

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c.C-36

And

IN THE MATTER OF THE BUSINESS CORPORATIONS ACT  
R.S.B.C. 2002, c. 57

And

IN THE MATTER OF  
GEORGIA LAINE (33) DEVELOPMENTS LTD.

Monitor's Third Report to the Court

September 21, 2009

IN THE MATTER OF  
**Georgia Laine (33) Developments Ltd.**  
(the “Petitioner” or the “Company”)

## **1. INTRODUCTION**

On December 9, 2008 the Petitioner made an application to the Supreme Court of British Columbia for an Initial Order (the “Order”) under the *Companies’ Creditors Arrangement Act* (“CCAA”).

The Bowra Group Inc. was appointed Monitor of the Petitioner pursuant to the Order. The Order dated July 17, 2009 is attached as Appendix A to this report.

This is the Monitor’s third report to Court and has been prepared to provide an update since our second report on July 6, 2009.

### **1.1 Notice to Reader**

The information contained in this report has been obtained from the records of Georgia Laine (33) Developments Ltd., its employees and officers, and is based on discussions with those parties and other parties who have been involved in the development.

The information in this report has not be audited or otherwise verified by The Bowra Group Inc. or anyone else as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles. This report also contains projections and estimates based on the financial records of Georgia Laine (33) Developments Ltd. which were available to the Monitor.

The Reader is cautioned that this report may not disclose all significant matters relating to the development. Accordingly, we express no opinion or any other form of assurance on the information presented in the report. The Monitor may refine or change its observations as further information is obtained or is brought to its attention after the date of this report.

In addition, the Monitor assumes no responsibility or liability for and disclaims any and all liability for any loss or damage incurred by any party as a result of the use of this report in any manner or as a result of the circulation, publication or reproduction of it. Any use which any party makes of this report, or any reliance on it and any decisions made based on it are the responsibility of that party.

## **2. SUMMARY**

As of August 28, 2009

- To date 43 pre sale contracts and 1 new sale have completed representing a total of \$15.8M in net sale proceeds.
- There are a total of 23 units, including 3 commercial residential units, which are unsold. 2 of these units are currently subject to sales agreements. These units are to be resold and have been listed with Re/Max. There are 2 remaining pre sale units to close.
- A settlement has been reached with 7 pre sale purchasers for which a total of \$232K in deposits out of \$293K was recovered by the Company.
- Total construction and development costs are currently estimated to be \$246K under budget. Professional fees and interest on the DIP are over budget by \$498K as these were not included in the original budget.
- Our latest estimated recoveries are based on the critical assumption that the remaining 2 pre-sale agreements will close by September 30, 2009 and the remaining 23 units will sell by the end of November.
- We have projected sales revenue of \$27.0M. We have assumed that the remaining 2 pre-sale units will complete and the 23 remaining units will sell for an average of 7% under list price. 2 of the 23 units are subject to sales agreement.
- Given the current market conditions it is possible the proceeds from the sales of the 23 remaining units could be less.

## **3. COSTS TO COMPLETE**

A detailed budget to actual is attached as Appendix B.

The table below provides a summary of the cost variances.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	\$	\$	\$
Construction costs	3,642,903	3,534,821	108,082
Development costs	317,693	179,693	138,000
Professional fees	47,519	395,787	(348,268)
Interest and fees on DIP	-	150,000	(150,000)
Other	1,028,000	1,015,341	12,659
	5,036,115	5,275,642	(239,527)

Construction costs are on budget. This assumes that a contingency of \$100K is used. We are hopeful that this will not be the case and there will be further savings.

Professional fees and interest are over budget because these items were not included in the original budget as the original budget did not provide for a CCAA filing.

#### **4. CASH FLOW FORECAST**

Attached as Appendix C is a cash flow forecast for the period September 1, 2009 to November 30, 2009, the date by which we have assumed for cash flow purposes the project will be completed and all units sold. However, given the current market conditions this could take longer.

We have estimated sales revenue of \$27.0M. This assumes that the remaining 7 pre-sales will complete and the 23 unsold units will sell for \$11.1M.

#### **5. SALES & CLOSINGS**

A total of 44 sales has completed as of August 31, 2009. There are 2 additional units that the Company believes will close and 23 units that are being resold. Of those 23 remaining units 2 are subject to sale agreements.

The Company has settled with 7 pre sale purchasers for which the Company received \$232K in deposit funds in agreement that they would not pursue the purchasers for any further damages. The 7 units have been relisted for sale.

A list of the 23 remaining units is attached as Appendix D.

## **6. COMPANY'S PLAN AND MONITOR'S ANALYSIS**

We understand all unsecured trade suppliers are current.

Although a plan of arrangement has not been prepared, we understand the Company intends to complete the remaining 7 sales subject to the purchase and sale agreements and sell the 21 remaining units, which includes the 3 commercial units.

The proceeds, including any deposits recovered from terminated contracts, will be used to repay the secured creditors in the priority of their registered security.

The Company will proceed to make a claim against any further defaulting purchasers, as well as, potentially lease the commercial spaces and use any funds recovered to payout the debts owed.

We believe that the CCAA has preserved the pre sale contracts and significantly improved the recovery to the secured creditors thus reducing their potential unsecured claim. As such, we recommend that an extension should be granted allowing the Company to complete the remaining sales and market the unsold units. Should an extension not be granted we believe this would be detrimental to the recovery.

## **7. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS**

Pursuant to paragraph 1 of the Court Order dated July 17, 2009, the stay of proceedings expired on September 19, 2009 ("the stay period"). The Company is now seeking an extension of the Stay Period to January 19, 2009. The additional time is required for the Company to complete the remaining sales, relist and sell the remaining units, and formulate a plan of arrangement.

The Monitor believes that the Company has acted in and is acting in good faith and with due diligence, and that circumstances exist that make the request for an extension of the Stay

Period appropriate. The Monitor believes that creditors would not be materially prejudiced by an extension of the Stay Period to January 19, 2009, and therefore, supports the Company's request for an extension of the Stay Period to January 19, 2009.

## **8. RECOMMENDATIONS**

This Third Report of the Monitor is submitted to this Honourable Court pursuant to the provisions of the Initial Order and the CCAA.

The Monitor respectfully requests that this Honourable Court authorises and approves the actions to date of the Monitor as outlined in this Report.

The Monitor supports and respectfully recommends to this Honourable Court that the Company's request for an extension of the Stay Period to January 19, 2009 be granted.

All of which is respectfully submitted this 22<sup>nd</sup> day of September, 2009.

**The Bowra Group Inc.**  
Monitor under CCAA of  
Georgia Laine (33) Developments Ltd.

per:

Doug Chivers, CA CIRP

## Appendix A

## Appendix B

## Appendix C

## Appendix D