

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

CITY OF TORONTO

Applicant

- and -

UPWOOD PARK/SALVADOR DEL MUNDO COOPERATIVE HOMES INC.

Respondents

SECOND REPORT OF BDO CANADA LIMITED
IN ITS CAPACITY AS INTERIM RECEIVER OF UPWOOD PARK/SALVADOR DEL MUNDO
COOPERATIVE HOMES INC.

DECEMBER 10, 2021

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INTRODUCTION AND PURPOSE

Background

1. On July 16, 2020, BDO Canada Limited (“**BDO**”) was appointed interim receiver and manager (the “**Interim Receiver**”) over Upwood Park/Salvador Del Mundo Cooperative Homes Inc. (the “**Co-Op**” or “**Upwoods**”) by the City of Toronto (the “**Service Manager**” or “**City**”) pursuant to section 85(6) of the *Housing Services Act, 2011* (“**HSA**”). Pursuant to sections 95(2) and 95(3) of the HSA the maximum period that an interim receiver may be appointed over a housing provider is 180 days. Such period may be extended by the Service Manager on application to the Ontario Superior Court of Justice (the “**Court**”).
2. On March 12, 2021, the City brought an application before the Court to extend the Interim Receiver’s appointment. In support of its application the City filed the affidavit of Mario Mendes, the Housing Consultant responsible for Upwoods, sworn March 8, 2021 (the “**Mendes Affidavit**”). The Mendes Affidavit provides a summary of the events which led the City to seek the appointment of the Interim Receiver and the reasons for the removal of Upwoods’ board of directors. A copy of the Mendes Affidavit is attached hereto as **Appendix “A”**.
3. Ms. Saffia Abdul-Haqq (“**Abdul-Haqq**”) and Ms. Masbal Abokar, both individuals residing at Upwoods (together, the “**Opposing Members**”), appeared unrepresented at the March 12, 2021 hearing and requested an adjournment. The Opposing Members requested the adjournment to engage legal counsel to assist them in opposing the extension of the Interim Receiver’s appointment.
4. On March 8, 2021, the Interim Receiver filed its first report to the Court (“**First Report**”) which detailed its findings and activities from the date of its original appointment. A copy of the First Report, without appendices, is attached hereto as **Appendix “B”**.
5. On March 12, 2021, the Honorable Justice McEwen of the Court (Commercial List), issued an interim order extending the appointment of BDO as the Court-Appointed Interim Receiver of Upwoods (the “**Interim Order**”). A copy of the Interim Order is attached hereto as **Appendix “C”**.
6. On March 24, 2021, the Opposing Members advised the Receiver they were impecunious and requested the Interim Receiver use the Co-Op’s operating monies to fund the Opposing Member’s efforts to continue to oppose the appointment of a receiver. The Interim Receiver advised the Opposing Members that Upwoods did not have funds available for their initiative and referred them to the City.

7. On November 23, 2021, after engaging legal counsel, the Opposing Members filed their motion materials setting out their request for \$50,000 from the funds held by the City, on behalf of Upwoods, to challenge the appointment of the Interim Receiver. The Opposing Members rely on an affidavit affirmed by Abdul-Haqq dated November 22, 2021 (the “**Abdul-Haqq Affidavit**”), along with an affidavit sworn by Joann Duddy, a law clerk in their counsel’s office, on November 23, 2021 (the “**Duddy Affidavit**”).
8. The purposes of this second report to the Court (the “**Second Report**”) are:
 - a. to provide the Court with information regarding the activities of the Interim Receiver since filing of its First Report; and
 - b. to clarify factual inaccuracies and/or mischaracterizations contained in the Abdul-Haqq Affidavit, including those relating to the events leading to the appointment of the Interim Receiver.
9. The Interim Receiver does not take a formal position with respect to the Opposing Member’s motion. This Second Report is meant to provide the Court with pertinent information regarding the background and operations of Upwoods since its First Report, and to assist the Court in making a determination on whether to grant the relief sought.

DISCLAIMER

10. This Second Report has been prepared for the use of this Court and the Co-Op’s stakeholders to provide general information in connection with the Opposing Members’ motion. Accordingly, the reader is cautioned that this Second Report may not be appropriate for any other purpose.
11. Except as otherwise described in this Second Report, the Interim Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the Chartered Professional Accountants of Canada Handbook. The Interim Receiver expresses no opinion or other form of assurance with respect to such information except as expressly stated herein.
12. Capitalized terms used herein and not defined in this Second Report shall have the meaning ascribed to them in either the Interim Order or the First Report.
13. All monetary amounts contained herein are expressed in Canadian dollars unless otherwise noted.

OVERVIEW OF CO-OP

14. The Co-Op was incorporated under the *Co-operative Corporations Act* (“**CCA**”) on August 2, 1991, as a corporation without share capital to provide subsidized housing in the City of Toronto. The Co-Op became fully operational on September 1, 1993. The Co-Op entered into a lease agreement with Colandco Co-operative Homes Inc. for a 49-year term, which began in June 1992. The building and fixtures are owned by the Co-Op until the lease expires in 2041.
15. The Co-Op is governed by a volunteer board of directors (the “**Board**”) all of which are members of the Co-Op and reside at the Co-Op. The Board is comprised solely of residents of the Co-Op with no outside parties. The Board members are elected by the Co-Op’s membership in accordance with its internal by-laws.
16. The Co-Op receives monthly funding from the City in the form of a subsidy, which is made up of an operating subsidy and a rent subsidy. The operating subsidy funds the operating costs in excess of the building market rent potential. The rent subsidy covers the difference between the amount that qualifying members can pay, based upon their income, and the actual market (or benchmark) rent for the unit they live in. The Co-Op’s financial viability is dependent upon funding from the City and fiscally responsible spending.
17. The Co-Op is comprised of two ten-story buildings which include one, two, and three-bedroom units. The buildings are located in Toronto’s Rustic neighborhood, east of Jane Street just south of Highway 401 at 298 (“**298**”) and 300 (“**300**”) Queens Drive (together, the “**Properties**”). In total, there are 318 units (54 one-bedroom units, 194 two-bedroom units and 70 three-bedroom units). The Co-Op’s targeting plan requires that it maintain a minimum of 175 rent-geared-to-income (“**RGI**”) units and a minimum of 74 units paying market rent (“**Market**”). As at December 1, 2021, the Co-Op had 171 RGI units and projects to reach the minimum number of RGI units by January 1, 2022.
18. The Co-Op has approximately 500 Co-Op members (“**Members**”) and, collectively with non-member tenants, there are approximately 656 adult residents and 220 children, residing at the Co-Op, between the Properties.
19. The Properties are physically adjoined via underground parking. Each of 298 and 300 has its own entrance and laundry facility. 298 houses the Co-Op’s gym and library. 300 has a shared community room. All these common use rooms have been closed to the Members due to the mandated Covid-19 restrictions and are beginning to reopen, beginning with the gym in December 2021, as restrictions are lifted.

ACTIVITIES OF THE INTERIM RECEIVER SINCE THE FIRST REPORT

20. The following represents the more significant financial, operational and maintenance activities of the Interim Receiver since the First Report.

FINANCIAL

21. The August 31, 2021 year end ("**Fiscal 2021**") financial statement audit is currently being completed by Prentice Yates & Clark, Chartered Professional Accountants, the Co-Op's auditors ("**PYC**" or the "**Auditor**"). PYC has advised the Interim Receiver that a projected surplus of \$20,415 is anticipated for Fiscal 2021. This compares to prior years where significant operating losses were incurred in both 2020 (\$121,145) and 2019 (\$99,313).

22. On November 18, 2021, the Interim Receiver and the property manager, Homestarts Incorporated (together, "**Management**"), held the Annual General Meeting ("**AGM**") for the Members to attend via conference call. The Auditor, also in attendance, presented the 2020 audited financial statements and Management presented the approved budget for 2022 (the "**2022 Budget**"). The 2022 Budget showed that without an increase of 1.6% in the housing charges, the Co-Op was unable to cover its budgeted costs. A copy of the 2022 Budget presentation prepared by Management is attached hereto as **Appendix "D"**.

23. Since the Interim Receiver's appointment, it has prioritized reducing housing charge arrears (i.e., rent arrears) which were approximately \$106,000 at the time of its appointment. Since that time, arrears for individuals with amounts greater than \$1,000 have decreased to \$60,735 by November 30, 2021. To facilitate timely monthly rent payments, the Interim Receiver made available to all Members additional payment methods which have allowed for easier and more timely rent payments (i.e. Tenant Pay via bank debit). The Interim Receiver continues to issue Notices to Appear to Members and holds virtual meetings with tenants to resolve their arrears issues, negotiate, and approve payment plans. There are currently eight households on payment plans.

24. Despite the Receiver's best efforts to negotiate payment plans with Members, four household accounts have been sent to the Landlord and Tenant Board for eviction due to continued non-compliance of their payment agreements and excessive arrears.

25. The Interim Receiver continues to monitor the monthly financial performance and financial situation of the Co-Op through a review of the monthly financial statements and bi-monthly arrears reports. In addition to closely monitoring the Co-Op's expenditures and cash flows, the Interim Receiver meets with Management on a regular basis to discuss opportunities and solutions to stabilize the Co-Op.

26. As discussed in the First Report, the capital reserve fund was depleted because of increased spending in 2018 and 2019 totaling just under \$1 million with 60% of these expenditures used for cosmetic unit upgrades as opposed to critical building envelope improvements. The Co-Op's capital reserve fund is projected to be \$398,157 by August 31, 2022.
27. The Co-Op's Building Condition Assessment Reports dated September 17, 2015 and May 29, 2020 (the "**BCA**") identify over \$7 million in required building structure repairs, exterior wall repairs, roofing systems replacement and elevator modernization requiring attention by 2023. The Co-Op currently does not have sufficient funds or funding to address all these issues.
28. The Interim Receiver applied for and recently received approval for funding from the Canada-Ontario Community Housing Initiative ("**COCHI**") in the amount of \$1,172,400 for some of the identified repairs, including replacing both roofs, brick remediation, installation of CO2 monitors and replacement of the garage ramp with heat tracing system.
29. In early 2021 the Interim Receiver arranged a three-month payment plan for the repayment to the City of subsidy overpayments incurred in 2018. The total paid was \$159,422.
30. Recently, the Co-Op has been advised that the 2019 and the 2020 subsidy reconciliations are complete, and the overpayments due back from the Co-Op are \$120,111 and \$119,244 respectively, totaling an additional \$239,355 to be repaid to the City in January (50%) and February (50%) 2022.

OPERATIONAL

31. The Interim Receiver has utilized the City of Toronto "Wait List" to fill vacant units and has reviewed and updated the extensive internal transfer list according to date of request and priority. The Interim Receiver is advised by the City that prior to its appointment, the proper protocol for filling vacancies was not being followed pursuant to the *Social Housing Reform Act* and the Co-Ops bylaws.
32. During 2021, Homestarts conducted a full RGI review ("**2021 RGI Review**"). The results were shared with the City and 61 letters have been sent to households due to non-production of information required to receive subsidy. 11 households have since complied and 50 remain noncompliant. Should these 50 households not produce the required information by December 2021, the market rent cost will be applied to their unit on January 1, 2022. Correspondence received from the auditors (the "**2020 Management Letter**") indicates that their testing for fiscal 2020 showed that several Member files which were reviewed lacked the appropriate documentation to support the Member's RGI status. A copy of the 2020 Management Letter is

attached hereto as **Appendix “E”**. Following the 2021 RGI Review, the Member files are now maintained properly.

33. The Interim Receiver continues to replace any malfunctioning security cameras as needed throughout the Co-Op and has added additional cameras where needed. Underground parking and garage lighting has been upgraded with additional cameras and lighting placed where required for the safety of the Members.
34. Subsequent to the appointment of the Interim Receiver, Blackhawk Security Services, the predecessor security guard provider, advised that it was their belief that there were several vehicles that had been either stolen or abandoned in Co-Op's parking garage. As a result, the Interim Receiver conducted a parking garage audit to identify the ownership of vehicles parked on the premises and to allow for the Co-Op's records to be updated, as an audit had not been conducted in several years. 24 vehicles which did not belong to current Members were found on the premises. The Interim Receiver shared this information with the Toronto Police to identify any stolen vehicles and the abandoned vehicles will be removed from the garage by the end of the year. The results of the parking audit were used to update the new fob entry system. Currently one fob is assigned to each numbered parking space. This will limit access to the parking garage to only Members with fobs.
35. Additional signage has been placed in the guest parking area and rules have been communicated and implemented to the Members. Only registered vehicles can now park in this above-ground lot.
36. Throughout the Covid-19 pandemic and as we return slowly reopen in the City of Toronto, the office continues to be open on a by-appointment-only basis. Given the number of tenants at the Co-Op, appointments are the only way to maintain social distancing in the small office space. The Interim Receiver continues to monitor the situation and office access will be adjusted as needed with the safety of the staff and Members being a priority.
37. The Interim Receiver has added additional security guards to patrol the Co-Op. There are currently two guards between 7 p.m. and 7 a.m., with an overlap hour from a third guard to allow for additional patrolling. Furthermore, a security supervisor attends on Fridays, Saturdays, and statutory holiday evenings to support an additional exterior and interior patrol on these active evenings. At the start of the Interim Receiver's appointment there was no security after 3 a.m. on any day.
38. The Co-Op gym reopened on December 1, 2021. An online booking system has been created to allow for prebooking and social distancing, with a maximum number of Members allowed in the gym at any time.

BUILDING MAINTENANCE

39. As noted in the First Report, the Interim Receiver received a commitment to have the boiler replaced at no charge by the manufacturer. The new boiler was installed on March 15, 2021. At that time, the manufacturer found that the pipes had not been installed properly. The pipes have now been removed and installed correctly. This has virtually eliminated the loss of hot water complaints from tenants.
40. Roof anchors were replaced in both buildings in early 2021.
41. The Elevator ceilings (2 in each building) have been replaced as required to pass safety inspection. The new ceilings are easily transferable to the new elevators to be installed when the modernization of the elevators can be completed.
42. The Interim Receiver has received proposals for new elevators from F. Shaw & Associates Inc., which prepared tender documents on the Interim Receiver's behalf. Five TSSA licensed elevator contractors submitted bids to modernize the four elevators. Once funding is available, this will be a priority at a cost of approximately \$650,000.
43. Ongoing monthly service in the common areas continues with respect to the pest control issues at the Co-Op, and weekly service is ordered for specific units as needed. The Receiver is in the process of reviewing a new contract from Orkin for complete fumigation in both buildings for the second time this year.
44. The Interim Receiver engaged professionals to inspect and reinstall all the air conditioner units ("**AC Unit(s)**") privately owned by members. The AC Units were of concern to the Interim Receiver as many were not properly anchored and posed risks of falling and causing injury. Members who want window AC Units are required to use the service engaged by the Interim Receiver to ensure safe and secure installation. The AC Units are removed by October 15 and reinstalled in early spring.
45. Laundry room drains in both buildings are regularly snaked and cleaned out by plumbers. The laundry machines are owned and operated by Coinamatic Canada Inc., which is responsible for regular servicing of the machines, and addressing complaints and work orders when received by Management.
46. As noted above, the Interim Receiver has confirmed and executed agreements to receive the following funding from COCHI:
 - a) \$1,000,000 for the installation of two new roofs (298 and 300) for the two buildings;

- b) \$90,000 for the repaving of the garage ramp and new heat transfer system;
- c) \$67,400 for the brick remediation repair (75% of approximate cost); and
- d) \$15,000 for new CO2 monitors.

Plans for tendering this work and reviewing a minimum of 3 proposals for each item is underway.

OTHER MATTERS RE ABDUL-HAQQ AFFIDAVIT

47. The Interim Receiver has reviewed the Abdul-Haqq Affidavit and has identified the following factual inaccuracies contained therein:

- a) *Paragraph 4:* Abdul-Haqq states that she served as President of the Board from mid-2019 until the Interim Receiver's appointment on July 16, 2020. The Corporate Profile Report lists Abdul-Haqq as a Board member and a Vice President since 2011, indicating her lengthy involvement on the Board and with the management of the Co-Op.
- b) *Paragraph 39:* BDO staff attended on July 17, 2020 with its appointment instrument in hand, as is customary when taking possession and control of a debtor's operations.
- c) *Paragraph 41:* BDO and the City Housing staff, including Mr. Mendes, arrived on July 17, 2020 together, meeting in the parking lot before entry. Two representatives of the Interim Receiver's staff, the Interim Receiver's locksmith and three representatives from the City attended to secure the property management office. A representative of Auxilium attended at the premises but remained in his vehicle until invited onto the premises by the Interim Receiver; he was not involved in taking possession and control of the property management office.
- d) *Paragraph 51:* Abdul-Haqq states that at May 31, 2020, the Co-Op had "*over \$390,000.00, after expenses had been paid*". This comment mischaracterizes the Co-Op's financial position because it does not consider the liabilities of the Co-Op including the subsidy overpayments for 2018, 2019 and 2020 and the trade payables.

As at the date of the Interim Receiver's appointment, the Co-Op had roughly the same amount in its operating bank account, \$400,028, before repayment of subsidy overpayments and outstanding payables. While the Co-Op had more than \$400,000 at the time of the Interim Receiver's appointment, the Co-Op was indebted to the City for 2018 and 2019 subsidy overpayments. To date, the full 2018 subsidy overpayment of \$159,422 has been repaid. An additional \$120,111 is owing for 2019 and for 2020 the subsidy overpayment is \$119,244. These overpayments will be paid in January

and February 2022. The total subsidy repayment required since the appointment of the Interim Receiver is \$398,777.

Further, the 2020 financial statements show that at August 31, 2020, trade payables and accrued liabilities (excluding the subsidy overpayments) were \$480,149.97. In addition to these amounts and the mortgage, the Co-Op has ongoing costs of operations.

Contrary to the inference in the Abdul-Haqq Affidavit, the Co-Op does not have surplus operating funds available to fund the Opposing Members' action.

- e) *Paragraph 52:* The audited financial statements were presented to the Members on November 18, 2021 at the AGM. The attendance records show that Ms. Abdul-Haqq was present at the AGM.
 - f) *Paragraph 55:* The Interim Receiver is unaware of any shootings at the Co-Op since its appointment. In April, 2021 an individual who suffered from a gunshot wound travelled onto the Co-Op Properties following his injury where he was picked up by ambulance and taken to the hospital. This victim subsequently succumbed to his injuries. The Interim Receiver was advised by the Toronto Police that this shooting took place elsewhere and the victim arrived at the Co-Op while fleeing the shooter. Management cooperated with the Toronto Police Homicide Unit on this matter, providing video and other required information. The Interim Receiver communicates with the Community Response Unit at Division 12 and has requested additional patrols and open ongoing communication for the safety of the residents.
 - g) *Paragraph 55:* *The security company has extended its hours on site, including patrolling the building several times on weekend evenings. The security company has been employed by the Co-Op for over a year.*
 - h) *Paragraphs 17, 20 and 48:* There are approximately 500 Co-Op members, with over 656 adult residents and 220 children living in the Properties.
48. The Interim Receiver continues to manage the Co-Op with the safety and security of all tenants as its priority.

All of which is respectfully submitted this 10th day of December 2021.

**BDO CANADA LIMITED,
in its capacity as the Court-appointed Interim Receiver of
Upwood Park/Salvador Del Mundo Cooperative Homes Inc., and
not in its personal or corporate capacity**

Per:

**Koroneos,
Anna**

Digitally signed by Koroneos, Anna
DN: cn=Koroneos, Anna,
email=akoroneos@bdo.ca
Reason: I am the author of this
document
Location: Toronto, Ontario
Date: 2021.12.10 17:01:01 -0500

Name:

Title:

APPENDIX “A”

**ONTARIO
SUPERIOR COURT OF JUSTICE – COMMERCIAL LIST**

BETWEEN:

CITY OF TORONTO

Applicant

and

UPWOOD PARK/SALVADOR DEL MUNDO CO-OPERATIVE HOMES INC.

Respondent

**AFFIDAVIT of MARIO MENDES
(Sworn March 8, 2021)**

I, MARIO MENDES, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a Housing Consultant in the City of Toronto's Housing Stability Services Section within the City's Shelter, Support and Housing Administration Division. Prior to January 23, 2017 this Section was referred to as the Social Housing Unit. After that time it was re-aligned and became the Housing Stability Services Unit. For the purposes of this affidavit the Section will be referred to as the Housing Stability Services throughout.
2. Housing Stability Services is responsible for administering and funding housing provider organizations. Responsibility for social housing was transferred from the

Province of Ontario to the City on May 1, 2002. Housing Stability Services provides advice and support to housing providers in order to support the independent operation of their housing projects by their Boards of Directors and their staff.

3. Housing Stability Services also monitors housing provider operations to ensure they meet their obligations under the governing legislation. If issues with respect to the management of a given social housing project arise, Housing Stability Services works to ensure that these issues are resolved.

4. The social housing projects that the City is responsible for are monitored by Housing Consultants, like myself, who are in the City's employ, and who form part of Housing Stability Service's staff.

5. Since the City assumed responsibility for the administration and funding of the social housing programs within its boundaries, I have been actively involved in the administration of these programs, including the monitoring of the social housing program at 298 and 300 Queens Drive (the "Housing Project") that is operated by Upwood Park/Salvador Del Mundo Co-operative Homes Inc. ("Upwood" or the "Co-op"), which is a co-operative non-profit corporation. As such, I have knowledge of the matters to which I hereinafter depose.

6. This affidavit is sworn in support of the City of Toronto's Application to extend the appointment by the City of the receiver and manager BDO Canada Limited ("BDO") pursuant to subsection 95(3) of the *Housing Services Act, 2011*, S.O. 2011, c.6, Sch 1, as amended (the "HSA").

CONTEXT

The *Housing Services Act, 2011*, and the Municipality's Duty to Administer and Fund Social Housing Programs

7. Social housing programs are government-funded initiatives designed to provide affordable rental accommodation to low income households.

8. Municipal non-profit corporations, private non-profit corporations, and co-operative non-profit corporations that own residential properties throughout the province act as “housing providers”. These housing providers make their rental units available to individuals and families who are part of low-income households. They are responsible for managing these housing projects.

9. Social housing in the City of Toronto was initially developed and administered by the federal and provincial governments.

10. The Housing Project operated by Upwood was developed under a provincial government program and was originally funded and administered by the provincial government.

11. In the late 1990s, as part of Ontario's initiative to realign local services, the province began to download its social housing responsibilities, both administrative and financial, to the local municipalities. This process culminated with the passage of the *Social Housing Reform Act, 2000*, S.O. 2000, c. 43 (the “SHRA”), which received royal assent on December 12, 2000. The responsibility to fund and transfer the Housing Project was transferred to the City in 2002.

12. The SHRA created a framework for the administration and funding of social housing projects, and created a comprehensive mechanism to help municipalities manage their new social housing responsibilities. The SHRA was repealed by the *Strong Communities through Affordable Housing Act, 2011*, S.O. 2011, c. 6 and replaced within the same act by the *Housing Services Act, 2011*, S.O. 2011, c. 6, Schedule 1 (the "HSA"), which came in to force on January 1, 2012. The purpose of the HSA was to:

(i) - provide for community based planning and delivery of housing and homelessness services with general provincial oversight and policy direction; and

(ii) – provide flexibility for service managers and housing providers while retaining requirements with respect to housing programs that predate the HSA (i.e. the SHRA and the Provincial and Federal Programs referenced above) and housing projects that are subject to those programs.

13. The framework created by the SHRA was carried through in the HSA, which is the operative legislation currently in effect.

14. Housing providers that were originally developed, administered and funded by the provincial government received two forms of subsidy. They received an operating subsidy and a rent subsidy.

15. The operating subsidy is paid to subsidize the building operating costs in excess of the building market rent potential.

16. The rent subsidy is paid to cover the difference between the amount that qualified tenants can pay, based upon their income, and the actual market rent for the unit they live in.

The Powers that the HSA Grants to Municipalities to Ensure that the Interests of Households that Depend on Social Housing Programs are Protected

17. The HSA provides a comprehensive administrative mechanism to help municipalities manage their social housing responsibilities.

18. Municipalities that are designated as “service managers” under the HSA and its regulations are able to supervise these housing providers. A housing provider is a person who operates a housing project. Under the HSA, the City is a service manager ("Service Manager") and Upwood is a housing provider ("Housing Provider") for the Housing Project.

19. The HSA includes specific enforcement provisions that grant municipal service managers powers that they can exercise to ensure that these housing projects are properly managed and that the tenants and members in these housing projects have access to the protections and services that they need.

20. In the event that a social housing provider fails to operate a housing project properly, having regard to the normal practices of similar housing providers, a service manager can take certain steps under the HSA to remedy the situation.

21. Subsection 85(6) of the HSA provides that the service manager may appoint a receiver or receiver and manager for the housing project. The receiver or receiver manager will manage the non-profit housing corporation and act as a surrogate housing provider.

22. Subsection 85(7) of the HSA provides that the service manager may seek the appointment of a receiver or receiver and manager for the housing project by the Superior Court of Justice.

23. In both instances, the receiver or receiver and manager are appointed in order to ensure that the housing project is operated and managed properly.

THE UPWOOD PARK/SALVADOR DEL MUNDO CO-OPERATIVE HOMES INC. HOUSING PROVIDER

24. Upwood Co-op/Salvador Del Mundo Co-operative Homes Inc. (“Upwood”) owns two neighbouring ten-story buildings residential buildings, with a total of 318 units, located at 298 and 300 Queens Drive in the former municipality of North York in the City of Toronto.

25. The Co-Op's 318 units include one, two and three bedroom units. The buildings are located in Toronto’s Rustic neighborhood, east of Jane Street just south of Highway 401. The Co-Op’s targeting plan requires that it maintain a minimum of 175 rent-geared-to-income units and a minimum of 74 units paying market rent.

26. The two properties are provincially reformed housing projects that are funded and administered in accordance with the HSA.

The Critical Governance Issues That Arose on July 11, 2020, Resulting in Risks to the Health and Safety of Upwood's Members

27. A group of Upwood's members convened a meeting on Saturday July 11, 2020.

28. Those members present at this July 11th meeting took the following unauthorized and illegal action:

- (i) They decided to remove four members of the existing Board (the "Former Board");
- (ii) They purported to hold elections to fill these same four seats to form a new Board (the "Installed Board"); and
- (iii) They decided to remove the existing property management company and to take immediate action to effect this removal.

29. The Service Manager determined that the July 11th meeting was unauthorized and illegal because the meeting was improperly requisitioned and was convened contrary to the provisions of Upwood's organizational by-law, the *Co-operative Corporations Act*, R.S.O. 1990, c. 35, the *Emergency Management and Civil Protection Act*, R.S.O. 1990, c. E.9, and the regulations enacted thereunder.

30. I provide an account of the events leading up to, and following, the July 11, 2020, meeting and the above-described contraventions below for the benefit of the Court:

- (i) On June 3, 2020, a member of Upwood sent members of the Former Board a requisition to convene a meeting so that members of the Co-op could decide whether to terminate Upwood's existing contract with Auxillium Properties ("Auxillium") for the provision of property management services.
- (ii) On June 30, 2020, that same member of the Co-op prepared and distributed what she described as "notice" of a "General Members Meeting" (the "Purported Notice"). The Purported Notice suggested that a "General Members

Meeting" was scheduled to take place on Saturday July 11, 2020, in order to secure the approval of the Co-op's membership to:

- (a) Terminate Auxillium's contract;
- (b) Remove four members of the Former Board; and
- (c) Hold elections to fill any and all of any vacated Board positions.

(iii) The Service Manager, in conjunction with the Co-operative Housing Federation of Toronto ("CHFT") – a non-profit organization that provides assistance and advice to co-operative housing providers in Toronto and the surrounding region – identified a number of reasons why the scheduled July 11th meeting could not proceed as a "General Meeting" of the membership:

(a) A requisition to convene a general meeting must be delivered to the Co-op's office. The Board then has 30 days within which they are to call and hold a members meeting. If and only if the Board refuses to call the meeting, the member who submitted the requisition can call the meeting themselves. The requisition that was sent to the Board on June 3rd was not properly delivered and the meeting was called in contravention of the prescribed protocol.

(b) The requisition in question identified only one issue for the membership's consideration – the removal of Auxillium. Upwood's membership does not have the authority to terminate Auxillium's contract. The members of the Co-op did not have authority or jurisdiction to consider the issue that the June 3rd requisition called for.

(c) The requisition made no reference to the critical steps that the notice indicated the members would be considering concerning the governance structure at Upwood – the removal and replacement of members of the Former Board.

(d) Lastly, the Former Board was advised that the purported notice that was circulated suggested that the July 11th meeting would be an in person meeting. At the time, as at present, the City of Toronto was subject to restrictions imposed by provincial order prohibiting in-person gatherings of more than 10 people in light of the COVID-19 pandemic that has gripped the City and the world this past year. In order to establish

quorum, at least 50 people must be present at a "General Meeting". Even if the proposed in-person meeting was not improperly called, it would be unsafe.

31. These reasons were shared with the members of the Former Board at a meeting of that Former Board that was convened on July 9th – in advance of July 11th.

32. In addition, in advance of July 11th, a majority of the Former Board members directed that all the Co-op members be advised that the purported notice was reviewed, that the purported notice did not comply with the governing legislation, and that the proposed July 11th meeting was not valid and was therefore cancelled.

The City Learns That the Improper July 11th was Convened

33. On July 11, 2020, the City received the following information:

(a) An unknown number of the Co-op members did convene in person and held a meeting despite the previous advice sent, pursuant to the direction referenced in paragraph 32, above, that the meeting was improperly convened and had been cancelled.

(b) The City's 311 service line was notified that the meeting had taken place in contravention of the COVID-19 in person restrictions prevailing at the time;

(c) Following the meeting, the Installed Board had gained access to the property manager's office and arranged to have the locks changed, preventing Auxillium from continuing to serve as property manager.

The Untenable Situation at Upwood Following the Events of July 11th and 12th

(i) - The Critical Governing Issues

34. The steps taken at the improperly convened meeting resulted in a significant amount of unrest among Upwood's membership.

35. Members sent numerous emails to both the Service Manager and CHFT expressing concerns about the improperly convened meeting, the governance issues that resulted, the lack of property management, and the risk that members' personal information could be improperly accessed.

36. The Service Manager's concerns about the situation at Upwood were exacerbated by underlying financial control issues the Co-op had been struggling with. Based on information available to the Service Manager:

- (a) Auxillium's records indicated that, as of June 30, 2020, Upwood had arrears for housing charges in the amount of \$84,348;
- (b) The Co-op's audited financial statements for the most recent fiscal year, which ended on August 31, 2019, showed an operating loss in the amount of \$99,313; and
- (c) Those same audited financial statements indicated a depletion of Upwood's Capital Reserve Fund as a result of \$417,658 in expenditures in 2018 and an additional \$573,339, in expenditures in 2019.

The City's Decision to Appoint BDO as the Receiver Manager for the Housing Provider

37. The governance structure at Upwood was uncertain in light of the steps taken to improperly remove and replace members of the Former Board at the unauthorized and illegal July 11th meeting.

38. The steps taken by the Installed Board immediately thereafter meant that there was no one managing the Housing Project properties. Among other things, this posed a risk to the health and safety of the housing provider, owing to the key role that a property

manager played in mitigating the risks to members during the COVID-19 pandemic and owing to the risk that the member's personal information could be improperly accessed.

39. There were underlying financial issues that had been percolating at the Co-op that showed Upwood had failed to establish financial management controls.

40. In light of the above, the City determined that Upwood had failed to operate the Housing Project properly.

41. The most appropriate course of action for the Service Manager to take in order to protect the interests of the membership in all the circumstances was to appoint a receiver to serve as Receiver and Manager of the housing project on an interim basis pursuant to subsection 85(6) of the HSA.

42. The City appointed BDO as the interim Receiver and Manager of Upwood on July 16, 2020, to preserve and protect the property, assets, business and undertakings of Upwood and to control their receipts and disbursements so that steps could be taken to begin rehabilitating the Housing Project.

Upwood Remains Incapable of Properly Operating the Housing Project

43. Since the appointment of BDO as the interim Receiver and Manager of the housing project, they have, in conjunction with the Service Manager and CHFT, been exploring and considering possible alternative governance structures that might be implemented at Upwood given that no functional Board is in place. As a result, Upwood

remains incapable of managing the Housing Project in an appropriate manner. This exploratory work is ongoing.

The Steps that the City and BDO Have Taken to Determine How to Best Preserve Upwood

44. BDO has also taken the following steps in an effort to preserve and protect the assets of Co-op. These steps include:

- (a) Engaging a new property management company – Homestarts Incorporated ("Homestarts") – to serve the membership, maintain the two buildings, and assist with the day-to-day administration of the Co-op;
- (b) They began a comprehensive review of Upwood's finances;
- (c) They began a comprehensive review of the households in the Housing Project to ensure that they met the governing rent-geared-to-income eligibility criteria; and
- (d) They have begun implementing financial controls in order to rehabilitate Upwood's financial position.

45. To date, the investigation undertaken by BDO has revealed the extent to which Upwood has failed to operate the housing project properly:

- Upwood has suffered significant operating losses based on a review of the Co-op's audited financial statements over the past two years. In 2019 the Co-op experienced operating losses of \$99,313, and in 2020 it suffered operating losses of \$121,145.
- Upwood's Capital Reserve Fund was depleted by expensing \$417,658 in 2018, and \$516,339 in 2019. The review undertaken by BDO shows that 60% of these funds had been used to address cosmetic unit upgrades rather than the requisite building repairs that these funds are to be allocated to. Building Condition Assessments that were prepared in September 17, 2015, and May 29, 2020, called for the prioritization of repairs to the exterior walls, elevators, and roofing systems.
- As of July 31, 2020, member rental arrears were significant. 115 households were delinquent and totaled \$102,136.

- Vacancies had not been filled in a timely manner.
- There were a number of unpaid supplier invoices, dating back to 2019. BDO was required to pay over \$10,000 in unpaid invoices from 2019, and over \$50,000 in invoices that had accrued in 2020 prior to its appointment.
- There were ongoing mechanical issues with the recently upgraded boilers that were the result of improper maintenance.
- There were over 100 vehicles that the Receiver and Manager found in the underground parking garage whose owners could not be identified.
- The rent-geared-to-income files were incomplete. Requisite income and asset verification documentation was missing for a number of member household units. This information is critical to ensuring that the proper rent-geared-to-income assistance and building subsidies are provided.

46. BDO has delivered a report to the City of Toronto describing the steps they have taken as the interim Receiver and Manager of the Housing Project to address the issues at Upwood and their ongoing efforts to rehabilitate the Co-op. A copy of the BDO's report is attached as Exhibit "A" to my Affidavit.

In Order to Protect Upwood and the Interests of its Members, the Term of BDO's Appointment as Receiver and Manager of the Housing Project Should Be Extended

47. The term of BDO's appointment as interim Receiver and Manager of the Upwood housing project is scheduled to end unless the Service Manager brings an application before the Superior Court of Justice to extend the term of its appointment on or before March 15, 2021.

48. Since BDO's appointment, there remain outstanding issues with the governance structure of the Co-op that need to be resolved. The financial position of the Co-op requires rehabilitation. In light of these considerations and in light of the additional


pressures that all multi-unit residential properties are under given the ongoing health concerns raised by the COVID-19 pandemic, the City believes that Upwood is not in a position to resume normal operations without the benefit of a Receiver and Manager to oversee the housing project. Doing so would risk compromising the health and safety of its members and exacerbating the financial issues that threaten the ongoing viability of the Co-op.


49. In January 2021, the Service Manager prepared and provided a notice which it distributed to the members of Upwood sharing the City's views that an extension of the term of BDO's appointment as Receiver and Manager was warranted in all the circumstances and sharing the reasons why the Service Manager formulated this view. It invited members of the Co-op to provide written submissions in respect of this proposed action. A copy of this notice, dated January 14, 2021, is attached as Exhibit "B" to my Affidavit. To date, the submissions that the City has received all favour the extension of BDO's term and value the steps taken by BDO to rehabilitate the Housing Project.

50. An extension of the term of BDO's receivership will allow the Receiver and Manager and the Service Manager necessary additional time to take appropriate steps to ensure that the housing project is maintained and operated in accordance with and in keeping with the HSA, over the long term.

51. In particular, an extension of the term of BDO's receivership would afford the BDO additional time to continue its review and analysis of the Co-op's financial records and documents, to continue its review of the eligibility criteria of certain household's for

rent-geared-to-income assistance, and to explore and consider possible alternative corporate governance structures to ensure the continued health of the Upwood.

SWORN before me)
at the City of Toronto,)
in the Province of Ontario, on)
this 8th day of March, 2021.)
)
_____)
Mark Siboni)
A Commissioner for taking Affidavits)

)
_____)
Mario Mendes)

APPENDIX “B”

**IN THE MATTER OF THE INTERIM RECEIVERSHIP OF
UPWOOD PARK/SALVADOR DEL MUNDO COOPERATIVE
HOMES INC.**

INTERIM RECEIVER'S FIRST REPORT DATED MARCH 8, 2021

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BACKGROUND AND PURPOSE

1. BDO Canada Limited (“**BDO**”) was appointed as interim receiver (the “**Interim Receiver**”) of Upwood Park/Salvador Del Mundo Cooperative Homes Inc. (the “**Co-Op**” or “**Upwoods**”) on July 16, 2020 by the City of Toronto (the “**Service Manager**” or “**City**”) pursuant to section 85(6) of the *Housing Services Act, 2011*.
2. The Co-Op was incorporated under the Co-operative Corporations Act on August 2, 1991, as a corporation without share capital to provide subsidized housing in the City of Toronto. The Co-Op became fully operational on September 1, 1993. The Co-Op entered into a lease agreement with Colandco Co-operative Homes Inc. for a forty-nine year term, which began in June 1992. The building and fixtures are owned by the Co-Op until the lease expires in 2041.
3. The Co-Op is governed by a voluntary Board of Directors (the “**Board**”) all of which are members of the Co-Op and reside at the Co-Op. The Board is comprised solely of residents of the Co-Op and has no outside member. The Board members are elected by the Co-Op’s membership in accordance with its internal by-laws, which are subject to the Co-operative Corporations Act.
4. The Co-Op receives monthly funding from the City in the form of a subsidy, which consist of an operating subsidy and a rent subsidy. The operating subsidy funds the building operating costs in excess of the building market rent potential. The rent subsidy covers the difference between the amount that qualifying members can pay, based upon their income, and the actual market (or benchmark) rent for the unit they live in. The Co-Op’s financial viability is dependent upon funding from the City.
5. The Co-Op is comprised of 318 units in two ten-story buildings which include one, two and three bedroom units. The buildings are located in Toronto’s Rustic neighborhood, east of Jane Street just south of Highway 401 at 298 (“**298**”) and 300 (“**300**”) Queens Drive (together the “**Properties**”). In total, there are 318 units (54 one-bedroom units, 194 two-bedroom units and 70 three-bedroom units. The Co-Op’s targeting plan requires that it maintain a minimum of 175 rent-geared-to-income (“**RGI**”) units and a minimum of 74 units paying market rent (“**Market**”). At February 1, 2021, the Co-op is had 168 RGI units and projecting to reach the minimum number of RGI units by March 31, 2021.
6. The Properties are physically adjoined via underground parking. Each of 298 and 300 have their own entrances and laundry facilities. 298 houses the Co-Op’s gym and library. 300 has a shared community room. All these common use areas have been closed due to the mandated Covid-19 restrictions.

7. The City has requested that BDO prepare this report summarizing its findings to date to support the City's application for a court-appointed Receiver.

SUMMARY – APPOINTING THE INTERIM RECEIVER

8. The City of Toronto, as the social housing Service Manager, appointed BDO as interim receiver and manager over the Co-Op on July 16, 2020 pursuant to its authority under the Housing Services Act. The appointment was made after the City learned of events, detailed below, that resulted in risks to the health and safety of the Co-op members.
9. City staff learned that a members' meeting was held to remove and replace both the Board of Directors and the contracted property management company. The Interim Receiver is advised by the City that this meeting was improperly requisitioned and convened under the Co-operative Corporations Act and Upwoods' by-laws and was held contrary to the requirements of the Emergency Management and Civil Protection Act. As a result of these actions, there was no commonly accepted governance structure, there was no property management on-site and members' personal information contained in the former property manager's electronic files were vulnerable to unauthorized access contrary to the privacy requirements of the governing legislation.

IMMEDIATE ACTION TAKEN BY THE INTERIM RECEIVER TO PROTECT ASSETS

10. Since its appointment, the Interim Receiver has taken the following immediate actions to the protect the Co-Op's assets:
 - a. Changed the locks to the management offices and all maintenance areas, as the Interim Receiver understood that various members had been provided or had access to keys to areas that had sensitive documentation.
 - b. Seized the funds in the Co-Op's bank account and opened trust accounts, which are used for the Co-Op's banking transactions.
 - c. Communicated with the mortgage company, Peoples Trust, and authorized that the mortgage payments to be paid from the Interim Receiver's trust account.
 - d. Notified Worldsource Financial Management Inc. of its appointment and advised that only the Interim Receiver has the ability to access the investment funds that are held by it. As of August 31, 2020, the investments had a market value of \$560,484. The investment funds represent a restricted reserve for future capital investments, which are to be approved by the City.

- e. Transferred all of the Co-Op's utility account to the name of the Interim Receiver.
- f. Added the Interim Receiver as additional insured to the Co-Op's insurance policy and has made the monthly payments through its trust account.
- g. Review, approve and make all payments related to the Co-Op's operations.
- h. Retained Homestarts Incorporated ("**Homestarts**"), as the Co-Op's property manager to attend to the day-to-day activities and needs of the Co-Op. Homestarts is experienced in managing cooperative housing complexes.
- i. Replaced the incumbent security company and increased the number of security guards on site between 3 a.m. and 7 .a.m.
- j. Upon Court appointment, if received, the Receiver will fill the requisite Receiver's Notice and Statement with the Office of the Superintendent of Bankruptcy and the Co-Op's creditors pursuant to Sections 245 and 246 of the *Bankruptcy and Insolvency Act*.

FINANCIAL, OPERATIONAL & MAINTENANCE FINDINGS

11. The following represents the more significant financial, operational and maintenance findings since the Receiver's appointment.

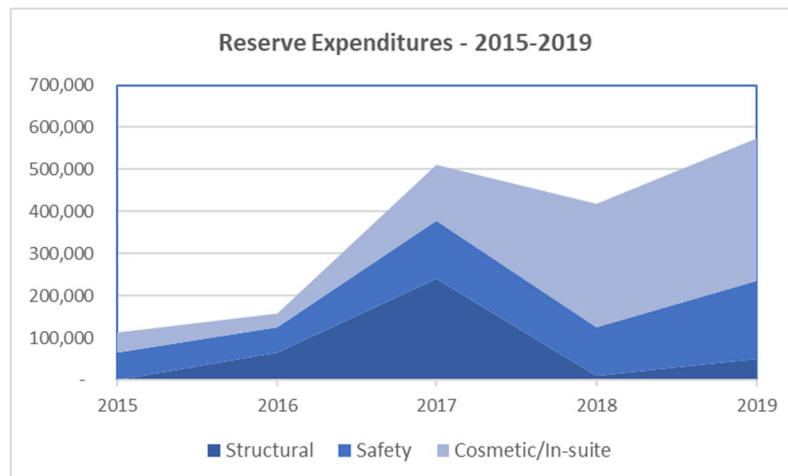
FINANCIAL

- a. The audited financial statements show significant operating losses have been incurred during the past two fiscal years, 2020 - \$121,145 and 2019 - \$99,313, indicating the Board and management's lack of oversight of the Co-op's spending compared to its budget. The Interim Receiver monitors the monthly financial performance and financial situation of the Co-op through a review of the monthly financial statements, bi-monthly arrears reports and keeping its own cash flow. In addition to closely monitoring the Co-Op's expenditures and cash flows, the Interim Receiver meets with Homestarts on a regular basis as it attempts to stabilize the Co-Op.
- b. The capital reserve fund is depleted as a result of spending \$417,658 in 2018 and \$573,339 in 2019 with 60% of these expenditures used for cosmetic unit upgrades. These funds could have been spent to address significant structural deficiencies with the Properties, which are

detailed in the Building Condition Assessment Reports dated September 17, 2015 and May 29, 2020 (the “**BCA**”). The BCA’s identify the need for building structure repairs, exterior wall repairs, roofing systems replacement and elevators deficiencies requiring attention.

- c. The Co-Op has significant member arrears. At December 31, 2019, rent arrears were approximately \$119,000 and were comprised of arrears from 148 households; 44 households owed greater than \$1,000 and a significant number were RGI recipients. This demonstrates the Board and management's failure to collect and take action on arrears in a timely manner. Housing charges (rent) are the Co-Op's lifeblood, and are necessary to pay bills and keep the Co-op in financial good standing. By August 31, 2020, shortly after the Interim Receiver took control of the Co-Op and commenced corrective actions, the arrears decreased to \$91,000 owed by 91 households.
- d. As of February 25, 2021, the total arrears were \$73,540. 80% of the total (\$59,207) relate to 31 households of which 16 are RGI. Over 50% of the total outstanding members in arrears are currently in payment plans to pay their arrears.
- e. The Receiver has taken the following actions to collect housing charges (rents) in a timely manner and deal with tenant arrears:
 - i. By initiating TenantPay, effective September 2020, the Interim Receiver has been able to collect rents on a timely basis via electronic money transfers. The majority of the tenants have switched to TenantPay, however the Co-Op still accepts cheque, debit and e-transfers. The plan is to limit payments to cheques (ideal for seniors) and TenantPay;
 - ii. Issues Notices to Appear monthly and holds virtual meetings with tenants to resolve their arrears issues, negotiate, and approve payment plans. Since August 2020, four Notice to Appear meetings have been held.
 - iii. Recently announced a \$25 late rent payment penalty, which has previously not been applied to accounts, but is permitted in the Co-Op’s by-laws.
- f. The Interim Receiver found that there were no active payment plans with households in significant arrears. The Interim Receiver has participated in virtual meetings with households in significant arrears and has entered into payment plans. There are currently over fifteen active payment agreements in place for households in arrears.

- g. Despite the Receiver's best efforts to keep tenants housed, three household accounts have been sent to the Landlord and Tenant Board for eviction due to continued non-compliance of their payment agreements and excessive arrears.
- h. The Interim Receiver found over \$95,000 of bad debts pertaining to members who had moved out prior to the Interim Receiver's appointment. The Co-Op had not initiated any activity to attempt to collect the amounts or reduce the risk of loss. The Interim Receiver has engaged a collection agency to collect these amounts, which may include registering the arrears with credit agencies.
- i. The Interim Receiver obtained copies of the audited financial statements prepared by the Co-Op's external auditor, Prentice Yale & Clark for the years ended 2015 through 2019. A summary of reserve expenditures categorized by safety, structural and cosmetic are shown below:



- j. It appears that the recent poor financial condition of the Co-Op is the result of an accumulation of rent arrears and overspending on cosmetic upgrades. The 2019 financial statements show that over \$573,000 of reserve funds were used with approximately 60% used for in suite upgrades. Draft internal financial statements for year-end 2020 (August 31) show that in suite repairs were 70% greater than budgeted. The Co-Op spending requires detailed monitoring so that available funds are not spent on priority items such as addressing the structural issues identified in the BCA.
- k. Until recently, the Interim Receiver continued to find unpaid supplier invoices, which were delinquent prior to its appointment. Payments were made for over \$10,000 of invoices dated 2019 and over \$50,000 of invoices were paid that were due prior to the Interim Receiver's appointment. The Co-Op is now current with its accounts payable.

- l. This illustrates the lack of oversight by the management and the board to ensure that bills authorized and paid on time.

- m. Although the Co-Op had a bookkeeper who prepared an annual budget, the Board did not adhere to it when managing the Co-Op's cash flow. Upon appointment the Interim Receiver created a new cash flow (the "**Interim Receiver's Cash Flow**") to ensure the cash position was carefully monitored given the significant arrears at the time and the required repayment to the City of \$159,422 for year ended August 31, 2018 subsidy over payment. The Interim Receiver's Cash Flow shows that the cash generated from operations may be sufficient to pay the Co-Op's expenses but only if rents are paid on time and the Co-Op prioritizes its spending.

- n. The external auditors, Prentice Yates and Clark, issued qualified financial statements for the year ended August 31, 2020 due to lack of appropriate documentation and other deficiencies related to the RGI files together with certain missing information, including support for over \$12,000 of expenses reported as Co-Op events, but not supported by any specific receipts.

OPERATIONAL

- o. Upon its appointment, the Interim Receiver found that vacancies were not being filled in a timely manner; there were five (5) vacancies in the Properties. This was despite over 100 applications physically found in the management office, as well as the prospective tenants on the City's Access to Housing's centralized waiting list to fill those vacancies immediately. One unit had been vacant for almost a year and another since January 2020. The Interim Receiver has been filling the units with requisite RGI tenants or approved internal transfers as soon as they are available. As of March 1, 2021, there are no vacancies.

- p. The Interim Receiver reviewed a sample of member files and found the information maintained in the member files to be deficient and in many cases did not include income and asset documentation to properly support the member's RGI eligibility and subsidy calculations. Annual reviews will begin shortly with a view to completing by May 2021.

- q. On the day of its appointment, the Toronto Police requested that the Receiver provide fob activity for one of the households. When the Receiver attempted to recover this information from the fob system, it found that either the information had been deleted or that party was using an unregistered fob. No door activity could be found for this member since November 2019 and the second fob holder for the same unit showed no activity since March 2020. It is apparent that the fob system was not properly maintained and that as tenants moved out their fobs had not been disabled or returned which poses as a risk to the building and tenant security. The Receiver initiated a fob audit, issuing new fobs to the tenants on November 26,

2020 and disabling the old fobs by December 8, 2020. The number of new fobs issued to members are restricted the size of the unit.

- r. The Interim Receiver found that the Co-Op did not maintain a current tenant contact list with basic information such as email address or the names of all individuals residing in each unit. This information would allow for better communication with the households and for issuing notices and newsletters. The Interim Receiver, with the assistance of Homestarts, has requested all households complete a membership survey, which allows the Interim Receiver to obtain basic contact information regarding the individuals residing in the Properties. At the date of this report, the majority of the members have returned their surveys.
- s. The Interim Receiver found that a number of security cameras throughout the Co-Op had been disconnected while others were damaged and not working which compromised the safety and security of the Properties. These cameras have since been replaced or reconnected.
- t. The Co-Op had not conducted a parking audit for several years and the Co-Op's parking log was outdated and inaccurate. When issuing parking passes the Interim Receiver found that parking spots marked in the Co-Op's records as vacant were often already assigned to other tenants. In addition, the Co-Op records do not reflect accurate locations with corresponding authorized vehicle. Shortly after the Interim Receiver's appointment, the incumbent security company, Blackhawk Security ("**Blackhawk**"), advised that over 100 vehicles in the Co-Op's underground parking lot are either abandoned or stolen. The Interim Receiver has initiated a parking audit, which should be complete by April 2021. The first phase of the audit entails updating the vehicle log to reflect the information included in the membership survey and address any discrepancies. The second phase will involve identifying vehicles not registered to members and removing them from the premises. The Receiver plans to contact any last known owners and provide 30 days to remove their vehicle or they will be towed. The Toronto Police will be contacted for any stolen vehicles.
- u. The Interim Receiver was advised by various members that Blackhawk had not remained impartial in a tenant dispute and that one of Blackhawk's employees resided in the Co-Op potentially resulting in biased decisions/actions. Given the conflict of interest and the concerns from the members, the Receiver requested proposals from three security companies and replaced Blackhawk with First Choice Security to ensure the Properties would be safe and that the security company remained impartial and neutral with no relationships to the members. The new service provider began security detail on September 1, 2020.

- v. The Co-Op historically had security guards onsite from 2:00 p.m. through 7:00 a.m. each day with two guards during the evening and early morning hours (7:00 p.m. through 3:00 a.m.). Due to a number of reported vehicle break-ins, the Interim Receiver, in September 2020, added a second guard from 3:00 a.m. through 7:00 a.m. to ensure that one of the two guards could patrol during these hours while the other guarded the entrance to the Co-Op.

MAINTENANCE

- w. The Receiver found that the Board and management failed to properly maintain the elevators and plan for their replacement in accordance with the BCA. As a result, the elevators are frequently out of service due to mechanical breakdown and in need of repair or replacement. The BCA report dated May 29, 2020 states that the elevators are original to the building construction in 1993 and have reached their life expectancy. Rust proofing is required immediately to prevent corrosion and the elevators require a major modernization, which will come at a significant cost. The Receiver intends to apply for any available government funding programs to pay for the necessary safety upgrades. A copy of the May 29, 2020 BCA is attached hereto as **Appendix "A"**.
- x. The BCA also calls for structural investigation and repairs to the roof and pipes. Both these issues require urgent attention and funding. The Receiver understands the Board of Directors or former property managers had not addressed or prioritized these issues.
- y. The driveways and surrounding walkways are cracked and collect large pools of water after rain or when the snow melts. Some of the walkways are unsafe as they are uneven, cannot be properly ploughed after a snowfall, allow for health and safety implications to the members and represents a liability to the Co-Op. The Interim Receiver is obtaining quotes to understand the cost of repaving of the driveway and walkways or at a minimum the areas with the most urgent need and intends to repair these in 2021.
- z. The Interim Receiver found that management did not follow best practices for pest control through an integrated pest management approach as evident by the number of households living in 300 that advised the Interim Receiver regarding the infestation of cockroaches and rodents in their units. Prior to the appointment of the Interim Receiver, the management of the Co-Op was dealing with these issues on an as reported only basis. The Interim Receiver had the entire building fumigated by an exterminator for both rodents and cockroaches and continues with monthly treatments in common areas.
- aa. Since the Interim Receiver's appointment mold remediation has been completed in four units to ensure the health and safety of those tenants. Communications from tenants regarding suspected mold is immediately inspected and addressed by remediation professionals.

- bb. The Interim Receiver found that air conditioning (“AC”) units were not properly installed and were hanging from the windows without proper support and brackets as required by the Co-Op by-laws. This presents as a significant safety issue and liability to the Co-op. Households have now been notified that AC units older than 10 years and AC units, which were not professionally installed, will be removed if installed next season and that proper installation will be monitored or provided by a professional. The Interim Receiver required all AC units removed from the unit windows by October 15, 2020. The Interim Receiver initiated a \$50 charge to tenants that did not have their air conditioners properly removed. Come spring 2021 the Interim Receiver will engage an electrician to assist in the proper installation of all AC units.
- cc. Deteriorating and severe cracking of the exterior bricks is evident on both 298 and 300 and addressed in the BCA. The Interim Receiver ensured that to certain urgent repairs were made in the fall.
- dd. The Interim Receiver has been addressing the ongoing leaks and water damage in both buildings. The Interim Receiver believes in-unit washing machines and dishwashers, which are prohibited by the Co-Op by-laws, are being used which has led to the weakness of the aged and fragile pipes. Unit inspections, which began in September and subsequently halted due to a case of Covid-19 in the building, will confirm whether the prohibited appliances are installed in the units. If found, these will be removed at the members costs and may result in fewer leaks, water damage and costly repairs. The unit audit will reconvene in 2021 once Covid restrictions in the City of Toronto have been lifted.
- ee. Ongoing back up issues, particularly on the third floor of 300, required catch basin and stack cleaning. This was completed in October 2020 and ensure that all blockage was removed from the members units in both buildings.
- ff. The Interim Receiver has found ongoing issues with the boilers including loss of hot water at both Properties. The boilers were installed in 2018 at a cost of \$1.4 million and were not properly maintained in the first year resulting in corrosion and other operational issues. The Interim Receiver communicated its concerns with the current boiler service provider. After ongoing assessment to identify the issue, the Receiver’s has recently received a commitment to have the boilers replaced at no charge. It has also found that the pipes had not been installed properly. The pipes will immediately be removed and installed correctly.

BUILDING MAINTENANCE

12. The Interim Receiver requested Homestarts tour the Properties and report on any maintenance deficiencies identified (the “**Building Maintenance Reports**”). Attached as **Appendix “B”** are the Building Maintenance Reports dated August 5, 2020 for each of 298 and 300.
13. Key defective items listed in the Building Maintenance Reports for 298 and 300 including any actions taken to date by the Interim Receiver include:
 - a. Cracked asphalt in driveways causing pooling water – quotes are being received to smooth out and allow for proper snow plowing and no pooling.
 - b. Deteriorating bricks – to date a small wall outside of the underground parking has been reconstructed to ensure the safety of tenants.
 - c. Hot water boilers, although new, have insufficient hot water at times and one of the boilers requires parts, The Interim Receiver is currently reviewing quotes to attend to the recommended work required to maintain the boilers.
 - d. Carpet cleaning in hallways and common areas – this was completed in October 2020;
 - e. Three contractors quoted on the costs of roof anchors required for 298 and this work was completed in November 2020.
 - f. The parking lot will be power washed and urgent repairs will be addressed once the Receiver removes all the abandoned vehicles.
 - g. Air leaks in the dry sprinklers system have been repaired in both buildings in August 2020 and the compressor was replaced.
 - h. The Receiver found ongoing issues with the vent motor in the laundry room in 300, which required repair in order to proceed to clean the dryer exhaust. Furthermore, this laundry also required drain cleaning to assist with the chronic back-ups which, was completed in October 2020. The laundry room maintenance has been completed.
14. Most minor and moderate maintenance deficiencies identified in the Building Maintenance Reports, have been corrected and any urgent larger projects are being quoted and planned for 2021.
15. Further to the Building Maintenance Reports other identified issues are noted below and have been addressed and/or repaired.

OTHER MATTERS

16. On its appointment, the Interim Receiver contacted several property management companies to obtain property management proposals as the attempt to engage certain members did not support

Auxilium and the Interim Receiver in conjunction with the City determined it was not ideal for Auxilium's staff to return to the Co-Op. Of the proposals received, Homestarts was selected as the Interim Receiver's agent and property manager. The Interim Receiver has prior experience with Homestarts and was comfortable with their qualifications. The City supported the decision to engage Homestarts. The Interim Receiver notes that several of the property management companies declined to provide a quote as they indicated the Co-Op was a troubled property and would be difficult to manage.

17. On July 28, 2020 at a virtual general meeting was held to advise members of BDO's appointment, a number of members raised concerns that the former Board members had either access to or copies of the keys to member units. Consequently, the Interim Receiver arranged for the locks on these particular members' apartments to be changed.
18. The Interim Receiver changed the locks to the management offices and all maintenance areas as the Interim Receiver understood that various members had been provided or had access to keys to areas that had sensitive documentation.
19. As noted above, the Interim Receiver terminated the services of Auxilium Property Managers as certain Co-Ops members were enraged when they saw Auxilium staff on the premises at the time of the Interim Receiver's appointment. Due to concerns for their safety, their contract was terminated pursuant to the termination clause in their contract. Auxilium continued to assist the Interim Receiver through the transition period remotely.
20. The Interim Receiver has communicated with the Fire Marshall regarding the several infractions and corrected all for 2020. We understand that the building is now in compliance with fire code.
21. The Interim Receiver through Homestarts issued Membership surveys to each unit with timeline for return. The survey addresses membership, current unit tenants, parking status and details, long-term guests, and accessibility needs in order to address health and safety needs.
22. The Interim Receiver attended to repairing and adding additional lighting to the underground parking and garage to ensure the safety of the members and the property.
23. The Interim Receiver has engaged an elevator consultant, F. Shaw Management and Consulting, to oversee elevator maintenance, attend to an elevator audit and assist in the purchasing and installation of new elevators when financially possible.

RECEIPTS AND DISBURSEMENTS

24. Appended hereto as **Appendix C**, is the Receiver's Statement of Receipts and Disbursements for the period July 16, 2020 to February 24, 2021 (the "**R&D Statement**"). The R&D statement reports net receipts over disbursements of \$392,238 for the period. The R&D Statement excludes the Co-Op's capital reserve fund.

FUTURE ACTIONS

25. In addition to the foregoing, the Interim Receiver expects to investigate and complete the following items in the near future:

- a. Obtain quotes to level the driveways and eliminate the pooling of water. This extensive work will be schedule for the spring, if funds are available.
- b. Diligently attempt to collect the arrears which includes establishing and following stringent collection policies that adhere to the by-laws.
- c. Apply for any government grants, as initiated, to assist with capital improvements including the roof and elevator modernization.

BDO CANADA LIMITED, in its capacity as the Interim Receiver of
Upwood Park/Salvador Del Mundo Cooperative Homes Inc.
and not in its personal or corporate capacity.

Per:



Anna Koroneos, CIRP, LIT
Vice-President

APPENDIX “C”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.) FRIDAY, THE 12th
JUSTICE THOMAS JOHN McEWEN) DAY OF MARCH, 2021

CITY OF TORONTO

Applicant

- and -

UPWOOD PARK/SALVADOR DEL MUNDO CO-OPERATIVE HOMES INC.

Respondent

**INTERIM ORDER
(appointing Receiver)**

THIS APPLICATION made by the Applicant for an Order pursuant to section 95 (3) of the *Housing Services Act, 2011*, SO 2011, c. 6, Sch. 1, as amended (the "HSA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") extending the term of the appointment of BDO Canada Limited as interim receiver and manager (the "Receiver") without security, of all of the assets, undertakings and properties of Upwood Park/Salvador Del Mundo ("Upwood Park") acquired for, or used in relation to operating the housing project at 298 and 300 Queens Drive (the "Housing Project"), was scheduled to be heard this day via videoconference.

ON READING the affidavit of Mario Mendes sworn March 8, 2021 the Exhibits thereto and the Factum of the Applicant, and on hearing the joint submission of counsel for the Applicant City of Toronto, Ms. Saffia Abdul-Haqq (a member of the Respondent appearing in person), and Ms. Masbal Abokar (a member of the Respondent appearing in person), that the hearing of this

matter, scheduled to proceed on March 12, 2021, be adjourned and heard at a later date, and that, in the interim, the term of the BDO Canada Limited's appointment as Receiver and Manager of Upwood Park be extended pursuant to subsection 95(3) of the HSA,

SERVICE

1. THIS COURT ORDERS that the Notice of Application has been properly served so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 85 paragraph 7 of the HSA and section 101 of the CJA, BDO is hereby appointed as Receiver, without security, of all of the assets, undertakings and properties of Upwood Park acquired for, or used in relation to the operation of the Housing Project carried on by Upwood Park, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Respondent, its directors, employees, members and/or agents be and are hereby restrained from issuing cheques on, withdrawing any monies from, or in any way dealing with the property of the Respondent or in which the Respondent has an interest, including but not limited to personal property, bank accounts, trust accounts and real property.

4. THIS COURT ORDERS that the Respondent shall be deemed to ratify and confirm whatever the Receiver does in the course of the receivership, so long as it is done in accordance with the HSA, the HSA's regulations, and the terms of the Receiver's appointment, and the Receiver shall not be required to consult with, obtain the approval of, or have its actions ratified by the Respondent.

5. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable, providing that, in doing so, the Receiver continues to comply with the "Terms of Reference for Receiver" attached as Schedule 1 to the Receivership Services Agreement, and the HSA and its regulations:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Respondent, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Respondent;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Respondent or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Respondent and to exercise all remedies of the Respondent in collecting such monies, including, without limitation, to enforce any security held by the Respondent;
- (g) to settle, extend or compromise any indebtedness owing to the Respondent;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Respondent, for any purpose pursuant to this Order;

- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Respondent, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
 - (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
 - (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of the Respondent's business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$ 25,000.00, provided that the aggregate consideration for all such transactions does not exceed \$ 100,000.00; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;
- and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, [or section 31 of the Ontario *Mortgages Act*, as the case may be,] shall not be required.
- (l) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
 - (m) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

- (n) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Respondent;
- (o) to enter into agreements with any trustee in bankruptcy appointed in respect of the Respondent, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Respondent;
- (p) to exercise any member, partnership, joint venture or other rights which the Respondent may have;
- (q) to increase the rents, housing charges, and any other fees and charges the occupants of the Housing Project (as that term is defined in the HSA) are required to pay, as the Receiver deems appropriate under the circumstances, and in accordance with the provisions of the HSA, the HSA's regulations, and the *Residential Tenancies Act, 2006*, S.O. 2006, c. 17, as amended (the "RTA");
- (r) to terminate the occupancy of any resident of the Property, in accordance with the HSA, the HSA's regulations, and the RTA; and
- (s) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Respondent, and the Respondent's Board of Directors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

6. THIS COURT ORDERS that (i) the Respondent, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel, members and all other persons acting on

its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

7. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Respondent, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 9 or in paragraph 10 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

8. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing

the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

9. THIS COURT ORDERS that no proceeding (including any arbitration proceeding) or enforcement process in any court, tribunal or before an arbitrator (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE RESPONDENT OR THE PROPERTY

10. THIS COURT ORDERS that no Proceeding against or in respect of the Respondent or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Respondent or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

11. THIS COURT ORDERS that all rights and remedies against the Respondent, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Respondent to carry on any business which the Respondent is not lawfully entitled to carry on, (ii) exempt the Receiver or the Respondent from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

12. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Respondent, without written consent of the Respondent or leave of this Court.

CONTINUATION OF SERVICES

13. THIS COURT ORDERS that all Persons having oral or written agreements with the Respondent or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Respondent are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Respondent's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Respondent or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

14. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the collection of any rents and accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver or that have been opened by the Receiver since its initial appointment as a receiver by the Applicant (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

15. THIS COURT ORDERS that all employees of the Respondent shall remain the employees of the Respondent until such time as the Receiver, on the Respondent's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA or under any other applicable legislation, other than such amounts as the Receiver may

specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Respondent, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order,

be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

18. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation, including the protections afforded to the Receiver by the HSA and its regulations.

RECEIVER'S ACCOUNTS

19. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall, subject to the limits set out in the provisions of the HSA and its regulations form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person.

20. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$ 200,000.00 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge, subject to the limitations set out in the provisions of the HSA and its regulations.

23. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

24. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

25. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

26. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service->

[protocol/](#)) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL ‘<@>’.

27. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Respondent's creditors or other interested parties at their respective addresses as last shown on the records of the Respondent and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

28. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

29. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Respondent.

30. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

31. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located,

for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

32. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

33. THIS COURT ORDER is made on an interim basis and on a without prejudice basis to any person's right to respond to the Application and oppose the Order being sought. Any interested party may apply to this Court to schedule a return date for the Application, on not less than ten (10) days' notice to the Applicant, Respondent, Receiver, Ms. Abdul-Haqq, and Ms. Abokar.

A handwritten signature in black ink, appearing to read 'McE T.', is positioned above a horizontal line.

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that BDO Canada Limited, the receiver (the "Receiver") of the assets, undertakings and properties Upwood Park/Salvador Del Mundo Co-operative Homes Inc. acquired for, or used in relation to a business carried on by the Respondent, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the ___ day of _____, 20__ (the "Order") made in an action having Court file number __-CL-_____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 2021.

BDO Canada Limited, solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name:

Title:

BETWEEN :

CITY OF TORONTO

and

UPWOOD PARK/SALVADOR DEL MUNDO CO-OPERATIVE
HOMES INC.

Court File No. CV-21-00658491-00CL

12 March 21

The Order shall go on the consent of the Applicant, Ms. Abdul-Haqq and Ms. Abokar.
The Order is made on an interim basis pending the hearing of the matter.
No one else attended at the hearing today.
Mr. Siboni will provide copies of the Order to Ms. Abdul-Haqq and Ms. Abokar.



ONTARIO

**SUPERIOR COURT OF JUSTICE –
COMMERCIAL LIST**

ORDER

CITY SOLICITOR'S OFFICE

City of Toronto

Station 1260, Metro Hall

55 John St., 26th Floor

Toronto, Ontario, Canada

M5V 3C6

MARK SIBONI

Phone: (416) 392-9786

Fax: (416) 397-5624

Email: mark.siboni@toronto.ca

Solicitors for the Applicant

APPENDIX “D”

Upwood Park/Salvador Del Mundo

Operating Summary

Proposed Operating Budget: September 1, 2021 to August 31, 2022

Description	<i>Last Year</i>	<i>Current Year</i>	<i>Next Year</i>			
	<i>FYE2020 Audit</i>	<i>FYE2021 Budget</i>	<i>FYE2021 Pre Audit Proj</i>	<i>FYE2022 Budget</i>		
Income						
1	Market Value Housing Charges	4,032,048	4,032,048	4,032,048	4,094,824	1.6%
2	Operating Subsidy	877,467	866,202	866,202	801,917	-7.4%
3	Property Tax Subsidy	295,764	298,650	300,173	303,715	
4	Vacancy Loss	(17,453)	0	(11,889)	(12,000)	
5	Parking & Laundry Revenue	151,374	152,000	150,626	160,200	6.4%
6	Other Miscellaneous Revenue	13,809	17,400	14,372	20,360	
7	Interest	22,303	0	(2,555)	10,000	
8	Total Income	5,375,312	5,366,300	5,348,977	5,379,016	0.6%
Expenses						
9	Grounds & Maintenance	901,080	778,061	873,690	865,177	-1.0%
10	Maint Employees & Maint Staff	342,017	298,392	219,061	201,639	
11	Utilities	891,731	870,000	853,140	878,740	3.0%
12	Management Services	178,314	211,776	176,923	204,870	
13	Office General	49,723	50,550	40,659	41,775	
15	Legal, Audit & Other Corporate	23,616	33,000	39,051	34,155	
16	Sector & Education	31,159	40,000	32,124	32,770	
17	Insurance	76,513	78,000	79,461	84,140	5.9%
18	Bad Debts (net of recovery)	23,846	15,000	16,736	10,000	
19	Property Taxes	295,764	298,650	300,173	303,715	
20	Mortgage	2,519,982	2,524,850	2,524,850	2,524,850	
21	Capital Reserve Contribution	193,428	198,012	198,012	197,161	-0.4%
22	Total Expenses	5,527,173	5,396,291	5,353,880	5,378,991	0.5%
24	Surplus\ (Loss) Before Audit Adj	(151,861)	(29,991)	(4,904)	25	
25	FYE2021 audit adj (for prior year)			(3,078)	0	
26	Surplus\ (Loss) After Adjustment	(151,861)	(29,991)	(7,982)	25	
27	Ttl Net Sector Supp & Cable Surp	32,255	29,991	28,397	4,255	
28	Total Surplus	(119,606)	0	20,415	4,280	
29	Total Accumulated Surplus	255,839		276,254	280,534	

Upwood Park/Salvador Del Mundo

Monthly Market Housings Charges	Last Year	This Year	<i>Monthly Increase</i>	Effective Feb 1 2022
1 Bedroom Apartment	\$923	\$923	\$12	\$935
2 Bedroom Apartment	\$1,105	\$1,105	\$16	\$1,121
3 Bedroom Apartment	\$1,280	\$1,280	\$20	\$1,300
Parking Per Spot	\$25	\$25	\$5	\$30

Includes sector support reduced from \$14 to \$7\unit (Sep 1 2021) + cable \$42\unit

Upwood Park/Salvador Del Mundo

Operating Details

Proposed Operating Budget: September 1, 2021 to August 31, 2022

Description	<i>Last Year</i>	<i>Current Year</i>	<i>Next Year</i>	
	FYE2020 Audit	FYE2021 Budget	FYE2021 Pre Audit Proj	FYE2022 Budget
REVENUE				
200 Rents at Market Value	4,032,048	4,032,048	4,032,048	4,094,824 1.6%
201 Market Vacancy	(17,453)	0	(11,889)	(12,000)
250 Operating Subsidy	877,467	866,202	866,202	801,917 index
250 Property Tax Subsidy	295,764	298,650	300,173	303,715 2.5%
222 Parking Revenue	100,971	100,000	101,266	110,900 Eff Feb
222 Laundry	50,403	52,000	49,360	49,300
222 Storage Locker	7,640	7,500	7,610	7,560
222 Gym Revenue	3,314	7,000	0	7,900
221 Interest	22,303	0	(2,555)	10,000
224 Other Income & Chargebacks	2,723	1,500	4,262	3,000
224 Room Rental Income	0	0	0	0
224 Late Payment Charges	0	1,200	2,390	1,800
224 Non Bank NSF Charges	132	200	110	100
Total Revenue	5,375,312	5,366,300	5,348,977	5,379,016
EXPENSES				
Employees & Employer Costs				
Superintendents (2) Salary\Vacation Pay	213,496	160,000	92,800	94,192 1.5%
Janitorial Salary (1) Direct Hire \Vac Pay	50,094	47,664	46,354	47,049 1.5%
Superintendents\Janitorial Vac Pay-Out			16,885	0
Temporary Help\On-Call	23,297	25,000	0	0
Payroll Exp.(CPP&EI)	<i>incl above</i>	0	12,132	11,299
WSIB Premium	<i>incl above</i>	0	3,417	2,500
Maintenance Staff Benefits	42,542	40,000	21,397	20,200
Other Maintenance Benefits	0	0	900	900
Suite Allowance	12,588	25,728	25,176	25,498
Ttl Maint Salaries & Employer Costs	342,017	298,392	219,061	201,639
Grounds & Maintenance				
Building General				
<i>Capital Items Less than \$5K\invoice</i>				
106 Floor Replacement			16,153	5,000
106 Vanities\Countertops, etc,			19,139	5,000
106 Other Capital Repairs				4,300
Total Capital Costs Less than \$5K	0	0	35,292	14,300
106 Janitorial Srvcs(Contract)	0	0	63,300	58,200
106 Roof Repairs\Inspection	0	8,000	5,135	5,000
106 Building Repairs	189,804	75,000	31,409	40,000
106 Building Supplies	0	0	10,173	15,000
106 Key\Door Lock Replacement	6,707	6,000	4,655	4,800

Upwood Park/Salvador Del Mundo

Operating Details

Proposed Operating Budget: September 1, 2021 to August 31, 2022

Description	<i>Last Year</i>	<i>Current Year</i>	<i>Next Year</i>	
	FYE2020 Audit	FYE2021 Budget	FYE2021 Pre Audit Proj	FYE2022 Budget
106 Floor Repairs	14,980	20,000	5,272	8,000
106 Windows\Doors Rpl\Rprs	7,944	5,000	7,035	8,000
106 Appliance Repairs	2,239	5,500	7,060	8,700
106 Building Equipment	39,888		0	0
106 Pest Control	13,938	17,000	22,079	20,000
106 Janitorial,Mat Rntl,Carpet Cleaning	5,909	10,000	7,493	7,800
106 Janitorial Sppls & Others	0	0	11,661	10,500
106 Window Washing	0	5,000	0	5,000
106 Garage & Door Repairs\Cleaning	10,701	15,000	4,166	10,000
106 Accessible Upgrades			0	3,000
106 Common Areas Furnishing	19,199	0	607	1,200
106 Signs\First Aid\Other	1,771	1,500	92	1,500
Turnover				
106 Drywall\Ceilng Rprs-TrnOvr	1,580	7,500	15,687	10,000
106 Floor Rprs Unit Turnover	14,489	8,000	4,648	7,000
106 Cleaning Unit Turnover	8,783	7,500	410	3,000
106 Carpentry Unit Turnover	5,709	2,250	0	0
106 Tubs & Tub Re-glazing	2,039	7,500	4,300	5,000
Total Building General	345,680	200,750	240,474	246,000
Building & Grounds Services				
107 Elevator Contract & Service Fees	17,098	18,000	20,334	21,000
107 Elevator Inspctn & Repairs	12,534	10,160	21,143	10,000
108 Electrical Supplies	3,582	6,000	1,024	3,500
108 Electrical Repairs	22,670	25,000	10,934	12,000
108 Generators Inspctn & Rprs	0	0	6,466	7,100
108 ESA Continuous Safety Plan	0	0	4	2,137
109 Heating\WHS Maint.	45,175	43,660	34,310	35,000
109 Plumbing Repairs	32,960	50,000	37,758	36,500
110 Catch Basins, Stack, Vents Annual			23,203	11,000
109 Preventative HVAC Contrct	23,093	15,000	18,286	25,200
110 Snow Rmvl Contract(5Mths)	31,396	31,396	27,235	38,140
110 Landscapng Contract(7Mths)	11,251	31,395	14,341	17,600
110 Grounds Supplies & Other Serv	9,951	15,000	5,892	5,000
111 Painting,Turnover,Other	25,773	7,000	13,408	12,000
112 Waste Remvl\Compactor Rpr	0	4,200	5,098	5,000
112 Water Treatment	376	500	1,513	1,600
112 Fire Safety Systems	29,713	30,000	36,212	40,000
112 Fire Nuisance Calls			5,820	0
112 Security Services (Patrol)	234,332	230,000	263,855	273,000
112 Security Systems \Surveillance	0	0	28,682	4,000
123 Solid Waste Mgmnt Fee(SWM)	55,496	60,000	57,697	59,400

3.0%

Upwood Park/Salvador Del Mundo

Operating Details

Proposed Operating Budget: September 1, 2021 to August 31, 2022

Description	<i>Last Year</i>	<i>Current Year</i>	<i>Next Year</i>	
	FYE2020 Audit	FYE2021 Budget	FYE2021 Pre Audit Proj	FYE2022 Budget
Total Services	555,400	577,311	633,216	619,177
Total Grounds & Maintenance	901,080	778,061	873,690	865,177
Utilities				
121 Electricity	350,689	340,000	330,606	340,525
122 Fuel	153,033	150,000	152,036	156,600
123 Water & Sewer	388,009	380,000	370,498	381,615
Total Utilities	891,731	870,000	853,140	878,740
				3.0%
Administration				
132 Management Service	153,690	187,152	170,767	204,870
132 Bookkeeping *End Nov\20	24,624	24,624	6,156	0
Total Manangement & Bookkeeping	178,314	211,776	176,923	204,870
				est
Office General				
133 Telephone & Internet	21,351	22,000	15,767	15,700
133 Courier Delivery Service	38	300	1,288	1,275
133 Bank Charges, Ceridian, TP fees	1,856	2,200	5,632	6,000
133 Insurance Premium \ Finance Chg			1,547	2,200
133 Credit Checks	179	1,800	0	200
133 Office Equipmnt \Software etc	3,656	4,500	4,630	3,000
133 Office Supplies , Postage, etc	9,170	10,750	4,265	5,000
133 Copier Rental & Usage	11,627	9,000	7,412	7,600
133 Meeting \Community Expenses	1,846	0	118	800
Total Office General	49,723	50,550	40,659	41,775
Professional Services				
133 Legal	8,001	20,000	15,468	10,000
133 Audit	15,615	13,000	21,510	22,155
133 Other Corporate Fees	0	0	2,073	2,000
Total Professional Services	23,616	33,000	39,051	34,155
				3.0%
Sector & Education				
134 CHF Canada Conference	0	0	0	0
134 CHFC\CHFT Membership Dues	31,159	33,000	32,124	32,770
134 Member Education	0	7,000	0	0
Total Sector & Education	31,159	40,000	32,124	32,770
				2.0%
140 Total Administration	282,812	335,326	288,758	313,570
Other				

Upwood Park/Salvador Del Mundo Operating Details

Proposed Operating Budget: September 1, 2021 to August 31, 2022

Description	<i>Last Year</i>	<i>Current Year</i>	<i>Next Year</i>		
	FYE2020 Audit	FYE2021 Budget	FYE2021 Pre Audit Proj	FYE2022 Budget	
141 Insurance	76,513	78,000	79,461	84,140	5.9%
142 Bad Debts	23,846	15,000	139	10,000	
142 Bad Debts\Evictn Decision	0	0	16,597	0	
142 Bad Debts Recovery	0	0		0	
Total Other	100,359	93,000	96,197	94,140	
185 Capital Reserve Contribution	193,428	198,012	198,012	197,161	-0.4%
170 Total Operating Expenses	2,711,427	2,572,791	2,528,858	2,550,426	
160 Property Taxes	295,764	298,650	300,173	303,715	2.5%
175 Mortgage *Rnwl Sep 1 2023	2,519,982	2,524,850	2,524,850	2,524,850	
199 Total Expenses	5,527,173	5,396,291	5,353,880	5,378,991	
Surplus\((Loss) Before Audit Adjustment	(151,861)	(29,991)	(4,904)	25	
FYE2021 audit adjustment (for prior year)	0	0	(3,078)	0	
Surplus\((Loss) After Adjustment	(151,861)	(29,991)	(7,982)	25	
Non Shelter Activities					
234 Sector Support-Income	52,481	52,860	52,759	26,544	
234 Sector Sup-Mortgage	(25,462)	(25,529)	(25,529)	(25,529)	
Net Sector support	27,019	27,331	27,230	1,015	
224 Cable Income		158,760	158,261	159,264	
224 Bulk Cable Serv Expense		(156,100)	(157,094)	(156,024)	
Net Cable	5,236	2,660	1,167	3,240	
Total Non Shelter Activities	32,255	29,991	28,397	4,255	
Total Surplus\((Loss)	(119,606)	0	20,415	4,280	
Total Accumulated Surplus	255,839		276,254	280,534	

Upwood Park/Salvador Del Mundo

Proposed Capital Budget: September 1, 2021 to August 31, 2022

Description	<i>Last Year</i>	<i>Current Year</i>		<i>Next Year</i>
	FYE2020 <i>Audit</i>	FYE2021 Budget	Aug 31 2021 Pre-audit	FYE2022 Budget
Capital Income				
1 Opening Balance	0	124,833	124,833	268,996
2 Required Allocation From Operations	193,428	198,012	198,012	197,161
3 Operating Surp Share (\$100\un max)	0	0	0	0
4 Investment Interest	1,617		(2,595)	0
5 Energy Rebates\Incentives			18,270	0
6 Total Capital Reserve	195,045	322,845	338,520	466,157
Capital Expenses				
City Guideline Capital Invoices over \$5K				
*Exceptions Noted				
7 Appliances *	13,562		19,849	21,000
8 Flooring (Units)			0	12,000
9 Unit Renovations (Turnover)	6,741		6,161	15,000
10 Fire Safety Systems	23,710			
11 Security Systems	5,171			
12 Post Lights & Lighting	15,103			
13 Parking Garage Lighting			11,780	
14 Metal Heat Covers	5,925			
15 Boiler Systems			5,263	
16 Major Plumbing			7,182	
17 Elevators			13,133	
18 Curbs\Sidewalks			6,156	
19 Brick Masonry				
20 Garage\Podium Dec				
21 Consulting\Brick\Podium Deck				20,000
22 Professional Project Management				
23 Total Capital Expenditures	70,212	0	69,524	68,000
25 Capital Reserve Balance	124,833	322,845	268,996	398,157
<i>Common Room Reserve</i>	38,220		38,220	38,220

FYE2022 Rent Revenue

Review of Rents & Sector Support\Cable not include for this purpose

A	FYE2021		FYE21 Base Rent	Annual Rent	FY22 BM Rent	Annual BM	Upwood's Rent Shortfall
	Aug 31 2021	No Units					
	1 Bd	54	867	561,816	886	574,128	(12,312)
	2 Bd	194	1,049	2,442,072	1,072	2,495,616	(53,544)
	3 Bd	70	1,224	1,028,160	1,251	1,050,840	(22,680)
	Total	318		4,032,048		4,120,584	(88,536)

Sector Support Surcharge (Reallocation)

	Mo Sector Supp\Unit	Annual	Annual Sector Support Mortgage	Surcharge Surplus
Per Unit	14	53,424		
Less Super 2 Units	(28)	(336)		
Net Sector Support		53,088	(25,529)	27,559

Reallocating \$7 surplus sector support surcharge to increase rents closer to BM

B	FYE2022		FYE21 Base Rent + \$7	Annual Rent	FY22 BM Rent	Annual BM	Upwood's Rent Shortfall
	Sep 1 2021	No Units					
	1 Bd	54	874	566,352	886	574,128	(7,776)
	2 Bd	194	1,056	2,458,368	1,072	2,495,616	(37,248)
	3 Bd	70	1,231	1,034,040	1,251	1,050,840	(16,800)
	Total	318		4,058,760		4,120,584	(61,824)

	Mo Sector Supp\Unit	Annual	Annual Sector Support Mortgage	Surcharge Surplus
Per Unit	7	26,712		
Less Super 2 Units	(14)	(168)		
Net Sector Support		26,544	(25,529)	1,015

Propose to increase rents equal to BM

C	FYE2022		FYE21 Base Rent Increase	Annual Rent	FY22 BM Rent	Annual BM	Upwood's Rent Shortfall
	Feb 1 2022	No Units					
	1 Bd	54	886	574,128	886	574,128	0
	2 Bd	194	1,072	2,495,616	1,072	2,495,616	0
	3 Bd	70	1,251	1,050,840	1,251	1,050,840	0
	Total	318		4,120,584		4,120,584	0

	Mo Sector Supp\Unit	Annual	Annual Sector Support Mortgage	Surcharge Surplus
Per Unit	7	26,712		
Less Super 2 Units	(14)	(168)		
Net Sector Support		26,544	(25,529)	1,015

D SUMMARY

	Aug 31 2021			Sep 1 2021		
	Base Rent	Sec Sup	Total	Base Rent	Sec Sup	Total
1 Bd	867	14	881	874	7	881
2 Bd	1,049	14	1,063	1,056	7	1,063
3 Bd	1,224	14	1,238	1,231	7	1,238

	Feb 1 2022			Mo Increase	
	Base Rent	Sec Sup	Total		
	886	7	893	12	1.4%
	1,072	7	1,079	16	1.5%
	1,251	7	1,258	20	1.6%

APPENDIX “E”

**PRENTICE
YATES &
CLARK**

CHARTERED
PROFESSIONAL
ACCOUNTANTS

*Serving our clients
since 1944*

January 22, 2021

Private and Confidential

Ms. Josie Parisi, Receiver
Upwood Park/Salvador Del Mundo Co-operative Homes Inc.
298 Queens Drive, Management Office
North York, Ontario M6L 3E2

Re: Audit of Financial Statements for the period ending August 31, 2020

Dear Ms. Parisi:

The objective of our audit was to express an opinion on the financial statements. Included in our audit was the consideration of internal control relevant to the preparation and fair presentation of the financial statements. This consideration of internal control was for the purpose of designing audit procedures that were appropriate in the circumstances. It was not for the purposes of expressing an opinion on the effectiveness of internal control or for identifying all the significant control deficiencies that might exist.

During the course of our audit, we identified several deficiencies that met the definition of a significant deficiency. A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance. Communicating significant deficiencies assists those charged with governance in fulfilling their oversight responsibilities.

The significant deficiencies identified are outlined below. Please note that this list includes all the significant deficiencies we have identified.

APPOINTMENT OF RECEIVER

On July 16, 2020, the City of Toronto appointed BDO Canada Limited as an interim receiver (receiver) of the Co-operative. Per letter from the City of Toronto dated July 17, 2020, this was due to the significant financial and operational issues that the Co-operative is experiencing. The City of Toronto has noted, among other items, concerns related to member receivable arrears increases, operating deficit for the year ending August 31, 2019 and depleted capital reserve. We understand that the receiver and management are working towards resolving these issues.

OPERATING DEFICITS

The Co-operative has experienced losses in the past two years, 2020 - \$121,145 and 2019 – \$99,313. A continuation of operating losses will further deplete cash and investments and may eventually put the Co-operative's ongoing operations in jeopardy.

The Co-operative must make every effort to have an operating surplus over the next few years. We understand that since its appointment the receiver has prepared a cash flow and monitors the revenues and expenditures on a regular basis. We would like to point out some areas of concern. Ensuring that the subsidies allocated to members are accurate is very important since it has a direct impact between the market housing charges, rent-geared-to-income (RGI) housing charges and subsidies provided by the City of Toronto. Another area of concern are housing charge arrears. If members fail to pay their arrears, this has a direct impact on operating cash flow and bad debt expense. Vacancy losses, as noted below, are higher than usual and especially market vacancy losses result in direct loss of income for the Co-operative. The Co-operative should review the actual costs versus budgeted costs on a regular basis to ensure that the expenditures are at or below budget. A review of the expenses should be conducted to see which ones can be reduced, possibly through preventative measures, utility retrofits, etc. In addition, the Co-operative should consider reviewing their benchmark operating costs and look at the option to increase the benchmarks, since the benchmarks have a direct impact in operating subsidies.

FINANCIAL STATEMENT ACCURACY

For the fiscal year ended August 31, 2020, we proposed eighteen (18) adjusting entries to correct the accounting records and these corrections also changed the financial statements that you would have been seeing during the year. In order to improve the accuracy of your monthly financial statements, we recommend that you review the audited adjusting entries to determine which ones can be made on a monthly basis. Accuracy of the monthly financial statements is very important when making decisions based on their content. This is especially important since the Co-operative should be particularly diligent to avoid further operating losses in the future.

RENT-GEARED-TO-INCOME (RGI) CALCULATIONS

Each year during our audit, we review a selection of members' files to ensure that subsidy calculations are correct, and that income verification documentation is adequate. During the audit, we were not able to find sufficient and appropriate audit evidence in regards to the RGI subsidies. As a result, the Independent Auditors' Report was qualified.

Specifically, during the review, we selected 24 RGI files for testing. Three of these files had the RGI subsidy calculation and the backup information; however we were not able to understand how the backup information was used to derive subsidy amounts allocated to the units. For 5 of these files, there was no calculation or backup information provided, therefore we were not able to verify whether subsidies allocated to the units were correct. Management was able to provide the RGI calculation sheet

for 3 files, however there was no backup to support the calculation of subsidies. In summary, we encountered issues with 11 of the 24 files selected.

In addition, we selected 4 files/units (included in the 24 files selected above) where one of the members living in the unit was a Board member during the fiscal year. We encountered issues in 3 (out of the 11 files with issues) out of the 4 files selected.

Finally, in one instance, we noted that one member appeared to be running childcare services based on the 2018 tax notice of assessment. It was not clear on whether these services were provided from the actual unit where the member resides. We suggest that you follow up to confirm this is the case and clarify the situation, on whether members are allowed to run childcare services from the Co-operative's units and whether there are any other precautions (such as insurance) that need to be taken into account.

We understand that the receiver and management are aware of this issue. We understand that the current management company has a process in place where all the RGI calculations are done by the on-site office staff and reviewed by a RGI team from the management company. We have also been told that all the RGI calculations are initialed to indicate review. We recommend that the management company continue to follow the above steps to prepare the RGI subsidies, to ensure the calculations are correct, to ensure subsidies allocated to members per the RGI calculation sheet agree to the accounting records, to ensure that the calculations are properly documents and ensure that the backup supporting the calculations is readily available and attached to the calculation sheet. We would also recommend that the management company review each file, possibly review the prior year calculation (for the fiscal year ending August 31, 2020) and consider whether a retroactive adjustment would be required. Whenever possible, following the RGI rules, any subsidies overallocated to members should be recovered.

In addition, during the audit, we noticed that some occupancy agreements were not available and some occupancy agreements were not signed. We recommend that you review each file and ensure that the occupancy agreements are available and signed for each unit. The occupancy agreement can be placed in a separate folder or kept on the left side of the regular RGI folders, so they can be carried forward every year.

HOUSING CHARGE ARREARS

At the Co-operative's fiscal year end, the arrears for housing charges were \$89,109 (\$280 per unit). This is quite high for a project of your size and represents a significant increase over the past two years 2019 - \$70,678; 2018 - \$38,949. High arrears represent an increased level of risk to the assets of the Co-operative. In addition, some of these members did not have repayment agreements. Prentice Yates and Clark recently analyzed the arrears balances of its Co-operative clients over a one-year period and the average current member's arrears was \$130 per unit.

We understand that the situation has been more difficult due to the changes in the management structure and companies. We also understand that the situation has been worse because of the Covid-19 pandemic and current legislation which limits your

ability to evict delinquent members. We recommend that you review your collection and eviction process to ensure that your practices encourage the prompt payment of housing charges.

VACANCY LOSSES

The vacancy losses for fiscal 2020 were \$43,476 (2019 - \$15,430; 2018 - \$12,091; 2017 - \$18,045 and 2016 - \$34,215). Vacancy losses have increased significantly over the prior years. In addition, we noticed that some units were vacant from three to five months. One unit was vacant for 8 months.

We recommend that you follow up and make every effort to occupy these units as soon as possible in order to avoid further losses of housing charges. To assist you in doing this, you may wish to establish a marketing checklist that is used for each vacant unit. The checklist should include all the activities that must be undertaken to re-rent a unit, and an expected timing for them to be done. Management should follow the process to ensure that it is operating efficiently and to change it if it is not.

MISSING SUPPLIER INVOICES

Each year during the audit, we select a sample of expenses and agree these expenses to supplier invoices and other backup documentation. During the audit, management was unable to provide invoices and backup documentation for some of the expenses selected. These are mainly expenses for the Co-operative's social events and based on the descriptions in the general ledger, they appeared to be advances for events. We understand that since then, there have been two changes in management and staff.

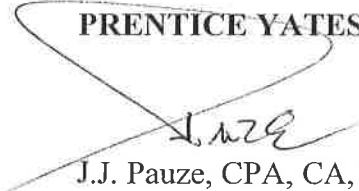
We recommend that, going forward, invoices and backup for all expenses should be attached to the cheque requisitions.

This communication is prepared solely for the information of Upwood Park/Salvador Del Mundo Co-operative Homes Inc. and is not intended for any other purpose. We accept no responsibility to a third party who uses or relies upon it. This letter should not be used as a performance measure for your staff.

We would like to take this opportunity to thank Anna Koroneos and Zoe Stevenson for their assistance in completing the internal and computer control questionnaires and for their assistance during the audit.

Very truly yours,

PRENTICE YATES & CLARK



J.J. Pauze, CPA, CA, LPA
Partner
JJP:vb

VERBAL COMMENTS

TO: JOSIE PARISI, ANNA KORONEOS AND ZOE STEVENSON
UPWOOD PARK/SALVADOR DEL MUNDO CO-OPERATIVE HOMES INC.

FROM: VIOLA BARDHOSHI, PRENTICE YATES & CLARK

SUBJECT: SUMMARY OF COMMENTS RE: FISCAL 2020 AUDIT

DATE: JANUARY 22, 2021

During our audit, we came across the following recommendation about your systems that we would like to mention, but did not include in your management letter because it did not specifically impact your controls:

DEPOSIT CLEARING ACCOUNT

The Co-operative has an account called deposit clearing account (#2250-0000). We have been told that this account includes deposits not yet allocated to each member. We recommend that you review this account, allocate balances to the appropriate member account after proof of deposit has been provided. We suggest that the account be adjusted down to \$0 after the above procedure.

LEGAL INVOICES

The Co-operative paid 2 invoices to Rutherford & Mathews, specifically invoice #1528 dated June 10, 2019 for \$1,525.50 and invoice #1725 dated September 11, 2019 for \$1,779.75. Invoice #1725 included the outstanding balance of invoice #1528 and it appears that this invoice has been paid twice. If this is the case, it is possible that the credit has been applied to a subsequent invoice. We recommend that you follow up with the vendor to ensure that the Co-operative does not have a credit with the vendor. We would suggest that you obtain a statement of account that indicate the activity of all invoices and payments from June 2019.

MONTHLY FINANCIAL STATEMENTS

During the internal control questionnaire, we were told that the receiver does not review internal monthly financial reporting. We understand that this is temporary while the current year audit is being completed. Reviewing an up-to-date set of financial statements is one of the most important controls over the financial transactions. We recommend that management prepare monthly financial statements and the receiver review these reports monthly. The monthly financial statements, at a minimum should include a statement of financial position, statement of operations that compares budget to actual, as well as actual to prior month. In addition, monthly reports of member receivables, payables, replacement reserve activity should be part of the monthly financial package.

If you have any questions regarding the above comments, please feel free to contact our office.

CITY OF TORONTO

and

**UPWOOD PARK/SALVADOR DEL MUNDO COOPERATIVE
HOMES INC.**

Applicant

Respondents

Court File No. CV-21-00658491-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

**SECOND REPORT OF BDO CANADA LIMITED
IN ITS CAPACITY AS INTERIM RECEIVER OF
UPWOOD PARK/SALVADOR DEL MUNDO
COOPERATIVE HOMES INC.**

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
181 Bay Street
Suite 1800
Toronto, ON M5J 2T9

Kyle B. Plunkett (LSO # 31044N)

Tel (416) 865-3406

Email kplunkett@airdberlis.com

Miranda Spence (LSO # 60621M)

Tel: (416) 865-3414

Email: mspence@airdberlis.com

Fax: (416) 863-1515

Lawyers for the Interim Receiver