \$288,602, the IR will use these funds with those on hand of \$366,577 above to fund the unpaid costs in the first schedule above of \$492,177 plus the net HST remittance of \$163,002 as follows:

Remaining to pay:	
Remaining to pay invoices	492,177.17
HST Net	163,001.64
Total	655,178.81
Funds:	
Outstanding from Daniels	288,602.29
In bank	366,576.52
Total	655,178.81

- The Net HST remittance of \$163,002 reflected above is calculated below for your reference:

Meridion HST Remittance	
HST Collected	326,190.07
Less ITCs	163,188.43
Required HST To Remit	163,001.64

- The result of the above funding by Daniels to the IR, if completed, will result in the following summarized below:

R&D	
<u>Receipts</u>	
Funded by Daniels	2,835,344.44
<u>Disbursements</u>	
Paid to suppliers with HST	2,672,342.80
HST Remitted	163,001.64
Total Disbursements	2,835,344.44
	-
Net Cash	

The amount of HST funded by Daniels in the above analysis is \$326,190 (see schedule above, HST on \$2,509,154) is less than the HST on the outstanding pre and post filing progress billings from Meridion Highrise of \$327,982 (outstanding pre and post filing progress billings excluding holdbacks are \$2,522,935).

We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. Please email to us any comments at your earliest convenience. And kindly provide the \$288,602.29 of outstanding funding at this time.

Karen

MAcc, CA-CPA, CIRP, LIT

Vice President | Financial Advisory Services

Leader | Business Modelling

Direct: 647-796-6022 | Mobile: 647.205.3223

Corporate Head Office: 150 York Street, Suite 1600, Toronto, Ontario, Canada, M5H 3S5

kkimel@farberfinancial.com



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Sam P. Rappos

From: Karen Kimel [KKimel@farberfinancial.com]
Sent: Monday, August 21, 2017 2:00 PM
To: Sam P. Rappos
Subject: FW: Block 27 Reconciliation

Categories: Queued DM

Block 27

From: Karen Kimel
Sent: Thursday, June 22, 2017 2:31 PM
To: gpisharoty@danielscorp.com
Cc: Sam Tassone (stassone@danielscorp.com); Jeffrey Simpson (jsimpson@torkinmanes.com); Stuart Mitchell; karen.groulx@dentons.com; Peter Crawley
Subject: Block 27 Reconciliation

Gokul,

You have previously received from us preliminary draft funding reconciliations for each of the Daniel's projects. Those highlighted matters for follow up, including clarification of the HST. The following serves as a final draft of the funding reconciliations, including clarity on the HST.

- The schedule below summarizes both the amounts paid to date by IR on the Block 27 project (\$807,703.33 before HST) pursuant to the DFA as well as the amounts still required to be paid on the Block 27 Project (\$102,794.54 before HST) for which you have received documentation from us over the last number of weeks.
- You will note that the total paid and unpaid invoices is \$910,497.87 before HST:

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	765,983.10	20,928.28	786,911
Pre	41,720.23	5,423.65	47,143
Total Paid	807,703.33	26,351.93	834,055
<u>Unpaid</u>			
Aluma	53,526.61	6,958.46	60,485
Apr 24 invoices	30,689.75	3,741.42	34,431
May 19 invoices	18,558.14	2,412.68	20,970
May 26 Invoices	20.04	2.61	22
Total Unpaid	102,794.54	13,115.17	115,909
Total Paid and Unpaid Costs	910,497.87	39,467.10	949,964

- Meridion is required to charge HST on construction services provided to its customers/developers.
- If both the paid and unpaid amounts above are funded by Daniels and paid by the IR, the amount Meridion would be required to invoice to Daniels would be \$1,028,862.59 (\$910,497.87 + HST).
- To date the IR has received \$924,187.70 from Daniels.
- **This leaves a shortfall of \$104,674.89, as set out below:**

	TOTAL	Paid to Date	Outstanding From Daniels
Costs to be billed	910,497.87	817,865.22	92,632.65
HST on amounts billed	118,364.72	106,322.48	12,042.24
Billings with HST	1,028,862.59	924,187.70	104,674.89

- As per the above schedules, Daniels has funded \$924,187.70 of which the IR has paid out \$834,055.26 in supplier costs.
- As a result, the IR is currently holding \$90,132.44 on account, as set out below:

Allocation of Funds on Hand	
Total Received	924,187.70
Total Paid	834,055.26
Bank on Account	90,132.44

- As per the below schedule, If Daniels funds the IR the outstanding shortfall of \$104,674.89, the IR will use these funds with those on hand of \$90,132.44 above to fund the unpaid costs in the first schedule above of \$115,909.71 plus the net HST remittance of \$78,897.62 as follows:

Remaining to pay:	
Remaining to pay Invoices	115,909.71
HST Net	78,897.62
Total	194,807.33
Funds:	
Outstanding from Daniels	104,674.89
In bank	90,132.44
Total	194,807.33

- The Net HST remittance of \$78,897.62 reflected above is calculated below for your reference:

Meridion HST Remittance	
HST Collected	118,364.72
Less ITCs	39,467.10
Required HST To Remit	78,897.62

- The result of the above funding by Daniels to the IR, if completed, will result in the following summarized below:

R&D	
<u>Receipts</u>	
Collected	1,028,862.59
<u>Disbursements</u>	
Paid to suppliers with HST	949,964.97
HST Remitted	78,897.62
Total Disbursements	1,028,862.59
Net Cash	-

The amount of HST funded by Daniels in the above analysis is \$118,364.72 (see schedule above, HST on \$910,497.87) is less than the HST on the outstanding pre and post filing progress billings from Meridion Highrise.

We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. Please email to us any comments at your earliest convenience. And kindly provide the \$104,674.89 of outstanding funding at this time.

Karen

MAcc, CA-CPA, CIRP, LIT

Vice President | Financial Advisory Services

Leader | Business Modelling

Direct: 647-796-6022 | Mobile: 647.205.3223

Corporate Head Office: 150 York Street, Suite 1600, Toronto, Ontario, Canada, M5H 3S5

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Sam P. Rappos

From: Karen Kimel [KKimel@farberfinancial.com]
Sent: Monday, August 21, 2017 2:00 PM
To: Sam P. Rappos
Subject: FW: Block 32 Reconciliation

Categories: Queued DM

Block 32

From: Karen Kimel
Sent: Thursday, June 22, 2017 2:07 PM
To: gpisharoty@danielscorp.com; Sam Tassone (stassone@danielscorp.com)
Cc: Stuart Mitchell; Peter Crawley; harvey@chaitons.com; Jeffrey Simpson (jsimpson@torkinmanes.com); karen.groulx@dentons.com
Subject: Block 32 Reconciliation

Gokul,

You have previously received from us preliminary draft funding reconciliations for each of the Daniel's projects. Those highlighted matters for follow up, including clarification of the HST. The following serves as a final draft of the funding reconciliations, including clarity on the HST.

- The schedule below summarizes both the amounts paid to date by IR on the Block 32 project (\$176,385.08 before HST) pursuant to the DFA as well as the amounts still required to be paid on the Block 32 Project (\$62,336.92 before HST) for which you have received documentation from us over the last number of weeks.
- You will note that the total paid and unpaid invoices is \$238,722 before HST:

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	160,551.17	-	160,551.17
Pre	15,833.91	2,058.40	17,892.31
Total Paid	176,385.08	2,058.40	178,443.48
<u>Unpaid</u>			
Aluma	7,557.33	982.45	8,539.78
Hardcastle	32,250.00	4,192.50	36,442.50
Apr 17/24 invoices	18,695.93	2,232.15	20,928.08
May 26 invoices	3,833.66	498.38	4,332.04
Total Unpaid	62,336.92	7,905.48	70,242.40
Total Paid and Unpaid Costs	238,722.00	9,963.88	248,685.88

- Meridion is required to charge HST on construction services provided to its customers/developers.
- If both the paid and unpaid amounts above are funded by Daniels and paid by the IR, the amount Meridion would be required to invoice to Daniels would be \$269,755.86 (\$238,722 + HST).
- To date the IR has received \$185,889.55 from Daniels.
- **This leaves a shortfall of \$83,866.31, as set out below:**

	TOTAL	Paid to Date	Outstanding From Daniels
Costs to be billed	238,722.00	164,504.03	74,217.97
HST on amounts billed	31,033.86	21,385.52	9,648.34
Billings with HST	269,755.86	185,889.55	83,866.31

- As per the above schedules, Daniels has funded \$185,889.55 of which the IR has paid out \$178,443.48 in supplier costs.
- As a result, the IR is currently holding \$7,446.07 on account, as set out below:

Allocation of Funds on Hand	
Total Received	185,889.55
Total Paid	178,443.48
Bank on Account	7,446.07

- As per the below schedule, If Daniels funds the IR the outstanding shortfall of \$83,866.31, the IR will use these funds with those on hand of \$7,446.07 above to fund the unpaid costs in the first schedule above of \$62,336.92 plus the net HST remittance of \$21,069.98 as follows:

Remaining to pay:	
Remaining to pay Invoices	70,242.40
HST Net	21,069.98
Total	91,312.38
Funds:	
Outstanding from Daniels	83,866.31
In bank	7,446.07
Total	91,312.38

- The Net HST remittance of \$21,069.98 reflected above is calculated below for your reference:

Meridion HST Remittance	
HST Collected	31,033.86
Less ITCs	9,963.88
Required HST To Remit	21,069.98

- The result of the above funding by Daniels to the IR, if completed, will result in the following summarized below:

R&D	
<u>Receipts</u>	
Collected	269,755.86
<u>Disbursements</u>	
Paid to suppliers with HST	248,685.88
HST Remitted	21,069.98
Total Disbursements	269,755.86
Net Cash	-

The amount of HST funded by Daniels in the above analysis is \$31,033.86 (see schedule above, HST on \$238,722) is less than the HST on the outstanding pre and post filing progress billings from Meridion Highrise.

We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. Please email to us any comments at your earliest convenience. And kindly provide the \$83,866.31 of outstanding funding at this time.

Karen

MAcc, CA-CPA, CIRP, LIT

Vice President | Financial Advisory Services

Leader | Business Modelling

Direct: 647-796-6022 | Mobile: 647.205.3223

Corporate Head Office: 150 York Street, Suite 1600, Toronto, Ontario, Canada, M5H 3S5

kkimel@farberfinancial.com



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TAB C

Sam P. Rappos

Subject: RE: Updated Waterfront Reconciliation - Accounting for Payments Made by Daniels to Salit

From: Karen Kimel**Sent:** Wednesday, July 19, 2017 9:03 AM**To:** 'Gokul Pisharoty'; Jeffrey Simpson (jsimpson@torkinmanes.com); Stuart Mitchell; Peter Crawley**Cc:** Sam Tassone; Michael Tamblyn**Subject:** Updated Waterfront Reconciliation - Accounting for Payments Made by Daniels to Salit

Gokul,

Below is an updated reconciliation for Waterfront. The only update made from the last reconciliation you received is for the Salit invoices that you have now advised were paid. As per your request for a list of invoices for each project by supplier you would have received these details in each of the batches provided by Peter, however, for your convenience we will provide these to you again later today.

- The schedule below summarizes both the amounts paid to date by IR on the Waterfront project (\$2,073,358 before HST) pursuant to the DFA as well as the amounts still required to be paid on the Waterfront Project (\$313,697 before HST) for which you have received documentation from us over the last number of weeks.
- You will note that the total paid and unpaid invoices is \$2,387,055.51 before HST:

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	1,504,494.09	43,952.00	1,548,446.09
Pre	568,863.54	62,856.00	631,719.54
Total Paid	2,073,357.63	106,808.00	2,180,165.63
<u>Unpaid</u>			
Aluma	217,253.01	28,242.89	245,495.90
Apr 24 Invoices	3,810.56	248.75	4,059.31
May 1 Invoices	37,584.00	4,885.92	42,469.92
May 12 Invoices	10,320.15	1,315.60	11,635.75
Refilling Salt	2,312.27	300.60	2,612.87
May 26 invoices	17,180.03	2,232.91	19,412.94
Salt HB	7,831.32	1,018.07	8,849.39
Salt and Northfleet HB on unpaid	17,406.54	2,262.85	19,669.39
Total Unpaid	313,697.88	40,507.59	354,205.47
Total Paid and Unpaid Costs	2,387,055.51	147,315.59	2,534,371.10

- Meridion is required to charge HST on construction services provided to its customers/developers.
- If both the paid and unpaid amounts above are funded by Daniels and paid by the IR, the amount Meridion would be required to invoice to Daniels would be \$2,697,372.73 (\$2,387,055.51 + HST).
- To date the IR has received \$2,546,742.15 from Daniels.
- **This leaves a shortfall of \$150,630.58, as set out below:**

	TOTAL	Paid to Date	Outstanding From Daniels
Costs to be billed	2,387,055.51	2,253,754.12	133,301.40
HST on amounts billed	310,317.22	292,988.03	17,329.18
Billings with HST	2,697,372.73	2,546,742.15	150,630.58

- As per the above schedules, Daniels has funded \$2,546,742.15 of which the IR has paid out \$2,180,166 in supplier costs.
- As a result, the IR is currently holding \$366,577 on account, as set out below:

Allocation of Funds on Hand	
Total Received	2,546,742.15
Total Paid	2,180,165.63
Bank on Account	366,576.52

- As per the below schedule, If Daniels funds the IR the outstanding shortfall of \$150,630.58, the IR will use these funds with those on hand of \$366,577 above to fund the unpaid costs in the first schedule above of \$313,697.88 plus the net HST remittance of \$163,002 as follows:

Remaining to pay:	
Remaining to pay Invoices	354,205.47
HST Net	163,001.63
Total	517,207.10
Funds:	
Outstanding from Daniels	150,630.58
In bank	366,576.52
Total	517,207.10

- The Net HST remittance of \$163,002 reflected above is calculated below for your reference:

Meridion HST Remittance	
HST Collected	310,317.22
Less ITCs	147,315.59
Required HST To Remit	163,001.63

- The result of the above funding by Daniels to the IR, if completed, will result in the following summarized below:

R&D	
<u>Receipts</u>	
Funded by Daniels	2,697,372.73
<u>Disbursements</u>	
Paid to suppliers with HST	2,534,371.10
HST Remitted	163,001.63
Total Disbursements	2,697,372.73
Net Cash	-

We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. Please email to us any comments at your earliest convenience. And kindly provide the **\$150,630.58** of outstanding funding at this time.

Karen
 MAcc, CA-CPA, CIRP, LIT
 Vice President | Financial Advisory Services
 Leader | Business Modelling
 Direct: 647-796-6022 | Mobile: 647.205.3223
 Corporate Head Office: 150 York Street, Suite 1600, Toronto, Ontario, Canada, M5H 3S5
kkimel@farberfinancial.com



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From: Gokul Pisharoty [<mailto:gpisharoty@danielscorp.com>]
Sent: Monday, July 17, 2017 10:31 PM
To: Karen Kimel; Jeffrey Simpson (jsimpson@torkinmanes.com); Stuart Mitchell; Peter Crawley
Cc: Sam Tassone; Michael Tamblyn
Subject: RE: Meridion Structure - Waterfront Statement March 15 to May 4

Hi Karen,

Please see attached signed statement from Salit Steel regarding payment of \$149,865.72 made to Salit Steel by Daniels. You may call Wayne Gelb at Salit Steel for confirmation of the same if you need further confirmation.

Invoices 60517P6306, 60517P6307, 60517P6005 and 60517P6006 are included in the spreadsheet that was sent to you and have been paid. Invoices 60517P6223 and 60517P6038 have not been paid.

We also need a detailed statement outlining all the Invoices sorted by trade / supplier that are still outstanding on Block 27, Block32 and Waterfront South and any other payments due (HST, remittances etc) for these projects. I'm assuming that this would all add up to the amounts on your email dated June 22, 2017.

Thanks

Gokul

From: Karen Kimel [<mailto:KKimel@farberfinancial.com>]

Sent: July 16, 2017 9:27 PM

To: Gokul Pisharoty <gpisharoty@danielscorp.com>; Jeffrey Simpson (jsimpson@torkinmanes.com) <jsimpson@torkinmanes.com>; Stuart Mitchell <smitchell@farberfinancial.com>; Peter Crawley <pcrawley@farberfinancial.com>

Cc: Sam Tassone <stassone@danielscorp.com>; Michael Tamblyn <MTamblyn@torkinmanes.com>

Subject: RE: Meridion Structure - Waterfront Statement March 15 to May 4

Hi Gokul

Based on the excel sheet you provided it appears that Daniels is now advising that all of the Salit invoices on Peter's schedule, with the exception of the 6 invoices noted below, were paid excluding the holdback.

Can you:

1. Confirm that the following 6 invoices were not paid by Daniels: 60517P6307; 60517P6306, 60517P6006, 60517P6005, 61216P6038 and 60117P6223.
2. Please provide proof of payment for the invoices you indicated were paid by Daniels in your spreadsheet so that we can adjust our reconciliation accordingly.

Thank you.

Karen

MAcc, CA-CPA, CIRP, LIT

Vice President | Financial Advisory Services

Leader | Business Modelling

Direct: 647-796-6022 | Mobile: 647.205.3223

Corporate Head Office: 150 York Street, Suite 1600, Toronto, Ontario, Canada, M5H 3S5

kkimel@farberfinancial.com



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From: Gokul Pisharoty [<mailto:gpisharoty@danielscorp.com>]
Sent: Saturday, July 15, 2017 9:36 AM
To: Jeffrey Simpson (jsimpson@torkinmanes.com); Stuart Mitchell; Peter Crawley; Karen Kimel
Cc: Sam Tassone; Michael Tamblyn
Subject: FW: Meridion Structure - Waterfront Statement March 15 to May 4

Hi Jeffrey, Stuart and Peter,

Here is a summary of the Invoices where the outstanding amounts were paid directly by Daniels.

The holdback amount shown has not been paid.

Please update your records and calculations accordingly.

Thanks

Gokul

From: Laura Morrison [<mailto:lmorrison@salitsteel.com>]
Sent: June 12, 2017 12:01 PM
To: Gokul Pisharoty <gpisharoty@danielscorp.com>
Cc: Tom Ferguson <tferguson@salitsteel.com>; Keith Baugaard <kbaugaard@salitsteel.com>; Art Tanouye <atanouye@salitsteel.com>; Wayne Gelb <wgelb@salitsteel.com>
Subject: RE: Meridion Structure - Waterfront Statement March 15 to May 4

Good morning Gokul,

Please find attached a summary of all outstanding invoices after March 15 and before May 4, 2017 that remain outstanding.

Please let me know if you require any further back up.

Regards,

Laura Morrison

Credit Coordinator – Rebar Division
The Myer Salit Limited Group of Companies
7771 Stanley Avenue P.O. Box 837
Niagara Falls, ON L2E 6V6

lmorrison@salitsteel.com / Direct Line: 905-353-6036 /p: 905-354-5691 x3322 /f: 905-353-6049



From: Wayne Gelb [mailto:wgelb@salitsteel.com]
Sent: Monday, June 12, 2017 11:45 AM
To: Morrison Laura <lmorrison@salitsteel.com>
Cc: Ferguson Tom <tferguson@salitsteel.com>; Baugaard Keith <kbaugaard@salitsteel.com>; Tanouye Art <atanouye@salitsteel.com>
Subject: Fwd: Meridion Structure - Waterfront

Hi Laura

Please see the e-mail from Gokul below and send him the details at your earliest.

Thanks

Wayne

Begin forwarded message:

From: Gokul Pisharoty <gpisharoty@danielscorp.com>
Date: June 12, 2017 at 11:13:06 AM EDT
To: Wayne Gelb <wgelb@salitsteel.com>
Cc: Keith Baugaard <kbaugaard@salitsteel.com>
Subject: RE: FW: Meridion Structure - Waterfront

Hi Wayne,

Can you please have someone from your accounting department send me a summary of all the post filing Invoices (from March 16, 2017 onwards) that have not been paid for Waterfront South.

We are hoping to get a payment out to you by Wednesday of this week.

I want to make sure that I have captured all the outstanding amounts that are owing to you between March 16 and May 4th (May 4th was when we terminated Meridion's contract).

Thanks

Gokul Pisharoty
Vice President
High Rise Construction
Daniels Construction Corporation

From: Wayne Gelb [<mailto:wgelb@salitsteel.com>]
Sent: June 7, 2017 11:41 AM
To: Gokul Pisharoty <gpisharoty@danielscorp.com>
Subject: Re: FW: Meridion Structure - Waterfront

Hi Gokul

Hope you are well.

I was speaking to our receivables department this morning and they informed me that there is \$8,813.12 and \$141,052.60 over 60 days and 30 days respectively.

I was hoping that you could provide me with an update and let me know when we could expect payment.

Thanks so much

Wayne

Wayne Gelb, CPA, CA

Chief Financial Officer

Direct | [905.353.3035](tel:905.353.3035)
Mobile | [416.587.7380](tel:416.587.7380)

7771 Stanley Avenue P.O. Box 837

Niagara Falls Ontario, L2E 6V6



On Wed, May 24, 2017 at 8:28 AM, Laura Morrison <lmorrison@salitsteel.com> wrote:

FYI

Laura Morrison

Credit Coordinator – Rebar Division

The Myer Salit Limited Group of Companies

7771 Stanley Avenue P.O. Box 837
Niagara Falls, ON L2E 6V6

lmorrison@salitsteel.com / Direct Line: [905-353-6036](tel:905-353-6036) /p: [905-354-5691](tel:905-354-5691) x3322 /f: [905-353-6049](tel:905-353-6049)



From: Gokul Pisharoty [mailto:gpisharoty@danielscorp.com]

Sent: Tuesday, May 23, 2017 8:04 PM

To: Peter Crawley <pcrawley@farberfinancial.com>

Cc: lmorrison@salitsteel.com; Sam Tassone <stassone@danielscorp.com>; Jeffrey Simpson (jsimpson@torkinmanes.com) <jsimpson@torkinmanes.com>; Gaspare Caia <gcaia@meridion.ca>; Stuart Mitchell <smitchell@farberfinancial.com>; Karen Kimel <KKimel@farberfinancial.com>; Harvey Chaiton (harvey@chaitons.com) <harvey@chaitons.com>; John Salmas (john.salmas@dentons.com) <john.salmas@dentons.com>

Subject: Re: Meridion Structure - Waterfront

Hi Peter,

We disagree with your contention that we have not provided funds for payment of these invoices.

We feel that Farber's has inappropriately set aside amounts for invoices that have not yet been presented to us for approval at the expense of invoices that have been approved and is not following our instructions to fund the trade invoices.

We continue to work through this situation and review the summaries that you have provided and try to find a solution to this impasse.

Gokul

Sent from my iPhone

On May 23, 2017, at 6:39 PM, Peter Crawley <pcrawley@farberfinancial.com> wrote:

Hi Laura,

Karen has forwarded your fax (attached) to me to respond to.

I can confirm that Daniels approved the following invoices on May 17th for payment totaling \$69,942.34:

60417P6063
60417P6064
60417P6062
60417P6088
60417P6087
60417P6086
60417P6105
60417P6106
60417P6120
60417P6137
60417P3026
60417P6169
60417P6168
60417P6167
60417P6166

However, Daniels has not yet provided us with the funds to pay these invoices. When we receive the necessary funds we will certainly pay the invoices.

Invoices 60417P3040 and 60417P6213, along with 6 others, were presented to Daniels on May 19th for approval and funding.

Regards

Peter

Peter Crawley, MBA, CPA, CA, CIRP, LIT
Vice President | Insolvency & Restructuring
Direct: [416.496.3507](tel:416.496.3507) | Mobile: [416.500.0780](tel:416.500.0780)
Email: pcrawley@farberfinancial.com

Connect via [LinkedIn](#)

Visit us at www.farberfinancial.com

<image001.png>

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<fax_1491616269_no4373.pdf>

TAB D

Torkin Manes LLP
Barristers & Solicitors
151 Yonge Street, Suite 1500
Toronto, Ontario M5C 2W7

Tel: 416-863-1188
Fax: 416-863-0305
www.torkinmanes.com

Jeffrey J. Simpson
Legal Services provided through
Jeffrey J. Simpson Professional Corporation
Direct Tel: 416-777-5413
Direct Fax: 1-888-587-9143
jsimpson@torkinmanes.com

Our File No: 37406.0002

An international
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AllyLaw

Torkin | Manes
Barristers & Solicitors

July 20, 2017

SENT VIA E-MAIL

Mr. Harvey G. Chaiton
Chaitons LLP
5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9

Mr. Stuart Mitchell
A. Farber & Partners Inc.
150 York Street, Suite 1600
Toronto, ON M5H 3S5

Dear Sirs:

Re: The Daniels Corporation re Meridion Structures Ltd.

We have reviewed the exchange of e-mails between representatives of the Trustee and Mr. Pisharoty of Daniels over the past week with respect to the final DFA reconciliation payments purportedly due to the Trustee in connection with the three Daniels projects.

We attach hereto a copy of our e-mail to Mr. Chaiton of July 6, 2017. As can be seen from our e-mail to Mr. Chaiton, Daniels has been raising for the past several weeks a number of issues with respect to the purported final reconciliation pursuant to the DFAs. The issues as set out in our July 6, 2017 e-mail include the following:

1. Proper accounting of invoices paid directly by Daniels to Salit and others;
2. Resolution of final details with respect to HST follow-through;
3. Confirmation that, once the parties agree on the final DFA reconciliations, there will be no further amounts due and owing from Daniels whatsoever to the Trustee with respect to Meridion's engagement on the three projects in question; and
4. The Trustee's continued requests for payment of invoices filed by parties who have filed liens that have been bonded off title (i.e. Aluma and others).

As you know, Aluma and several other parties registered liens against the subject properties. We can advise that Daniels has "bonded" off these liens by posting the required security pursuant to the *Construction Lien Act*.

Page 2

Torkin|Manes
Barristers & Solicitors

Obviously, an amount sufficient to pay out Aluma in full is available through the security that has been posted in respect of the lien. The Court will determine, or the parties affected will agree on, the amount Aluma is entitled to through the lien process, and there is an assurance of payment through the amount posted as security. We see no need for the Trustee to pay Aluma in these circumstances.

We would be pleased to discuss this matter further with you at your earliest convenience.

We note that we had been requested for availability dates for possible Court attendance in this matter. Please be advised that the writer will be on holidays between August 4 and August 18 and we ask that any Court attendances take into account the writer's availability.

Yours truly,

Torkin Manes LLP

Per:



Electronic Signature

Jeffrey J. Simpson

JJS/jj

Attachment

cc. Peter Crawley
Karen Kimel
Sam Tassone
Gokul Pisharoty
Michael Tamblyn
Ryan Hauk

37406.0002/10177676_1

From: Jeffrey Simpson <jsimpson@torkinmanes.com>
Sent: July 6, 2017 12:12 PM
To: Harvey G. Chaiton
Cc: Antoinette De Pinto; Michael Tamblyn; Ryan Hauk; gpisharoty@danielscorp.com
Subject: RE: Meridion

Without prejudice:

Hi Harvey. To your assertion that it appears that the parties cannot agree on the final reconciliation, below is an exchange of emails from yesterday between our client and yours in respect of one of the Daniels projects, Waterfront South, which makes it clear that discussions are ongoing. In terms of our discussion, I can say on a without-prejudice basis the following:

1. Daniels accounting team is still looking into whether the HST documentation provided is sufficient to permit the flow-through of HST. I don't see this as a legal issue, but a practical one. Obviously, Daniels will get back to Farbers in this regard and presumably whatever documentation needs to be provided can be provided;
2. Do any amounts included in the total for WF pertain to amount due and owing to Salit Steel? Daniels paid Salit directly for 100 per cent of Salit's post-filing invoices relating to WF, so there should be no balance due to Salit for the WF project;
3. We continue to be concerned that amounts owing to parties who have filed liens, particularly Aluma, may have been included in the total the receiver is seeking in connection with all three projects. In our view, if a supplier has liened, and has included the full amount due and outstanding as part of the lien, that party will obtain part of its recovery from the holdback. Daniels is obviously trying to avoid a situation where it makes payment to the trustee in connection with Aluma (or whatever party) invoices and then Aluma (or whatever party) does not take that payment in to account in its lien accounting and double-recovers a portion of its debt through the lien/holdback process. We are happy to discuss this with the trustee and its counsel as to how this can be avoided. Is there a process in place whereby Aluma will be required to reduce the amount of its lien claim, and the amount of the security posted to remove the lien from title, to reflect payments received from the receiver?
4. We wish to confirm that the amounts set out in Karen Kimel's email to us of earlier today represent the total and final amounts that the trustee is seeking from Daniels in connection with the DFA's. In other words, if Daniels was prepared to pay the amounts set out below, (or pays such other amounts as may be agreed upon between the parties) all indebtedness pursuant to the DFA's will have been satisfied. We would ask for your confirm that, at the point where the DFA amounts are settled and/or paid, the only outstanding indebtedness owed by Daniels to Meridion would be amounts theoretically due to Meridion under the original construction contracts, which amounts will obviously be the subject of the builders/developers' set-off claims in connection with the likely cost overages in completing the projects.
5. I would propose a formal termination document in respect of the DFA's, designated by the parties to constitute the final reconciliation and confirming that the parties have no further obligations pursuant to the DFA's,

- Waterfront - \$288,602.29
- Block 32 - \$83,866.31
- Block 27 - \$104,674.89

Total \$477,143.49

TAB E



REPLY TO: HARVEY G. CHAITON
FILE NO.: 52406
DIRECT: 416-218-1129
FAX: 416-218-1849
EMAIL: harvey@chaitons.com

August 4, 2017

VIA EMAIL

Torkin Manes LLP
151 Yonge Street, Suite 1500
Toronto, ON M5C 2W7

Attention: Jeffrey J. Simpson

Re: Meridion Highrise Ltd. and Meridion Structures Ltd.

Dear Mr. Simpson,

I am writing in response to your letter dated July 20, 2017 with respect to the reconciliation of the amounts payable by Daniels to the Trustee pursuant to the terms of the court approved development funding agreements (the “**DFAs**”).

As you are aware, the Meridion Group agreed to continue to work on the Daniels projects subject to the terms and conditions of the DFAs which included Daniels’ agreement to pay the Trustee, on behalf of the applicable Meridion entity, the cost of all post-filing work and services plus its proportionate share of the Meridion Group’s overhead and a pre-determined contribution towards professional fees of the two law firms and the Interim Receiver. On termination of the DFAs, the Trustee provided Daniels with a reconciliation of the amounts paid by Daniels pursuant to the DFAs and the amounts which remain owing by Daniels.

Your letter dated July 20, 2017, sets out certain issues which remain unresolved, at least from Daniels’ perspective. One issue relates to payment of invoices which Daniels claims it paid directly to Salit Steel and others. To my knowledge, Daniels did not consult with or advise the Trustee when it decided to pay invoices directly to suppliers. I understand that Daniels has provided proof of payment to Salit Steel. If there are any other suppliers which have been paid directly by Daniels for post-filing supply of work or services, please provide proof immediately so that the reconciliation can be adjusted to reflect those payments.

Another issue raised in your letter is unpaid HST. The Trustee has provided full disclosure of the method of calculation and basis for Daniels’ liability. I understand that Daniels has failed to demonstrate where the Trustee has made any error in the calculation. I have been instructed to again request immediate payment of the amount of the HST owing as claimed by the Trustee.

Another issue raised in your letter is the requirement that the Trustee confirm that, once the parties agree on the final DFA reconciliations, there will be no further amounts due and owing from Daniels whatsoever to the Trustee with respect to the post-filing work and services provided by the Meridion Group to Daniels.



The DFAs require Daniels to pay the Trustee on behalf of the applicable Meridion entity for all post-filing work and services provided by Meridion on the Daniels projects. The Trustee will certainly confirm the amount paid to it by Daniels for such work and services, but there is no reason for the Trustee to provide the requested release.

The final issue raised in your letter relates to the Trustee's request for payment of invoices from parties who have filed construction liens that have been bonded off title. Provided the court will release the Trustee from any liability to the applicable suppliers for non-payment of their invoices, the Trustee is prepared to withdraw the request for payment of those outstanding invoices. The motion for that relief will need to be on notice to all affected suppliers at Daniels' expense.

On instructions from our client, we have obtained August 29 as a date for the return of a motion by the Trustee to compel payment by Daniels of the amounts owing by it under the DFAs. Should our respective clients be unable to resolve the outstanding issues without delay, we will prepare and serve the motion materials. We trust that it will be unnecessary to involve the court with this matter.

Yours truly,
CHAITONS LLP

A handwritten signature in black ink, appearing to read "Harvey Chaiton", written in a cursive style.

Harvey G. Chaiton
PARTNER

HGC/ad

cc: A. Farber & Partners Inc.

TAB F

Sam P. Rappos

From: Harvey G. Chaiton
Sent: Thursday, August 17, 2017 3:49 PM
To: Sam P. Rappos
Subject: FW: Waterfront DFA Reconciliation - Updated for interest received

Categories: Queued DM

From: Karen Kimel [<mailto:KKimel@farberfinancial.com>]
Sent: Thursday, August 17, 2017 9:33 AM
To: gpisharoty@danielscorp.com; Jeffrey Simpson (jsimpson@torkinmanes.com)
Cc: Stuart Mitchell; Harvey G. Chaiton; Sam Tassone (stassone@danielscorp.com); Peter Crawley; Michael Tamblyn (MTamblyn@torkinmanes.com)
Subject: Waterfront DFA Reconciliation - Updated for interest received

Gokul,

We have updated each of the DFA reconciliations to account for interest earned in the trust accounts to July 31, 2017. Below is an updated summary reconciliation summary. Please provide payment in the amount of **\$149,702.59**.

- The schedule below summarizes both the amounts paid to date by IR on the Waterfront project (\$2,072,537 before HST) pursuant to the DFA as well as the amounts still required to be paid on the Waterfront Project (\$313,697 before HST) for which you have received documentation from us.
- You will note that the total paid and unpaid invoices is \$2,386,234.18 before HST:

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	1,503,673.64	43,952.00	1,547,625.64
Pre	568,863.54	62,856.00	631,719.54
Total Paid	2,072,537.18	106,808.00	2,179,345.18
<u>Unpaid</u>			
Aluma	217,252.12	28,242.78	245,494.90
Apr 24 invoices	3,810.56	248.75	4,059.31
May 1 invoices	37,584.00	4,885.92	42,469.92
May 12 invoices	10,320.15	1,315.60	11,635.75
Prefiling Salit	2,312.27	300.60	2,612.87
May 26 invoices	17,180.03	2,232.91	19,412.94
Salit HB	7,831.32	1,018.07	8,849.39
Salit and Northfleet HB on unpaid	17,406.54	2,262.85	19,669.39
Total Unpaid	313,697.00	40,507.47	354,204.47
Total Paid and Unpaid Costs	2,386,234.18	147,315.47	2,533,549.65

- Meridion is required to charge HST on construction services provided to its customers/developers.
- If both the paid and unpaid amounts above are funded by Daniels and paid by the IR, the amount Meridion would be required to invoice to Daniels would be \$2,696,444.62 (\$2,386,234.18 + HST).
- To date the IR has received \$2,546,742.03 from Daniels.
- **This leaves a shortfall of \$149,702.59, as set out below:**

	TOTAL	Paid to Date	Outstanding From Daniels
Costs to be billed	2,386,234.18	2,253,754.01	132,480.17
HST on amounts billed	310,210.44	292,988.02	17,222.42
Billings with HST	2,696,444.62	2,546,742.03	149,702.59

- As per the above schedules, Daniels has funded \$2,546,742.03 of which the IR has paid out \$2,179,345 (net of interest earned).
- As a result, the IR is currently holding \$366,396.85 on account, as set out below:

Allocation of Funds on Hand

Total Received	2,546,742.03
Total Paid	2,179,345.18
Bank on Account	367,396.85

- As per the below schedule, If Daniels funds the IR the outstanding shortfall of **\$149,702.59**, the IR will use these funds with those on hand of \$367,397 above to fund the unpaid costs in the first schedule above of \$313,697 plus the net HST remittance of \$162,895 as follows:

Remaining to pay:

Remaining to pay invoices	354,204.47
HST Net	162,894.97
Total	517,099.44

Funds:

Outstanding from Daniels	149,702.59
In bank	367,396.85
Total	517,099.44

- The Net HST remittance of \$163,002 reflected above is calculated below for your reference:

Meridion HST Remittance

HST Collected	310,210.44
Less ITCs	147,315.47
Required HST To Remit	162,894.97

- The result of the above funding by Daniels to the IR, if completed, will result in the following summarized below:

R&D	
<u>Receipts</u>	
Funded by Daniels	2,696,444.62
<u>Disbursements</u>	
Paid to suppliers with HST	2,533,549.65
HST Remitted	162,894.97
Total Disbursements	2,696,444.62
Net Cash	-

We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. And kindly provide the **\$149,702.59** of outstanding funding at this time.

Karen

MAcc, CA-CPA, CIRP, LIT

Vice President | Financial Advisory Services

Leader | Business Modelling

Direct: 647-796-6022 | Mobile: 647.205.3223

Corporate Head Office: 150 York Street, Suite 1600, Toronto, Ontario, Canada, M5H 3S5

kkimel@farberfinancial.com



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Sam P. Rappos

From: Harvey G. Chaiton
Sent: Thursday, August 17, 2017 3:49 PM
To: Sam P. Rappos
Subject: FW: Block 27 Reconciliation updated for interest received

Categories: Queued DM

From: Karen Kimel [<mailto:KKimel@farberfinancial.com>]
Sent: Thursday, August 17, 2017 9:43 AM
To: gpisharoty@danielscorp.com; Jeffrey Simpson (jsimpson@torkinmanes.com)
Cc: Stuart Mitchell; Harvey G. Chaiton; Peter Crawley; Sam Tassone (stassone@danielscorp.com); Michael Tamblyn (MTamblyn@torkinmanes.com)
Subject: Block 27 Reconciliation updated for interest received

Gokul,

We have updated each of the DFA reconciliations to account for interest earned in the trust accounts to July 31, 2017. Below is an updated summary reconciliation summary. Please provide payment in the amount of **\$104,453.72**.

- The schedule below summarizes both the amounts paid to date by IR on the Block 27 project (\$807,507.60 before HST) pursuant to the DFA as well as the amounts still required to be paid on the Block 27 Project (\$102,794.54 before HST) for which you have received documentation from us.
- You will note that the total paid and unpaid invoices is \$910,302.14 before HST:

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	765,787.37	20,928.28	786,715.65
Pre	41,720.23	5,423.65	47,143.88
Total Paid	807,507.60	26,351.93	833,859.53
<u>Unpaid</u>			
Aluma	53,526.61	6,958.46	60,485.07
Apr 24 invoices	30,689.75	3,741.42	34,431.17
May 19 invoices	18,558.14	2,412.68	20,970.82
May 26 invoices	20.04	2.61	22.65
Total Unpaid	102,794.54	13,115.17	115,909.71
Total Paid and Unpaid Costs	910,302.14	39,467.10	949,769.24

- Meridion is required to charge HST on construction services provided to its customers/developers.
- If both the paid and unpaid amounts above are funded by Daniels and paid by the IR, the amount Meridion would be required to invoice to Daniels would be \$1,028,641.42 (\$910,302.14 + HST).
- To date the IR has received \$924,187.70 from Daniels.
- **This leaves a shortfall of \$104,453.72, as set out below:**

	TOTAL	Paid to Date	Outstanding From Daniels
Costs to be billed	910,302.14	817,865.22	92,436.92
HST on amounts billed	118,339.28	106,322.48	12,016.80
Billings with HST	1,028,641.42	924,187.70	104,453.72

- As per the above schedules, Daniels has funded \$924,187.70 of which the IR has paid out \$833,859.53 (net of interest earned).
- As a result, the IR is currently holding \$90,328.17 on account, as set out below:

Allocation of Funds on Hand	
Total Received	924,187.70
Total Paid	833,859.53
Bank on Account	90,328.17

- As per the below schedule, If Daniels funds the IR the outstanding shortfall of **\$104,453.72**, the IR will use these funds with those on hand of \$90,328.17 above to fund the unpaid costs in the first schedule above of \$115,910 plus the net HST remittance of \$78,872.18 as follows:

Remaining to pay:	
Remaining to pay Invoices	115,909.71
HST Net	78,872.18
Total	194,781.89
Funds:	
Outstanding from Daniels	104,453.72
In bank	90,328.17
Total	194,781.89

- The Net HST remittance of \$78,872.18 reflected above is calculated below for your reference:

Meridion HST Remittance	
HST Collected	118,339.28
Less ITCs	39,467.10
Required HST To Remit	78,872.18

- The result of the above funding by Daniels to the IR, if completed, will result in the following summarized below:

R&D	
<u>Receipts</u>	
Collected	1,028,641.42
<u>Disbursements</u>	
Paid to suppliers with HST	949,769.24
HST Remitted	78,872.18
Total Disbursements	1,028,641.42
Net Cash	-

We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. And kindly provide the **\$104,453.72** of outstanding funding at this time.

Karen

MAcc, CA-CPA, CIRP, LIT

Vice President | Financial Advisory Services

Leader | Business Modelling

Direct: 647-796-6022 | Mobile: 647.205.3223

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Sam P. Rappos

From: Harvey G. Chaiton
Sent: Thursday, August 17, 2017 3:49 PM
To: Sam P. Rappos
Subject: FW: Block 32 DFA Reconciliation

Categories: Queued DM

From: Karen Kimel [<mailto:KKimel@farberfinancial.com>]
Sent: Thursday, August 17, 2017 9:49 AM
To: gpisharoty@danielscorp.com; Jeffrey Simpson (jsimpson@torkinmanes.com)
Cc: Stuart Mitchell; Peter Crawley; Michael Tamblyn (MTamblyn@torkinmanes.com); Harvey G. Chaiton
Subject: Block 32 DFA Reconciliation

Gokul,

Below is summary of the DFA reconciliation for Block 32 previously provided to you. Please provide payment in the amount of **\$83,866.31**.

- The schedule below summarizes both the amounts paid to date by IR on the Block 32 project (\$176,385.08 before HST) pursuant to the DFA as well as the amounts still required to be paid on the Block 32 Project (\$62,336.92 before HST) for which you have received documentation from us.
- You will note that the total paid and unpaid invoices is \$238,722 before HST:

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	160,551.17	-	160,551.17
Pre	15,833.91	2,058.40	17,892.31
Total Paid	176,385.08	2,058.40	178,443.48
<u>Unpaid</u>			
Aluma	7,557.33	982.45	8,539.78
Hardcastle	32,250.00	4,192.50	36,442.50
Apr 17/24 invoices	18,695.93	2,232.15	20,928.08
May 26 invoices	3,833.66	498.38	4,332.04
Total Unpaid	62,336.92	7,905.48	70,242.40
Total Paid and Unpaid Costs	238,722.00	9,963.88	248,685.88

- Meridion is required to charge HST on construction services provided to its customers/developers.
- If both the paid and unpaid amounts above are funded by Daniels and paid by the IR, the amount Meridion would be required to invoice to Daniels would be \$269,755.86 (\$238,722 + HST).
- To date the IR has received \$185,889.55 from Daniels.
- This leaves a shortfall of \$83,866.31, as set out below:**

	TOTAL	Paid to Date	Outstanding From Daniels
Costs to be billed	238,722.00	164,504.03	74,217.97
HST on amounts billed	31,033.86	21,385.52	9,648.34
Billings with HST	269,755.86	185,889.55	83,866.31

- As per the above schedules, Daniels has funded \$185,889.55 of which the IR has paid out \$178,443.48 in supplier costs.
- As a result, the IR is currently holding \$7,446.07 on account, as set out below:

Allocation of Funds on Hand	
Total Received	185,889.55
Total Paid	178,443.48
Bank on Account	7,446.07

- As per the below schedule, If Daniels funds the IR the outstanding shortfall of \$83,866.31, the IR will use these funds with those on hand of \$7,446.07 above to fund the unpaid costs in the first schedule above of \$62,336.92 plus the net HST remittance of \$21,069.98 as follows:

Remaining to pay:	
Remaining to pay Invoices	70,242.40
HST Net	21,069.98
Total	91,312.38
Funds:	
Outstanding from Daniels	83,866.31
In bank	7,446.07
Total	91,312.38

- The Net HST remittance of \$21,069.98 reflected above is calculated below for your reference:

Meridion HST Remittance	
HST Collected	31,033.86
Less ITCs	9,963.88
Required HST To Remit	21,069.98

- The result of the above funding by Daniels to the IR, if completed, will result in the following summarized below:

R&D	
<u>Receipts</u>	
Collected	269,755.86
<u>Disbursements</u>	
Paid to suppliers with HST	248,685.88
HST Remitted	21,069.98
Total Disbursements	269,755.86
Net Cash	-

The amount of HST funded by Daniels in the above analysis is \$31,033.86 (see schedule above, HST on \$238,722) is less than the HST on the outstanding pre and post filing progress billings from Meridion Highrise.

We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. And kindly provide the **\$83,866.31** of outstanding funding at this time.

Karen

MAcc, CA-CPA, CIRP, LIT

Vice President | Financial Advisory Services

Leader | Business Modelling

Direct: 647-796-6022 | Mobile: 647.205.3223

Corporate Head Office: 150 York Street, Suite 1600, Toronto, Ontario, Canada, M5H 3S5

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TAB G

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jsimpson@torkinmanes.com

Our File No: 37406.0002

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Torkin|Manes
Barristers & Solicitors

August 18, 2017

SENT VIA E-MAIL

Ms. Antoinette De Pinto &
Mr. Harvey G. Chaiton
Chaitons LLP
5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9

Ms. Karen Kimel, Mr. Stuart Mitchell &
Mr. Peter Crawley
A. Farber & Partners Inc.
150 York Street, Suite 1600
Toronto, ON M5H 3S5

Dear Sirs/ Madames:

Re: The Daniels Corporation re Meridion

We are writing to respond to Ms. De Pinto's letter of Friday, August 4, 2017. We apologize for the delay in responding, resulting from the fact that I am out of the office on holiday until Monday, August 21, 2017.

On the whole, we are of the view that Daniels and the trustee are close to agreement on the major issues and that a consent order on August 29th, 2017 is both possible and desirable.

That being said, we want to ensure that we understand the precise relief the trustee will be seeking on the August 29th motion. We understand from your letter that the Trustee is in agreement that the final DFA reconciliation payment amounts should not include amounts owed to creditors of Meridion who have elected to pursue collection through the registration of their own construction liens, most notably, Aluma. We also understand that the trustee will be seeking an order releasing the trustee from further obligations related to the lien claims of those specific creditors.

We are concerned that the court may not order the release of the trustee as proposed in Ms. De Pinto's letter of August 4, 2017. To be clear, we do not oppose the trustee requesting that relief - we are simply concerned the court might not grant it, and we don't want to be in a position where the Court grants no Order at all as a result.

From our client's perspective, an Order approving the final reconciliation payment, including the exact quantum and a breakdown of what that amount consists of is required. The breakdown would not include any claim for amounts allegedly owing to Aluma and other parties who have registered liens for which security has been posted by Daniels. Similarly, no amounts would be

included in respect of invoices already paid by Daniels. The trustee would specifically draw the Court's attention to the issue(s) in a Report to Court, which will be specifically approved by the Court in the ordinary course.

We assume that the trustee would be required to serve the Motion Record on all affected parties, such that if any affected party disagrees with the quantum or what items are included or not included in the final reconciliation payments, they can have their day in Court.

In the event the Court is not prepared to grant the totality of the relief requested by the Trustee, particularly relief aimed at protecting the Trustee's position (which, to repeat, we do not have any difficulty with) we will be asking that the Court nonetheless grant the alternative relief we propose above, specifically declaring that the amounts owed to creditors who have registered liens, and for whose benefit security has been posted, are not allowable under the final reconciliation. We may need to file responding materials, if necessary, to support that position.

In terms of quantum, we have recently received from Ms. Kimel requests for payment citing specific figures in connection with the final DFA reconciliation payments. We assume that these figures are revised figures that, consistent with Ms. De Pinto's letter, do not include the amounts owed to creditors who have registered liens, and that any double-counting issues arising from invoices previously paid by Daniels have been resolved. May we please have confirmation of same?

We see the balance of the remaining issues, namely, HST payment and ensuring that no creditors have been double-paid as essentially accounting issues that should not require the involvement of the Court.

Yours truly,

Torkin Manes LLP

Per:



Electronic Signature

Jeffrey J. Simpson

JJS/jj

cc. Sam Tassone
Gokul Pisharoty
Michael Tamblyn
Ryan Hauk

37406.0002/10285607_2

TAB H

Sam P. Rappos

From: Harvey G. Chaiton
Sent: Thursday, August 17, 2017 3:48 PM
To: Sam P. Rappos
Subject: FW: Zigg DFA Outstanding Amount - Updated for Interest Earned on Account

Categories: Queued DM

From: Karen Kimel [<mailto:KKimel@farberfinancial.com>]
Sent: Thursday, August 17, 2017 10:19 AM
To: Jeff@madisongroup.ca; josh@madisongroup.ca; rcalderwood@dzlaw.com
Cc: Stuart Mitchell; Peter Crawley; Harvey G. Chaiton
Subject: Zigg DFA Outstanding Amount - Updated for Interest Earned on Account

Jeff/Josh,

You have previously received from us preliminary draft funding reconciliations for each of the Madison projects. We have update our reconciliation for interest earned in the trust account. Please now pay **\$4,651.18** as outlined below.

- The schedule below summarizes both the amounts paid to date by IR on the Zigg project (\$754,046.99 before HST and net of interest earned) pursuant to the DFA as well as the amounts still required to be paid on the Zigg Project (\$41,202.08 before HST) for which you have received documentation from us over the last number of weeks.
- You will note that the total paid and unpaid invoices is \$795,249.07 before HST (net of interest earned):

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	718,865.80	16,601.96	735,467.76
Pre	35,181.19	-	35,181.19
Total Paid	754,046.99	16,601.96	770,648.95
<u>Unpaid</u>			
May 1 invoices	31,158.12	3,802.31	34,960.43
May 26 invoices	10,043.96	1,231.19	11,275.15
Total Unpaid	41,202.08	5,033.50	46,235.58
Total Paid and Unpaid Costs	795,249.07	21,635.46	816,884.53

- Meridion is required to charge HST on construction services provided to its customers/developers.
- If both the paid and unpaid amounts above are funded by Madison and paid by the IR, the amount Meridion would be required to invoice to Madison would be \$898,631.45 (\$795,507.40 + HST).
- To date the IR has received \$893,980.27 from Madison.
- **This leaves a shortfall of \$4,651.18, as set out below:**

	TOTAL	Paid to Date	Outstanding From Madison
Costs to be billed	795,249.07	791,132.98	4,116.09
HST on amounts billed	103,382.38	102,847.29	535.09
Billings with HST	898,631.45	893,980.27	4,651.18

- As per the above schedules, Madison has funded \$893,980.27 of which the IR has paid out \$770,648.95 in supplier costs.
- As a result, the IR is currently holding \$123,331.32 on account, as set out below:

Allocation of Funds on Hand	
Total Received	893,980.27
Total Paid	770,648.95
Bank on Account	123,331.32

- As per the below schedule, If Madison funds the IR the outstanding shortfall of **\$4,651.18**, the IR will use these funds with those on hand of \$123,331.32 above to fund the unpaid costs in the first schedule above of \$46,235.58 plus the net HST remittance of \$81,746.92 as follows:

<u>Remaining to pay:</u>	
Remaining to pay Invoices	46,235.58
HST Net	81,746.92
Total	127,982.50
<u>Funds:</u>	
Outstanding from Madison	4,651.18
In bank	123,331.32
Total	127,982.50

- The Net HST remittance of \$81,746.92 reflected above is calculated below for your reference:

Meridion HST Remittance	
HST Collected	103,382.38
Less ITCs	21,635.46
Required HST To Remit	81,746.92

- The result of the above funding by Madison to the IR, if completed, will result in the following summarized below:

R&D	
<u>Receipts</u>	
Collected	898,631.45
<u>Disbursements</u>	
Paid to suppliers with HST	816,884.53
HST Remitted	81,746.92
Total Disbursements	898,631.45
Net Cash	-

We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. And kindly provide the **\$4,651.18** of outstanding funding at this time.

Karen
 MAcc, CA-CPA, CIRP, LIT
 Vice President | Financial Advisory Services
 Leader | Business Modelling
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Sam P. Rappos

From: Harvey G. Chaiton
Sent: Thursday, August 17, 2017 3:48 PM
To: Sam P. Rappos
Subject: FW: Briar Hill DFA Outstanding Amount - Updated for Interest Earned on Account

Categories: Queued DM

From: Karen Kimel [<mailto:KKimel@farberfinancial.com>]
Sent: Thursday, August 17, 2017 10:27 AM
To: Jeff@madisongroup.ca; josh@madisongroup.ca; rcalderwood@dzlaw.com
Cc: Stuart Mitchell; Peter Crawley; Harvey G. Chaiton
Subject: Briar Hill DFA Outstanding Amount - Updated for Interest Earned on Account

Jeff/Josh,

You have previously received from us preliminary draft funding reconciliations for each of the Madison projects. We have update our reconciliation for interest earned to July 31st in the trust account. Please now pay **\$9,527.98** as outlined below.

- The schedule below summarizes both the amounts paid to date by IR on the Briar Hill project (\$532,477.42 before HST and including application of interest earned) pursuant to the DFA as well as the amounts still required to be paid on the Briar Hill Project (\$20,360.82 before HST) for which you have received documentation from us.
- You will note that the total paid and unpaid invoices is \$552,838.24 before HST:

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	532,477.42	15,123.90	547,601.32
Pre	-	-	-
Total Paid	532,477.42	15,123.90	547,601.32
<u>Unpaid</u>			
May 1 Invoices	12,112.19	1,326.34	13,438.53
May 26 invoices	8,248.63	974.82	9,223.45
Total Unpaid	20,360.82	2,301.16	22,661.98
Total Paid and Unpaid Costs	552,838.24	17,425.06	570,263.30

- Meridion is required to charge HST on construction services provided to its customers/developers.
- If both the paid and unpaid amounts above are funded by Madison and paid by the IR, the amount Meridion would be required to invoice to Madison would be \$624,707.21 (\$552,838.24 + HST).
- To date the IR has received \$615,179.23 from Madison.
- **This leaves a shortfall of \$9,527.98, as set out below:**

	TOTAL	Paid to Date	Outstanding From Madison
Costs to be billed	552,838.24	544,406.40	8,431.84
HST on amounts billed	71,868.97	70,772.83	1,096.14
Billings with HST	624,707.21	615,179.23	9,527.98

- As per the above schedules, Madison has funded \$615,179.23 of which the IR has paid out \$547,601.32 in supplier costs.
- As a result, the IR is currently holding \$67,577.91 on account, as set out below:

Allocation of Funds on Hand	
Total Received	615,179.23
Total Paid	547,601.32
Bank on Account	67,577.91

- As per the below schedule, If Madison funds the IR the outstanding shortfall of **\$9,527.98**, the IR will use these funds with those on hand of \$67,577.91 above to fund the unpaid costs in the first schedule above of \$22,661.98 plus the net HST remittance of \$54,443.91 as follows:

<u>Remaining to pay:</u>	
Remaining to pay Invoices	22,661.98
HST Net	54,443.91
Total	77,105.89
<u>Funds:</u>	
Outstanding from Madison	9,527.98
In bank	67,577.91
Total	77,105.89

- The Net HST remittance of \$54,443.91 reflected above is calculated below for your reference:

Meridion HST Remittance	
HST Collected	71,868.97
Less ITCs	17,425.06
Required HST To Remit	54,443.91

- The result of the above funding by Madison to the IR, if completed, will result in the following summarized below:

R&D	
<u>Receipts</u>	
Collected	624,707.21
<u>Disbursements</u>	
Paid to suppliers with HST	570,263.30
HST Remitted	54,443.91
Total Disbursements	624,707.21
Net Cash	▪

We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. And kindly provide the **\$9,527.98** of outstanding funding at this time.

Regards,

Karen

MAcc, CA-CPA, CIRP, LIT

Vice President | Financial Advisory Services

Leader | Business Modelling

Direct: 647-796-6022 | Mobile: 647.205.3223

Corporate Head Office: 150 York Street, Suite 1600, Toronto, Ontario, Canada, M5H 3S5

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TAB I

Sam P. Rappos

To: Harvey G. Chaiton; 'Stuart Mitchell'
Cc: Karen Kimel
Subject: RE: Briar Hill DFA Outstanding Amount - Updated for Interest Earned on Account

From: Jeff Shumacher [<mailto:jeff@madisongroup.ca>]

Sent: Thursday, August 17, 2017 3:06 PM

To: Karen Kimel <KKimel@farberfinancial.com>; Josh Zagdanski <josh@madisongroup.ca>; rcalderwood@dzlaw.com

Cc: Stuart Mitchell <smitchell@farberfinancial.com>; Peter Crawley <pcrawley@farberfinancial.com>;
harvey@chaitons.com

Subject: RE: Briar Hill DFA Outstanding Amount - Updated for Interest Earned on Account

Karen

As advised , we will not be paying any additional amounts for Briar hill or Zigg projects .

When we met initially – and were advised of the facts as they related to the 2 projects – you advised us that if we continue with the payment schedule you provided , we will be overpaying based on our contract to complete the Briar Hill – but will have a credit from Zigg that will more than offset the overpayment .

On this basis , and on the basis of your professional opinion , we executed the DFA .

As per the schedule provided to you earlier – we have had to pay **in excess of \$600,000** (above the agreed forming contracts) for each of the above projects – not including the time delays . The information provided to us at our meeting was misleading and erroneous.

As such we feel we have more than met our obligations .

Jeff

From: Karen Kimel [<mailto:KKimel@farberfinancial.com>]

Sent: August-17-17 10:27 AM

To: Jeff Shumacher <jeff@madisongroup.ca>; Josh Zagdanski <josh@madisongroup.ca>; rcalderwood@dzlaw.com

Cc: Stuart Mitchell <smitchell@farberfinancial.com>; Peter Crawley <pcrawley@farberfinancial.com>;
harvey@chaitons.com

Subject: Briar Hill DFA Outstanding Amount - Updated for Interest Earned on Account

Jeff/Josh,

You have previously received from us preliminary draft funding reconciliations for each of the Madison projects. We have update our reconciliation for interest earned to July 31st in the trust account. Please now pay **\$9,527.98** as outlined below.

- The schedule below summarizes both the amounts paid to date by IR on the Briar Hill project (\$532,477.42 before HST and including application of interest earned) pursuant to the DFA as well as the amounts still required to be paid on the Briar Hill Project (\$20,360.82 before HST) for which you have received documentation from us.
- You will note that the total paid and unpaid invoices is \$552,838.24 before HST:

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	532,477.42	15,123.90	547,601.32
Pre	-	-	-
Total Paid	532,477.42	15,123.90	547,601.32
<u>Unpaid</u>			
May 1 invoices	12,112.19	1,326.34	13,438.53
May 26 invoices	8,248.63	974.82	9,223.45
Total Unpaid	20,360.82	2,301.16	22,661.98
Total Paid and Unpaid Costs	552,838.24	17,425.06	570,263.30

- Meridion is required to charge HST on construction services provided to its customers/developers.
- If both the paid and unpaid amounts above are funded by Madison and paid by the IR, the amount Meridion would be required to invoice to Madison would be \$624,707.21 (\$552,838.24 + HST).
- To date the IR has received \$615,179.23 from Madison.
- **This leaves a shortfall of \$9,527.98, as set out below:**

	TOTAL	Paid to Date	Outstanding From Madison
Costs to be billed	552,838.24	544,406.40	8,431.84
HST on amounts billed	71,868.97	70,772.83	1,096.14
Billings with HST	624,707.21	615,179.23	9,527.98

- As per the above schedules, Madison has funded \$615,179.23 of which the IR has paid out \$547,601.32 in supplier costs.
- As a result, the IR is currently holding \$67,577.91 on account, as set out below:

Allocation of Funds on Hand

Total Received	615,179.23
Total Paid	547,601.32
Bank on Account	67,577.91

- As per the below schedule, If Madison funds the IR the outstanding shortfall of **\$9,527.98**, the IR will use these funds with those on hand of \$67,577.91 above to fund the unpaid costs in the first schedule above of \$22,661.98 plus the net HST remittance of \$54,443.91 as follows:

Remaining to pay:

Remaining to pay Invoices	22,661.98
HST Net	54,443.91
Total	77,105.89

Funds:

Outstanding from Madison	9,527.98
In bank	67,577.91
Total	77,105.89

- The Net HST remittance of \$54,443.91 reflected above is calculated below for your reference:

Meridion HST Remittance

HST Collected	71,868.97
Less ITCs	17,425.06
Required HST To Remit	54,443.91

- The result of the above funding by Madison to the IR, if completed, will result in the following summarized below:

R&D	
<u>Receipts</u>	
Collected	624,707.21
<u>Disbursements</u>	
Paid to suppliers with HST	570,263.30
HST Remitted	54,443.91
Total Disbursements	624,707.21
Net Cash	-

We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. And kindly provide the **\$9,527.98** of outstanding funding at this time.

Regards,

Karen

MAcc, CA-CPA, CIRP, LIT

Vice President | Financial Advisory Services

Leader | Business Modelling

Direct: 647-796-6022 | Mobile: 647.205.3223

Corporate Head Office: 150 York Street, Suite 1600, Toronto, Ontario, Canada, M5H 3S5

kkimel@farberfinancial.com



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TAB J

Sam P. Rappos

From: Karen Kimel [KKimel@farberfinancial.com]
Sent: Friday, August 18, 2017 11:57 AM
To: Jeff Shumacher; Josh Zagdanski; rcalderswood@dzlaw.com
Cc: Stuart Mitchell; Peter Crawley; Harvey G. Chaiton; Sam P. Rappos
Subject: RE: Briar Hill DFA Outstanding Amount - Updated for Interest Earned on Account

Categories: Queued DM

Jeff,

Thank you for your response however your email is incorrect on a number of points which I have outlined below:

- During our initial meeting on March 21, 2017 we walked through with you forecasts prepared by Meridion in respect of both Zigg and Briar Hill. Neither of these forecasts were or are that of the NOI proposal trustee and our assistance was only in helping Meridion to prepare its forecast. As such, these were Meridions forecasts that were presented to you and this was stated at the time of our meeting.
- In addition, there were several experienced Madison executives and Madison's experienced lawyer at the meeting. It was Madison's well considered decision to eventually execute the DFA, and was not on the basis of our professional opinion, which we never rendered to you.
- The Meridion forecasts estimated an overfunding requirement in Briar Hill and an underfunding requirement in Zigg, however there was still an estimated net overfunding of more than \$100,000. The set-off allowed pursuant to the DFA does not provide set-off of DFA amounts owing against pre or post DFA amounts.
- In addition to the above, we advised at our meeting that the forecasts presented were simply estimates of management of Meridion and that actual amounts could result in variances, positive and negative for example should it take longer to complete construction or if pre filing suppliers demanded payments not contemplated by the forecasts.
- Furthermore, with respect to the claims you made against Meridion in the proofs of claim submitted, we commenced our review and on July 27, 2017 requested additional information which we have not yet received. Please note however that any of these amounts claimed cannot be set off against amounts outstanding pursuant to the DFA. For your convenience I have copied our request in this regard below.
- As such ,we maintain that you have not yet met your DFA obligations. Outstanding are: funding the remaining \$14,179.16 and approving the payout of the \$205,088 to the suppliers which you agreed to see paid and which are entitled to be paid.

We hope that the above clarifies this matter and we appreciate if you would kindly reconsider and let us know by end of business today.

Best regards,

EMAIL of JULY 27, 2017

Hi Robert,

Thank you for providing the attached. We have started reviewing the Proof of Claim forms for both of the developments and have the following preliminary questions/additional information requirements:

Briar Hill:

Forming work – please provide breakdown of invoices this relates and copies of the invoices included in the cost amount of \$2,667,707. Does this include amounts paid to the Interim Receiver.

Concrete and Rebar – these are based on cubic sq/meter and placed tonnage – any overage or shortage would not appear to have anything to do with a claim against Meridion – Please advise as to why this was included

Amhert – what is this for and how does it relate to the Meridion contract? Please provide invoice copy

Pour It On \$50K – What does this cost relate to? Please provide invoice copy.

Unions – Are these amounts remitted directly or through the interim receiver? Please provide back up.

Structform – Patchwork – what does this relate to? We understand from the Company that there were issues with the concrete purchased by Madison i.e. too thick which resulted in issues in forming

Structform – Misc work/Materials – please advise what this relates to and provide back up invoices.

Corecut – what does this relate to, please provide invoice

Tesky – Please provide invoice – this appears to be for the pre-bankruptcy period and concrete pouring in Meridions contract is billed by the cubic meter. Please advise why this is being claimed.

ARA Contracting – Framing to level bottom plates is not part of the Meridion contract. Please advise how this relates to the contract and provide invoice copy.

Caledon Propane – Meridion was not responsible for propane and is not licensed for it in any event. How does this relate to the contract with Meridion? Please provide invoice.

Zigg:

Forming work – please provide breakdown of invoices this relates and copies of the invoices included in the cost amount of \$4,392,868. Does this include amounts paid to the Interim Receiver.

Concrete and Rebar – these are based on cubic sq/meter and placed tonnage – any overage or shortage would not appear to have anything to do with a claim against Meridion – Please advise as to why this was included

Supply Accessories – What is this budget amount for? How does it relate to Meridion?

Unions – Are these amounts remitted directly or through the interim receiver? Please provide back up.

Structform – Patchwork – what does this relate to? We understand from the Company that there were issues with the concrete purchased by Madison i.e. too thick which resulted in issues in forming

Structform – Misc work/Materials – please advise what this relates to and provide back up invoices.

Structform – Crane rental/dismantle – please provide invoice copy

Structform – Time and Materials – please provide invoice copy and advise what services/work was included

General Costs – (ALL) – These items do not appear to have anything to do with the Meridion contract i.e. office rent?. Please advise why they are included. How they are calculated and provide backup invoices.

Other:

What is the basis for the 6-week delay? We understand from Meridion that there were significant delays at the outset of the project as a result of lack of drains etc. Please also provide the calculation in support of the administration charge.

If you have any questions or would like further clarity on any of the above questions please let me know. Happy to discuss with you.

From: Jeff Shumacher [mailto:jeff@madisongroup.ca]
Sent: Thursday, August 17, 2017 3:06 PM
To: Karen Kimel; Josh Zagdanski; rcalderswood@dzlaw.com
Cc: Stuart Mitchell; Peter Crawley; harvey@chaitons.com
Subject: RE: Briar Hill DFA Outstanding Amount - Updated for Interest Earned on Account

Karen

As advised , we will not be paying any additional amounts for Briar hill or Zigg projects .

When we met initially – and were advised of the facts as they related to the 2 projects – you advised us that if we continue with the payment schedule you provided , we will be overpaying based on our contract to complete the Briar Hill – but will have a credit from Zigg that will more than offset the overpayment .

On this basis , and on the basis of your professional opinion , we executed the DFA .

As per the schedule provided to you earlier – we have had to pay **in excess of \$600,000** (above the agreed forming contracts) for each of the above projects – not including the time delays . The information provided to us at our meeting was misleading and erroneous.

As such we feel we have more than met our obligations .

Jeff

From: Karen Kimel [mailto:KKimel@farberfinancial.com]

Sent: August-17-17 10:27 AM

To: Jeff Shumacher <jeff@madisongroup.ca>; Josh Zagdanski <josh@madisongroup.ca>; rcaldерwood@dzlaw.com

Cc: Stuart Mitchell <smitchell@farberfinancial.com>; Peter Crawley <pcrawley@farberfinancial.com>; harvey@chaitons.com

Subject: Briar Hill DFA Outstanding Amount - Updated for Interest Earned on Account

Jeff/Josh,

You have previously received from us preliminary draft funding reconciliations for each of the Madison projects. We have update our reconciliation for interest earned to July 31st in the trust account. Please now pay **\$9,527.98** as outlined below.

- The schedule below summarizes both the amounts paid to date by IR on the Briar Hill project (\$532,477.42 before HST and including application of interest earned) pursuant to the DFA as well as the amounts still required to be paid on the Briar Hill Project (\$20,360.82 before HST) for which you have received documentation from us.
- You will note that the total paid and unpaid invoices is \$552,838.24 before HST:

COSTS	Amount	HST	Total
<u>Paid</u>			
Post	532,477.42	15,123.90	547,601.32
Pre	-	-	-
Total Paid	532,477.42	15,123.90	547,601.32
<u>Unpaid</u>			
May 1 invoices	12,112.19	1,326.34	13,438.53
May 26 invoices	8,248.63	974.82	9,223.45
Total Unpaid	20,360.82	2,301.16	22,661.98
Total Paid and Unpaid Costs	552,838.24	17,425.06	570,263.30

- Meridion is required to charge HST on construction services provided to its customers/developers.

- If both the paid and unpaid amounts above are funded by Madison and paid by the IR, the amount Meridion would be required to invoice to Madison would be \$624,707.21 (\$552,838.24 + HST).
- To date the IR has received \$615,179.23 from Madison.
- **This leaves a shortfall of \$9,527.98, as set out below:**

	TOTAL	Paid to Date	Outstanding From Madison
Costs to be billed	552,838.24	544,406.40	8,431.84
HST on amounts billed	71,868.97	70,772.83	1,096.14
Billings with HST	624,707.21	615,179.23	9,527.98

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Required HST To Remit	54,443.91

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We trust that the above final draft funding reconciliation is clear and meets with your understanding of all the figures. And kindly provide the **\$9,527.98** of outstanding funding at this time.

Regards,

Karen

MAcc, CA-CPA, CIRP, LIT

Vice President | Financial Advisory Services

Leader | Business Modelling

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IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF MERIDION HIGHRISE LTD., MERIDION HOLDINGS CORP, MERIDION STRUCTURES LTD. AND 2437156 ONTARIO INC.

AND IN THE MATTER OF SECTION 47.1 OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C.B-3, AS AMENDED

Court File No. 32-2228804

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SUPERIOR COURT OF JUSTICE
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PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD

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