

Estate No: 31-2140296¹

**IN THE MATTER OF THE BANKRUPTCIES OF
FSP HOLDING LIMITED PARTNERSHIP
and FSP HOLDINGS INC.
OF THE TOWNSHIP OF ORO MEDONTE IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT TO THE CREDITORS
ON PRELIMINARY ADMINISTRATION**

I. BACKGROUND INFORMATION

FSP Holdings Limited Partnership (the "LP") and FSP Holdings Inc. ("Holdings"), (collectively "FSP") owned and operated a public golf course, known as Settlers Ghost Golf Club, located at 3421 McNutt Road, Barrie, Ontario. FSP maintained its head office at the golf course.

Holdings was incorporated on January 26, 2001. Holdings' minute book indicates that at the appointment date Ms. L. Stoddart (also known as Ms. L. Bertram) was the sole Director and Officer. LP was formed by agreement dated August 22, 2003 between Holdings as General Partner, Robert Campbell, Initial Limited Partner and as third parties, all subsequent limited partners (the "LP Agreement"). The LP partnership register, lists 34 parties who hold between them 50 units, subscribed at the rate of \$50,000 per unit.

Pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) (the "Court"), dated December 15, 2015 (as amended by subsequent Order dated December 18, 2015) Ira Smith Trustee & Receiver Inc. ("ISI") was appointed Receiver and Manager ("Receiver") of all assets, properties and undertakings (the "Assets") of FSP. As approved by Orders issued by the Court dated April 29, 2016 and June 20, 2016, the Receiver was empowered to undertake a specific, stalking-horse sales process with respect to the Assets.

The result of the Court-approved sales process was that no party submitted a better offer than the stalking-horse offer. Accordingly, a sale was approved by the Court to the stalking-horse purchaser. The sale of the Assets closed on June 30, 2016.²

¹ See the last paragraph in Section I of this Report regarding the consolidation of the two bankruptcy Estates into one. The previous Estate number of 31-2140297 is no longer necessary and not in use.

² Parties interested in the public documents relating to the receivership proceedings may access them at http://www.irasmithinc.com/case_studies/settlers_ghost_golf/index.html

Pursuant to a Court Order dated April 29, 2016, the Receiver was authorised to assign FSP into bankruptcy, and to act as the trustee in bankruptcy. On June 29, 2016 the Receiver filed the assignments in bankruptcy on behalf of each of LP and Holdings naming ISI as Trustee. On the same day, the Official Receiver issued its Certificates evidencing the bankruptcies and appointing ISI as Trustee. On July 4, 2016, the Notice of First Meeting of Creditors, a list of creditors, and a Proof of Claim form, along with proxy, for both LP and Holdings, was mailed to the known creditors of FSP.

On July 19, 2016, the Trustee sought and obtained from the Court a Consolidation Order, permitting the bankruptcies of LP and Holdings to be substantially consolidated and administered as a single proceeding, with ISI as the Trustee of the consolidated bankruptcy estate. For greater clarity creditors of either LP, Holdings or both should file a single claim within the consolidated bankruptcy estate of FSP.

The Notice of Bankruptcy and first meeting of creditors was published in the July 21, 2016 edition of Financial Post in The National Post, in accordance with the provisions of the Act and the extension obtained from the Office of the Superintendent of Bankruptcy.

II. CAUSES OF FINANCIAL DIFFICULTY

FSP's financial difficulties arose from cost overruns and delays associated with the initial construction of the golf course, which could never be recouped as FSP faced declining profitability. The declining profitability was due to the competition of other golf courses and the contraction in the popularity and demand with the sport of golf, relative to the supply of golf courses. Ultimately FSP's lender lost confidence in FSP's ability to continue as a going-concern and sought the appointment of a Receiver.

III. ASSETS

By Order of the Court dated June 20, 2016, the Receiver was granted the authority to sell all of the Assets. As a result of the sale of Assets, the lender suffered a shortfall and therefore, the Trustee does not have any property to secure, insure or realize upon.

The Trustee has not audited or otherwise verified any of the information contained within the Company's books and records. Therefore, the Trustee makes no representations or warranties as to the accuracy or completeness of the financial information set out above.

IV. SECURED CREDITORS

The Receiver reviewed a search of the Ontario Personal Property Security Registration System with a file currency of November 30, 2015 which disclosed the following parties having filed a registration against FSP:

1. Turf Care Financial Inc.;
2. Maxium Financial Services Inc.;
3. Roynat Inc.; and

4. Pace Savings & Credit Union Limited (“Pace”).

Additionally, a Parcel Registry search, dated December 15, 2015, for the real estate owned by FSP indicated encumbrances in favour of Pace as first mortgagee and a private second mortgagee. It was the opinion of the Receiver’s legal counsel, DLA Piper (Canada) LLP, that Pace’s mortgage security ranked ahead of all other parties claiming a secured interest, except those claims by statute which may have priority (see below).

Shortly after the appointment of the Receiver, Canada Revenue Agency (“CRA”) conducted trust audits of FSP’s HST and payroll accounts. The result of the audits was that CRA issued notice to the Receiver for the following trust claims:

1. \$26,265.08 on account of FSP’s unremitted payroll source deductions; and
2. \$128,563.16 on account of FSP’s HST liability.

With the approval of Pace and the approval of the Court, the Receiver paid the amount of \$26,265.08 to CRA. The HST trust claim in a receivership is an ordinary unsecured claim in a bankruptcy and therefore does not enjoy any priority in this bankruptcy Estate.

As a result of the Approval and Vesting Order issued by the Court dated June 20, 2016, all Assets were conveyed free and clear of any encumbrances, by the Receiver. As there are no remaining Assets, any claims against FSP at this point are solely ordinary unsecured claims. The Receiver has been advised that the leases, where perfection of security interest was done by registration, were assumed by the purchaser of the Assets or their nominee.

V. PREMISES

The premises owned by FSP were conveyed by the Receiver.

VI. CONSERVATORY AND PROTECTIVE MEASURES

As indicated above, there are no Assets requiring conservation or protection by the Trustee.

VII. BOOKS AND RECORDS

The Trustee obtained the limited available books and records required for the administration of this estate.

VIII. REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has reviewed the review conducted by the Receiver and is of the opinion that a transfer at undervalue may have occurred as between Holdings and its former Director. The Trustee is of the opinion that the cost involved to obtain judgement and recovery will outweigh

the amount in question and it is questionable if the Trustee would be successful in recovering at all. The Trustee will discuss this matter further with your Inspector(s).

IX. ESTATE SOLICITOR

The Trustee does not believe retainer of legal counsel is required in this administration. Should that change, the Trustee will consult with your Inspectors.

X. CREDITORS' CLAIMS

The known creditor claims as at the Date of Bankruptcy, according to the SOA as compared to the Proofs of Claim received by the Trustee as at 10:00 a.m. on July 28, 2016, are summarized as follows:

	Creditor Claims Per Statement of Affairs	Creditor Claims Filed to Date
	\$	\$
Secured	Nil	Nil
Preferred	Nil	Nil
Unsecured (including contingent)	<u>990,978.73</u>	<u>308,090.88</u>
Total	<u>990,978.73</u>	<u>308,090.88</u>

XI. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

As there are no assets for the Trustee to realize upon, there will not be any distribution to creditors.

XII. *Wage Earner Protection Program Act (Canada)* (“WEPPA”) / Employees

The Trustee’s review of the available records suggests that there are no claims payable that qualify for payment under WEPPA.

XIII. REMUNERATION OF THE TRUSTEE

The Receiver has provided a limited cash retainer to the Trustee for its fee and expenses with respect to the statutory administration of the Bankruptcy Estate up to and including the First Meeting of Creditors and in finalizing the statutory administration thereafter. The Trustee does

not have any funding to perform any additional investigations or functions aside from the statutory administration.

XIV. PREVIOUS DEALINGS WITH THE DEBTOR

ISI considered whether or not it had a conflict in acting as Trustee. Given the authority provided to the Receiver by Court Order to file the assignments in bankruptcy and for ISI to act as trustee in bankruptcy, ISI was satisfied that it did not have a conflict in acting as Trustee.

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Dated at Concord, Ontario, this 28th day of July, 2016.

IRA SMITH TRUSTEE & RECEIVER INC.,
The Trustee of the Estate of FSP Holding Limited Partnership
and FSP Holdings Inc., bankrupts

Per:



Ira Smith
President