

Court No. 31-2956786
Estate No. 31-2956786

IN THE MATTER OF THE BANKRUPTCY OF
Victoria Avenue North Holdings Inc.

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS
ON PRELIMINARY ADMINISTRATION

BACKGROUND

The Debtor

Victoria Avenue North Holdings Inc. (the "**Debtor**") was incorporated under the *Business Corporations Act* (Ontario) and owned two medical office buildings located as follows:

Location	Address
Hamilton, Ontario	304 Victoria Avenue North
Hamilton, Ontario	414 Victoria Avenue North

(collectively, the "**Buildings**").

The Buildings were tenanted primarily by doctors, clinics, and other medical-related occupants. The Debtor collected rents from the tenants of the Buildings on a monthly basis and engaged a property management company to manage the day-to-day operations. The Debtor did not have any employees.

Receivership Proceedings

On July 9, 2021, the Debtor's primary secured creditors, American General Life Insurance Company and The National Union Fire Insurance Company of Pittsburgh, PA. (collectively, the "**Applicants**") proceeded with an application to the Ontario Superior Court of Justice [Commercial List] (the "**Court**") for an order under section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), and section 101 of the *Courts of Justice Act* R.S.O. 1990 c. C. 43, as amended (the "**Receivership Order**") appointing KPMG Inc. ("**KPMG**") as receiver and manager (the "**Receiver**") of, among other things, the assets and undertakings of the Debtor. The Receivership Order in respect of those proceedings (the "**Receivership Proceedings**") was granted on August 3, 2021 (Court File No.: CV-21-00665375-00CL).

In connection with the Receivership Proceedings, on October 29, 2021, the Court granted an order, among other things, approving a sale process (the “**Sale Process**”) authorizing the Receiver to market and sell the Debtor’s real property assets subject to the Receivership Proceedings, principally being the Buildings (the “**Real Properties**”). The Sale Process has resulted in the sale of each of the Buildings via separate transactions (the “**Transactions**”), which transactions closed on December 6, 2022, and June 15, 2023, respectively. The net proceeds of the Receivership Proceedings, including the net proceeds from the Transactions, are insufficient to repay the Applicants in full.

Pursuant to the Receivership Order, the Receiver was empowered and authorized to, among other things, file an assignment in bankruptcy on behalf of the Debtor, should the Receiver consider it necessary or desirable.

BANKRUPTCY PROCEEDINGS

The Debtor made an assignment in bankruptcy on June 20, 2023 (the “**Bankruptcy Date**”) and KPMG was appointed as trustee of the estate of the bankrupt, subject to affirmation by the creditors of the trustee’s appointment or substitution of another trustee by the creditors at the first meeting of creditors.

On June 21, 2023, notice of the first meeting of creditors, a list of creditors, proof of claim form and proxy were sent to all known creditors of the Debtor, and on June 27, 2023, a notice of the bankruptcy and the first meeting of creditors was published in the National Post.

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

Separately, KPMG was appointed as trustee in bankruptcy of each of the following companies, which appointment was affirmed by the creditors at their respective first meetings of creditors.

Company	Bankruptcy Date
240 Old Penetanguish Holdings Inc.	June 28, 2022
100 Colborne Holdings Inc.	June 28, 2022
2478658 Ontario Ltd	June 28, 2022
Southmount Healthcare Centre Inc.	August 29, 2022
180 Vine Purchaser Inc.	August 29, 2022
2009 Long Lake Holdings Inc.	September 29, 2022
65 Larch Holdings Inc.	September 29, 2022

(collectively, the “**Other Debtors**” and together with the Debtor, the “**Bankrupts**”).

On May 24, 2022 and July 15, 2022, respectively, the Court issued orders (together, the “**Consolidation Orders**”) which collectively, among other things, authorized KPMG, in its capacity as bankruptcy trustee of each of the Bankrupts (the “**Trustee**”) to carry out its administrative duties and responsibilities as trustee in bankruptcy as if the various bankruptcy proceedings were a single proceeding under the BIA, including without limitation, authorizing the Trustee to:

- a) procedurally consolidate the bankruptcy proceedings of the Debtor together with the bankruptcy proceedings of the Other Debtors; and
- b) maintain a single estate trust account in respect of the bankruptcy proceedings of the Bankrupts, to the extent such bankruptcy proceedings are procedurally consolidated.

The bankruptcy proceedings of the Other Debtors have been procedurally consolidated under the bankruptcy proceedings of 100 Colborne Holdings Inc. (Estate 31-2842640); KPMG's intention following this first meeting of creditors is to procedurally consolidate the bankruptcy of the Debtor with the bankruptcies of the Other Debtors under this estate.

CAUSES OF INSOLVENCY

In early 2020, the Debtor failed to make scheduled loan payments to the Applicants, primarily as a result of high vacancy rates in the Real Properties. Beginning in April 2020, the Debtor faced further liquidity issues stemming from the tenants' inability to pay monthly rents as they came due, which issues were largely connected to COVID-19-related lockdowns. Between May 2020 and July 2021, the Debtor and the Applicants entered into a series of forbearance agreements in order to provide the Debtor with time to pursue an out-of-court refinancing and/or sale of the Real Properties, however these efforts were ultimately unsuccessful and upon expiry of the final forbearance agreement, the Applicants proceeded to make an application to the Court for the Receivership Order.

FINANCIAL POSITION/ASSETS

As noted above, the Applicants hold a security interest in, among other things, all of the property of the Debtor (the "**Property**"). The Buildings, which as detailed above, have been sold via the Transactions in the Receivership Proceedings, represented substantially all of the Debtor's assets with any recoverable value.

The Receiver obtained an independent written legal opinion (the "**Opinion**") from Norton Rose Fulbright Canada LLP ("**Norton Rose**"), with respect to the validity and enforceability of the security granted in favour of the Applicants under the laws of the Province of Ontario, concluding (subject to the qualifications, assumptions and limitations included therein) that the Applicants' security is valid and enforceable against all of the Property and that first in time registrations of the Applicants' security have been made against all of the Property. A copy of this opinion was provided to the Court in the Receivership Proceedings.

As noted above, the net proceeds from the Receivership Proceedings will be insufficient to repay the Applicants in full. As a result, it is anticipated that there will be no funds available for distribution to any other creditors of the Debtor.

BOOKS AND RECORDS

The Receiver has taken possession of certain books and records of the Debtor, including financial statements, bank statements, general ledgers, and tax-related documents, and as a result, the Trustee has not done so at this time.

SECURED CREDITORS

Given that there will not be sufficient proceeds in the Receivership Proceedings to repay the Applicants in full, the Debtor's Statements of Affairs indicate that there were no known secured creditors as at the Bankruptcy Date.

The Applicants' debt is listed on the Debtor's Statements of Affairs in the amount owing at the date of the commencement of the Receivership Proceedings, less distributions made by the Debtor in the Receivership Proceedings prior to the Bankruptcy Date.

Further, the debt of secured mortgagee, Gross Capital Inc., is also listed as unsecured on the Debtor's Statements of Affairs. Given the level of anticipated recoveries, a review of the related security was not undertaken.

SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

As noted above, the Debtor did not have any employees.

PREFERRED CREDITORS

The Debtor's Statements of Affairs indicates that there were no known preferred creditors as at the Bankruptcy Date.

UNSECURED CREDITORS

The Debtor's Statements of Affairs indicates that there are collectively 27 unique unsecured creditors with claims totaling approximately \$15.8 million in aggregate (including the Applicants' debt).

PROVABLE CLAIMS

As at 9:00am on the date of this report, the Trustee has recorded one secured Proof of Claim filed in the amount of \$501,610.52. No proxy in favour of the Trustee has been filed.

PREFERENCE PAYMENTS AND TRANSFERS AT UNDER VALUE

The Trustee has not performed a review of the Debtor's books and records, with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of its review with the Inspectors to be appointed at the first meeting of creditors.

TRUSTEE'S FEES

Pursuant to the Consolidation Orders, the Receiver is permitted to transfer to the Trustee from time to time, funding for costs associated with the bankruptcy proceedings of the Debtor, as determined by the Receiver in consultation with the Applicants (the "**Bankruptcy Costs**"). The Bankruptcy Costs include the Trustee's fees and disbursements.

OTHER

KPMG, in its capacity as Receiver, is in the process of completing the administration of the Receivership Proceedings. The fees and disbursements of the Receiver are being paid pursuant to the orders of the Court in the Receivership Proceedings. As discussed above, the Receiver obtained the Opinion from Norton Rose.

Further information related to the Debtor's bankruptcy proceedings and the Receivership Proceedings may be obtained from KPMG's website at: home.kpmg/ca/Victoriaholdings.

Dated at Toronto, Ontario, this 6th day of July 2023.

KPMG Inc.

in its capacity as Trustee of the estate of

Victoria Avenue North Holdings Inc.

and not in its personal capacity

Per:



Katherine Forbes
CPA, CA, CIRP, LIT
Senior Vice-President