Court File No. CV-13-10362-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SILVER STREAMS HOMES INC., SILVER STREAMS HOMES (PUCCINI) INC., 2148993 ONTARIO INC., 2148990 ONTARIO INC., 2147681 ONTARIO INC. AND 2147650 ONTARIO INC.**

Applicants

**REPORT TO COURT OF GRANT THORNTON LIMITED, PROPOSED MONITOR OF THE APPLICANTS UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT***

**DECEMBER 13, 2013**

GrantThornton

**Grant Thornton Limited,
Proposed Monitor of the Applicants
under the *Companies' Creditors Arrangement Act***

Royal Bank Plaza
200 Bay Street, South Tower, 19th Floor
Toronto, Ontario, M5J 2P9

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## INTRODUCTION

1. Silver Streams Homes Inc. ("**Silver Streams**") is a residential home builder in the Greater Toronto Area.

2. Silver Streams Homes (Puccini) Inc. ("**Puccini**") was incorporated in October 2008 for the purpose of developing and selling homes in a development located at Bathurst St. and King Rd. in Richmond Hill, Ontario (the "**Puccini Project**"). Puccini is registered with Tarion and is the vendor under agreements of purchase and sale for homes in the Puccini Project.

3. Title to the some (but not all) of the lands in phases II and III of the Puccini Project is held by 2148993 Ontario Inc. ("**2148993**"), 2148990 Ontario Inc. ("**2148990**"), 2147681 Ontario Inc. ("**2147681**") and 2147650 Ontario Inc. ("**2147650**" and, collectively, the "**Title Holders**"). Silver Streams, Puccini

and the Title Holders are collectively referred to as the "**Companies**" or the "**Applicants**".

4. The Companies have made application to the Ontario Superior Court of Justice (Commercial List) (the "**Court**") to commence proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**"). It is proposed that Grant Thornton Limited ("**GTL**" or the "**Proposed Monitor**") act as monitor ("**Monitor**") in the CCAA Proceedings. GTL has consented to act in such capacity.

5. The affidavit of Imran Jinnah, the sole director/shareholder of the Applicants, sworn on December 11, 2013 (the "**Jinnah Affidavit**") and filed in connection with the CCAA Proceedings describes, *inter alia*, the Companies' background, including the reasons for the requested CCAA Proceedings. According to the Jinnah Affidavit, the primary purpose of the CCAA Proceedings is to allow the Companies the opportunity to complete the 10 remaining homes in Phases II and III of the Puccini Project and to apply the net sale proceeds, after payment of operating costs and the costs of the CCAA Proceedings, to payment of their creditors' claims in the priority determined by the Court. It is the Companies' view that the completion of the homes maximizes value for the Applicants' stakeholders and protects the interests of purchasers of homes under agreements of purchase and sale.

6. An affiliate of an existing secured lender has indicated it is prepared to provide the Applicants with interim financing to enable the Applicants to

complete the construction of the homes and fund the costs of the CCAA Proceedings.

7. The requested CCAA Proceedings would provide a stay of proceedings against the Companies, interim financing to support the restructuring, and a single forum for resolving priority disputes among the Applicants' numerous stakeholder groups, with the aim of avoiding the potentially significant cost of separate litigation between the various stakeholder groups and the Applicants.

8. This report (the "**Report**") is submitted by Grant Thornton Limited in conjunction with the application of the Applicants seeking an initial order (the proposed "**Initial Order**") that provides for, among other things, the following relief:

   i) a declaration that the Applicants are companies to which the CCAA applies;

   ii) a stay of all proceedings taken or that might be taken against the Companies, or affecting the property or the business of the Companies, without the further order of the Court, except as otherwise provided for in the Initial Order;

   iii) an order that the Companies shall remain in possession and control of their property and business, and shall continue to carry on business in the manner consistent with the preservation of their business and property except as otherwise provided for in the Initial Order;

iv) an order authorizing the Companies to complete the sale of two Presold Homes, as detailed in the Jinnah Affidavit;

v) an order appointing GTL as the Monitor in the CCAA Proceedings and authorizing the Monitor to, among other things, control the receipts and disbursements of the Applicants and collect funds arising from the realization of the Companies' assets;

vi) an order granting an administrative charge for certain professional fees incurred in connection with these proceedings (the "**Administration Charge**"); and

vii) an order authorizing the Companies to obtain interim financing and granting a charge to secure such interim financing (the "**Interim Financing Charge**").

## PURPOSE OF REPORT

9. The purpose of this Report is to provide the Court with further information related to the relief sought by the Applicants. This Report specifically provides:

i) information regarding the financial position of the Applicants and the reasons for the request for the commencement of the proposed CCAA Proceedings;

ii) the Proposed Monitor's comments and report on the Companies' cash flow projection (the "**Cash Flow Projection**"), which was submitted in conjunction with the Jinnah Affidavit;

iii) information concerning the proposed mechanism by which the Companies' operations are to be funded during the CCAA Proceedings and comments on the need for interim financing; and

iv) a discussion of the proposed Administration Charge and Interim Financing Charge and such charges' effect on the various stakeholder groups.

10. Detailed background information concerning the Companies and their stakeholders is provided in the Jinnah Affidavit, which has been filed with the Court. Accordingly, the Proposed Monitor has not repeated information to this effect in this Report.

## SCOPE AND TERMS OF REFERENCE

11. In preparing this Report, the Proposed Monitor has relied upon unaudited financial information, the Companies' records, financial information and projections and discussions with the Companies' management and employees. While the Proposed Monitor reviewed various documents provided by the Companies and believes that the information therein provides a fair summary of the transactions as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted

Accounting Principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**"). Accordingly, the Proposed Monitor expresses no opinion or other form of assurance pursuant to GAAP or IFRS with respect to such information.

12. Some of the information used in preparing this Report consists of financial projections, including the Cash Flow Projection. The Proposed Monitor cautions that these projections are based upon assumptions about future events and conditions that are not ascertainable. The Companies' actual results may vary from the Cash Flow Projection, even if the hypothetical and probable assumptions contained therein materialize, and the variations could be significant. The Proposed Monitor's review of the future oriented information used to prepare this Report did not constitute an audit of such information under GAAP or IFRS.

13. In the course of its mandate, the Proposed Monitor has assumed the integrity and truthfulness of the information and explanations presented to it by the Companies and their management, within the context in which such information was presented. To date, nothing has come to the Proposed Monitor's attention that would cause it to question the reasonableness of these assumptions. The Proposed Monitor has requested that management bring to its attention any significant matters which were not addressed in the course of the Proposed Monitor's specific inquiries. Accordingly, this Report is based solely on the information (financial or otherwise) made available to the Proposed Monitor by the Companies.

14. This Report has been prepared for the use of this Court and the Companies' stakeholders as general information relating to the Companies. Accordingly, the reader is cautioned that this Report may not be appropriate for any other purpose. The Proposed Monitor will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Report contrary to the provisions of this paragraph.

15. All references to dollars are in Canadian currency unless otherwise noted.

16. Capitalized terms not defined in this Report have the meanings ascribed to them in the Jinnah Affidavit.

## FINANCIAL POSITION

17. The most recent financial statements for each of the Applicants are attached as Exhibits "P", "Q" and "R" to the Jinnah Affidavit. The Companies advise that these are the most recent annual financial statements and that there are no interim financial statements for 2013.

18. As reflected in the financial statements, for the fiscal years ended November 30, 2012 and 2011, Silver Streams and Puccini reported combined net income totaling approximately $166,000 and $146,000, respectively. However, the financial statements also reflect that at November 30, 2012, the Silver Streams and Puccini had little liquidity with which to satisfy significant liabilities.

19. Paragraphs 25 to 34 of the Jinnah Affidavit provide details of the Companies' financial difficulties related to the Puccini Project, including details of the Companies' significant trade payable arrears as at December, 2013.

20. The Companies' primary stakeholders are three third party mortgagees, six subordinated secured creditors, lien claimants and trade creditors. Each of the stakeholder groups are discussed in detail in the Jinnah Affidavit.

21. As described in the Jinnah Affidavit, the Companies have combined secured debt in excess of $12 million, which is currently in default, and construction liens totalling in excess of $3.5 million, which have been registered against title to various lots in the Puccini Project. The Companies do not currently have any liquidity with which to satisfy these obligations.

22. The Companies' primary assets are their interests in the remaining lots in the Puccini Project. The Companies have no material cash or short term assets with which to satisfy their obligations.

23. Each of the Companies are unable to pay their obligations as they come due and their combined obligations exceed the value of their assets. In the Proposed Monitor's view, the Applicants are insolvent.

## CASH FLOW PROJECTION

24. In order to fulfill the requirements of section 10(2)(a) of the CCAA, the Companies have prepared the Cash Flow Projection, on a weekly basis, for the thirteen weeks ending March 14, 2014. The Cash Flow Projection is attached hereto as **Appendix "1"**. The Cash Flow Projection has been prepared by management using probable and hypothetical assumptions set out therein.

25. The Proposed Monitor makes the following comments on the Cash Flow Projection:

    i) Expenses appear to be consistent with the level of operations contemplated by management for the Companies during the restructuring period;

    ii) The Cash Flow Projection does not contemplate making regular payments to the Companies' secured creditors nor servicing interest on such obligations during the CCAA Proceedings;

    iii) The Cash Flow Projection does not contemplate paying property tax arrears, nor does it contemplate paying HST/GST arrears of approximately $630,000; and

    iv) The Cash Flow Projection contemplates paying arrears of management fees (approximately $10,000).

26. The Companies will require an interim financing facility in order to meet their cash flow requirements over the period covered by the Cash Flow Projection.

27. The Proposed Monitor's review of the Cash Flow Projection consisted of inquiries, analytical procedures and discussions related to information supplied to the Proposed Monitor by the management and employees of the Companies. Since hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to such assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Projection. The Proposed Monitor has also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow Projection. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe that, in all material respects:

    i) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Projection;

    ii) as at the date of this Report, the probable assumptions developed by management are not suitably supported and consistent with the Companies' plans or do not provide a reasonable basis for the Cash Flow Projection, given the hypothetical assumptions; or

    iii) the Cash Flow Projection does not reflect the probable and hypothetical assumptions.

28. The Cash Flow Projection prepared by the Companies projects that the Applicants will, subject to the approval of the interim financing (discussed below), have sufficient funds on hand to maintain their operations throughout the Cash Flow Projection period.

## INTERIM FINANCING

29. As discussed above and reflected in the Cash Flow Projection, the Companies anticipate requiring an interim financing facility (the "**Interim Financing**") of at least $425,000 in order to meet their cash flow needs for the first three weeks of the period covered by the Cash Flow Projection. The Companies have requested an authorized interim financing facility of up to the principal amount of $1 million, which, in the Proposed Monitor's view, is not excessive in the circumstances.

30. The Monitor understands that, prior to the Companies' application to this Court, the Companies had been in discussions with the proposed DIP lender, namely, Sandall Investments Limited (the "**DIP Lender**"), whose affiliate is an existing lender to the Companies, regarding interim financing for the CCAA proceedings. The Proposed Monitor did not participate in those discussions and did not assist the Companies in identifying potential sources of interim financing.

31. Identifying a suitable interim financing lender in the Companies' circumstances (i.e. with partially completed construction and no liquidity) presented significant challenges. In the circumstances, the Proposed

Monitor understands that the Companies did not approach other interim financing lenders.

32. The Proposed Monitor understands that the DIP Lender is prepared to provide interim financing conditional on obtaining a first priority charge for the funds advanced and a formal Court process being undertaken by the Companies to restructure their business. This financing is necessary to fund the Companies, with the guidance of a Monitor and supervision of the Court, while they complete remaining construction on the Puccini Project and realize on the remaining assets. A copy of the interim financing term sheet among the Companies and the DIP Lender dated December 11, 2013 (the "**Term Sheet**") is attached hereto as **Appendix "2"**. A summary of the key terms and conditions of the Term Sheet are as follows:

    i) Maximum credit amount: $1 million.

    ii) Interest rate: 12% annually.

    iii) Term: earlier of 12 months or the sale of the remaining ten lots in the Puccini Project.

    iv) Material conditions: Issuance of the proposed Initial Order and Court approval of the Interim Financing Charge; legal review and finalization of definitive interim financing documents.

33. The Proposed Monitor is familiar with other interim financing arrangements in the context of recent CCAA proceedings and is of the view that the terms and conditions of the interim financing are consistent with the terms and

conditions of the interim financing arrangements approved by various courts in other CCAA proceedings.

34. The Proposed Monitor has reviewed the Term Sheet and is of the view that, in light of the nature of the assets, operations and financial position of the Applicants, the terms and conditions of same are reasonable in the circumstances.

35. As the Companies have no alternative source of financing at the present time, in the absence of the interim financing, the Companies will likely be forced to cease operating and essentially abandon or liquidate their assets in the current state. Given the numerous stakeholders and overlapping interests in the assets, there is a significant risk that this would result in stakeholders taking actions independently to protect their interests, which would likely result in extensive multiple, competing litigation proceedings, some of which have already been commenced and/or threatened, and would result in a diminution of potential realizable value of the Companies' assets.

36. It is the Proposed Monitor's view that the interim financing is necessary if the Companies are to be allowed the opportunity to continue so that they have the possibility of completing the Puccini Project and establish a single proceeding and forum in which the numerous stakeholders' claims can be made and dealt with.

37. The Term Sheet requires a charge over the assets of the Companies in favour of the DIP Lender as security for payment of all present and future

indebtedness owing to DIP Lender in respect of the interim financing. The priority of the charges is addressed below.

## ADMINISTRATION CHARGE

38. The draft initial order contemplates a charge in the amount of $500,000 in favour of the Monitor, counsel to the Monitor and the Companies' counsel, with such parties being entitled to the benefit of an Administration Charge on the Companies' assets as security for professional fees and disbursements incurred at the standard rates and charges of the Monitor and counsel, both before and after the making of an order in respect of these proceedings.

39. The Administration Charge threshold has been established based on the various professionals' previous history and experience with restructurings of similar magnitude and complexity. If the initial order is granted, the Proposed Monitor believes that this charge is required and reasonable in the circumstances.

## PRIORITY OF PROPOSED CHARGES

40. The outstanding amounts owing to first mortgagees total approximately $1.8 million. When the proposed priority charges are considered together with the amount owing in respect of the first mortgages, such total amount (approximately $3.3 million), is less than the estimated gross market value of the Companies' assets which, according to the Jinnah Affidavit, is estimated to range from $8 million to $9 million. As the first mortgagees

appear to be well collateralized based on the available information, they should not be materially prejudiced by the granting of the proposed Administration Charge.

41. In the Monitor's view, the Companies' other secured lenders (the "**Private Lenders**") and/or lien holders appear to have the fulcrum security interest in the Companies' assets. Accordingly, such parties appear to be the stakeholders whose recovery may be most affected by the Administration Charge and the Interim Financing Charge, if granted, and the success of the CCAA Proceedings, as they appear to be the stakeholders whose recovery may be most dependent on the outcome of the process. The Proposed Monitor understands that the Private Lenders support the proposed CCAA Proceedings, as set out in the Jinnah Affidavit.

42. Should the interim financing facility and corresponding charge and the Administration Charge not be approved, the Companies would be unable to proceed under the CCAA.

## CONCLUSION AND NEED FOR A STAY OF PROCEEDINGS

43. Certain of the Companies' creditors have begun enforcement proceedings and some have commenced other legal action.

44. As a result of the deteriorated financial condition of the Companies, they have no liquidity to continue operations.

45. If the Companies are provided with a reasonable period of protection, the Companies' plan is to complete and sell the 10 homes that are in various

stages of development, maximize value for stakeholders and see the proceeds of realization distributed to stakeholders pursuant to orders of the Court.

46. As the various stakeholder interests are, in many cases, intertwined (i.e. in the case of blanket mortgages and construction liens), the granting of the relief requested would provide a single forum for the numerous stakeholders to be heard and to deal with such parties' claims in an orderly manner, under the supervision of the Court and a Court-appointed Monitor.

47. A stay of proceedings is necessary if it is deemed appropriate by this Court to allow the Companies to maintain their business and to allow the Applicants the opportunity to implement their restructuring plans in a stabilized environment.

All of which is respectfully submitted,

**GRANT THORNTON LIMITED,**
**In its capacity as Proposed Monitor of the Applicants under the *Companies' Creditors Arrangements Act* and not in any other capacity**

**Per:**

**Jonathan Krieger, CPA, CA, CIRP**
**Senior Vice President**

# Appendix 1

Silver Streams Homes Puccini Inc. et. al.
**Projected Statement of Cash Flow**
For the 13-week period ending March 14, 2014
(Unaudited, $C)

| | | 2013 | | 2014 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 20-Dec | 27-Dec | 03-Jan | 10-Jan | 17-Jan | 24-Jan | 31-Jan | 07-Feb | 14-Feb | 21-Feb | 28-Feb | 07-Mar | 14-Mar | Total |
| **Receipts** | | | | | | | | | | | | | | | |
| *Lot #22* | | | | | | | | | | | | | | | |
| Gross closing proceeds, net of deposit collected | 1 | - | - | - | 827,257 | - | - | - | - | - | - | - | - | - | 827,257 |
| Commission payable (2.5% of gross purchase price) | 1 | - | - | - | (24,500) | - | - | - | - | - | - | - | - | - | (24,500) |
| *Lot #25* | | | | | | | | | | | | | | | |
| Gross closing proceeds, net of deposit collected | 1 | - | - | - | - | - | - | 918,257 | - | - | - | - | - | - | 918,257 |
| Commission payable (3.5% of gross purchase price) | 1 | - | - | - | - | - | - | (39,086) | - | - | - | - | - | - | (39,086) |
| *General* | | | | | | | | | | | | | | | |
| Interim financing facility (i.e. DIP loan) | 2 | 425,000 | - | - | - | - | - | - | - | - | - | - | - | - | 425,000 |
| HST rebates | | - | - | - | - | - | - | - | - | - | - | - | - | 48,000 | 48,000 |
| HST collected | 1 | - | - | - | 112,743 | - | - | 128,473 | - | - | - | - | - | - | 241,217 |
| Total receipts | | 425,000 | - | - | 915,500 | - | - | 1,007,644 | - | - | - | - | - | 48,000 | 2,396,144 |
| **Disbursements** | | | | | | | | | | | | | | | |
| *Lot #22* | | | | | | | | | | | | | | | |
| Interior finishing cost | 3 | 19,800 | 12,952 | - | - | - | - | - | - | - | - | - | - | - | 32,752 |
| Exterior finishing cost | 3 | 5,500 | 5,700 | - | - | - | - | - | - | - | - | - | - | - | 11,200 |
| HST (13%) | | 3,289 | 2,425 | - | - | - | - | - | - | - | - | - | - | - | 5,714 |
| *Lot #25* | | | | | | | | | | | | | | | |
| Interior finishing cost | 3 | 13,750 | 10,807 | 21,332 | 1,000 | - | - | - | - | - | - | - | - | - | 46,889 |
| Exterior finishing cost | 3 | 3,500 | 5,500 | - | 5,500 | - | - | - | - | - | - | - | - | - | 14,500 |
| HST (13%) | | 2,243 | 2,120 | 2,773 | 845 | - | - | - | - | - | - | - | - | - | 7,981 |
| *Lot #23* | | | | | | | | | | | | | | | |
| Interior finishing cost | 3 | - | - | - | - | 5,494 | 24,826 | 28,020 | 12,020 | 9,950 | 19,764 | 4,300 | 1,400 | - | 105,774 |
| Exterior finishing cost | 3 | - | - | - | - | 10,556 | - | - | - | - | - | - | 5,500 | - | 16,056 |
| HST (13%) | | - | - | - | - | 2,086 | 3,227 | 3,643 | 1,563 | 1,294 | 2,569 | 559 | 897 | - | 15,838 |
| *Lot #24* | | | | | | | | | | | | | | | |
| Interior finishing cost | 3 | - | - | - | - | 5,494 | 24,826 | 28,020 | 12,020 | 9,950 | 19,764 | 4,300 | 1,400 | - | 105,774 |
| Exterior finishing cost | 3 | - | - | - | - | 10,556 | - | - | - | - | - | - | 5,500 | - | 16,056 |
| HST (13%) | | - | - | - | - | 2,086 | 3,227 | 3,643 | 1,563 | 1,294 | 2,569 | 559 | 897 | - | 15,838 |
| *Lot #20* | | | | | | | | | | | | | | | |
| Interior finishing cost | 3 | - | - | - | - | 17,238 | 6,631 | 19,509 | 1,000 | - | - | - | - | - | 44,377 |
| Exterior finishing cost | 3 | - | - | - | - | - | - | - | 5,500 | - | - | - | - | - | 5,500 |
| HST (13%) | | - | - | - | - | 2,241 | 862 | 2,536 | 845 | - | - | - | - | - | 6,484 |
| *Lot #19* | | | | | | | | | | | | | | | |
| Interior finishing cost | 3 | - | - | - | - | 5,500 | 700 | - | - | - | - | - | - | - | 6,200 |
| Exterior finishing cost | 3 | - | - | - | - | - | 5,500 | - | - | - | - | - | - | - | 5,500 |
| HST (13%) | | - | - | - | - | 715 | 806 | - | - | - | - | - | - | - | 1,521 |
| *Lot #1* | | | | | | | | | | | | | | | |
| Interior finishing cost | 3 | - | - | - | - | 27,038 | 17,700 | 2,800 | - | - | - | - | - | - | 47,538 |
| Exterior finishing cost | 3 | - | - | - | - | 5,450 | 1,200 | 3,600 | - | - | - | - | - | - | 10,250 |
| HST (13%) | | - | - | - | - | 4,223 | 2,457 | 832 | - | - | - | - | - | - | 7,512 |
| *General (inclusive of HST)* | | | | | | | | | | | | | | | |
| Management fees | 4 | 40,320 | - | - | - | 32,410 | - | - | - | 32,410 | - | - | - | 32,410 | 137,550 |
| Property taxes | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Insurance | | 6,000 | - | - | - | 2,746 | - | - | - | 2,746 | - | - | - | 2,746 | 14,239 |
| Office expenses | | 4,000 | - | - | - | 4,000 | - | - | - | 4,000 | - | - | - | 4,000 | 16,000 |
| Automotive expenses | | 7,000 | - | - | - | 7,000 | - | - | - | 7,000 | - | - | - | 7,000 | 28,000 |
| Post-closing service costs re: Lot 17 | | 8,475 | - | - | - | - | - | - | - | - | - | - | - | - | 8,475 |
| Tarion warranty - service and materials | 5 | 24,360 | 6,090 | 6,090 | 6,090 | 6,090 | 6,090 | 6,090 | 6,090 | 6,090 | 6,090 | 6,090 | 6,090 | 6,090 | 97,440 |
| Interest/loan payments | 6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| HST remittance/(refund) | | - | - | - | - | - | - | - | - | - | - | - | - | 35,373 | 35,373 |
| Contingency (15% of construction costs) | | 7,212 | 5,926 | 3,616 | 1,102 | 14,801 | 13,794 | 13,890 | 5,177 | 3,373 | 6,700 | 1,458 | 2,339 | - | 79,388 |
| Repayment of the interim financing facility | 2 | - | - | - | - | 428,912 | - | - | - | - | - | - | - | - | 428,912 |
| Professional fees | 7 | 175,000 | - | - | 75,000 | - | - | 75,000 | - | - | 75,000 | - | - | 50,000 | 450,000 |
| Total disbursements | | 320,449 | 51,519 | 33,811 | 89,537 | 594,637 | 111,847 | 187,583 | 45,777 | 78,107 | 132,457 | 17,266 | 24,023 | 137,619 | 1,824,630 |
| **Net cash inflow (outflow)** | | 104,551 | (51,519) | (33,811) | 825,963 | (594,637) | (111,847) | 820,062 | (45,777) | (78,107) | (132,457) | (17,266) | (24,023) | (89,619) | 571,514 |
| **Bank account - opening balance** | | - | 104,551 | 53,032 | 19,221 | 845,185 | 250,548 | 138,701 | 958,762 | 912,985 | 834,879 | 702,422 | 685,156 | 661,133 | - |
| **Bank account - closing balance** | | 104,551 | 53,032 | 19,221 | 845,185 | 250,548 | 138,701 | 958,762 | 912,985 | 834,879 | 702,422 | 685,156 | 661,133 | 571,514 | 571,514 |

Silver Streams Homes Puccini Inc. et. al.
**Projected Statement of Cash Flow**
For the 13-week period ending March 14, 2014
(Unaudited, $C)

Hypothetical Assumptions:

1. Lots 22 and 25 are subject to sale agreements with third parties. These homes are projected to be substantially completed by the end of December, 2013 and mid-January, 2014, respectively. The sale closings are anticipated to take place in January 2014. It is assumed that proceeds of realization in these proceedings would be held by the Monitor pending further order of the Court regarding creditor priority; however, the interim financing facility is assumed to be repaid from the proceeds of the closing of the sale of Lots 22 and/or 25, as are the cost of construction for the remaining homes and the outstanding costs of the CCAA proceedings.

2. The interim financing facility is subject to a term sheet that is attached to the Affidavit of Imran Jinnah filed with the Applicants' motion record. The loan attracts interest at 12% per year. The lender is also affiliated with one of the Applicants' private mortgage lenders. The loan is anticipated to be repaid from the proceeds of sale of Lots 22 and/or 25.

3. Represents the estimated costs to complete the homes currently under construction.

4. Represents amounts payable to various parties, including the management team responsible for all construction and sales activities of the Applicants. Parties receiving payments include the Applicants' principals as well as third party vendors/service providers.

5. Represents post-closing servicing costs as required by the Tarion new home warranty program. Includes three weeks of arrears in the week ending December 20, 2013.

6. Interest and loan payments are not projected to be paid during the CCAA proceedings.

7. Represents the fees and costs of the Applicants' counsel, the Monitor and the Monitor's independent counsel.

Probable Assumptions:

1. The sale of homes other than those located on lots 22 and 25 are assumed to close after March 14, 2014.

# Appendix 2

## Term Sheet

We understand that the Borrowers (as hereinafter defined) intend to seek protection under the *Companies' Creditors Arrangement Act* (the **"CCAA"**) pursuant to an order (the **"Initial Order"**) to be obtained from the Ontario Superior Court of Justice (Commercial List) (the **"Court"**) (the **"CCAA Proceedings"**).

In connection with the CCAA Proceedings, Sandall Investments Limited (the **"Lender"**) wishes to provide the Borrowers with this term sheet (the **"Term Sheet"**) which sets out the terms and conditions upon which the Lender is willing to provide the Borrowers with the Facility (as hereinafter defined).

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|---|---|
| **Borrowers** | Silver Streams Homes Inc., Silver Streams Homes (Puccini) Inc., 2148993 Ontario Inc., 2148990 Ontario Inc., 2147681 Ontario Inc. and 2147650 Ontario Inc. (collectively, the **"Borrowers"** and each a "**Borrower**"). |
| **Lender** | Sandall Investments Limited |
| **Facility Type** | Revolving Short Term Credit Facility (the "**Facility**"). |
| **Amount** | Maximum principal amount of $1,000,000. |
| **Interest Rate** | 12% per annum, calculated monthly, not in advance. Interest calculated as aforesaid shall be payable (i) monthly, on the last business day (in Toronto) of each month until the full amount outstanding hereunder on account of the Facility has been paid in full, (ii) in accordance with the "Repayment" section below and (iii) upon Maturity (as hereinafter defined). The first monthly payment of interest hereunder shall be payable on the last business day of the month immediately following the month in which the initial advance of the Facility occurs, computed from the date of such advance. |
| **Purpose** | To provide the Borrowers with working capital for the completion of the construction and sale of ten (10) remaining residential homes in Phases II and III of the "Puccini Project" located in Richmond Hill, Ontario (each such residential home is hereinafter referred to as a **"Unit"**), finance cost of required Tarion warranty work on homes in the Puccini Project, and to fund the costs of the CCAA Proceedings. |
| **Term** | The Facility matures and is repayable on the earlier of ("**Maturity**"):<br>(a) the first anniversary of the initial advance of the Facility or such later date as the Lender may agree in writing;<br>(b) the completion of the sale and transfer of all Units;<br>(c) the date on which the Initial Order expires without being extended or on which the CCAA Proceedings are terminated or dismissed; and |

(d) the occurrence of an Event of Default (as defined below)).

All amounts outstanding or payable hereunder (including the principal amount outstanding hereunder, all unpaid accrued interest under the Facility and all fees and other amounts required to be paid by the Borrowers under the Facility) shall be due and payable in full on Maturity.

**Availability**

The Lender shall advance to the Monitor's account at Royal Bank of Canada an initial amount of $425,000 within one (1) business day following Court approval of this DIP Term Sheet and the granting of the DIP Charge with the priority contemplated herein. Provided that an Event of Default (as defined below) has not occurred and is not continuing and demand for payment has not been made, further advances under the Facility shall be available by multiple advances each in the minimum amount of $50,000 and on three (3) business days prior written notice to the Lender and shall be wire transferred to the Monitor's account. Each such notice shall be supported by a budget of expenses reviewed and approved by the Monitor (as defined below).

**Security**

All debts, liabilities, and obligations of the Borrowers under the Facility shall be secured by a first-ranking super-priority charge pursuant to the Initial Order over all of the present and future real and personal, tangible and intangible property and assets of the Borrowers, including the real property legally described in Schedule "A" hereto, in favour of the Lender in priority to all assignments, security interests, trusts, liens, mortgages, charges and encumbrances whatsoever, statutory or otherwise including, without limitation, all present and future construction liens whether or not perfected or preserved.

**Repayment**

The net proceeds of the sale of each Unit (the "**Closing Proceeds**") shall be paid and applied as follows: (i) firstly, towards outstanding Permitted Fees and Expenses (as defined below), (ii) secondly, towards outstanding interest and costs payable hereunder, and (iv) thirdly, towards outstanding principal hereunder.

**Prepayment of Facility:**

The Facility can be permanently repaid in whole or in part at any time, without notice or penalty.

**Permitted Fees and Expenses:**

"Permitted Fees and Expenses" means, collectively:

(a) all reasonable and documented fees and expenses of counsel for the Borrowers in connection with the Facility and the CCAA Proceedings (whether incurred prior to or during the pendency of the CCAA Proceedings); and

(b) all reasonable and documented fees and expenses incurred by Grant Thorton Limited (including the fees and expenses of its counsel), in its capacity as "Monitor" under the CCAA

Proceedings (whether incurred prior to or during the pendency of the CCAA Proceedings) (the **"Monitor"**).

**Default**

The following events shall constitute events of default (each, an "**Event of Default**"):

(a) if the Borrowers fail to pay to the Lender when due any amount of principal, interest or other amounts under the Facility, this Term Sheet or otherwise, whether by acceleration or otherwise;

(b) if any Borrower defaults, in the observance or performance of any other non-financial term, covenant or condition in this Term Sheet or any other agreement between the Lender and any Borrower, and such default is not cured within five (5) business days of receiving notice thereof from the Lender;

(c) if the Lender determines, in its sole discretion, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of the Borrowers or the "Puccini Project";

(d) if (i) the Initial Order is varied without the consent of the Lender or any other order is made which is or may be prejudicial to the Lender's interests, acting reasonably; (ii) the Initial Order is appealed or leave to appeal is granted; or (iii) the stay of proceedings contained in the Initial Order is terminated or lifted;

(e) if a receiver is appointed over any property of any Borrower or any judgment or order or process of any court becomes enforceable against any Borrower or any property of any Borrower or any creditor takes possession of any property of any Borrower;

(f) if any Borrower ceases to carry on business or fails to proceed with the completion of the Units in a reasonable and diligent manner;

(g) if any Borrower become a bankrupt under the bankruptcy laws of Canada; or

(h) if the Lender and the Borrowers do not agree on (i) the terms under which any Unit is to be listed for sale or (ii) whether an offer to purchase any Unit is to be accepted.

**Remedies**

Upon the occurrence of an Event of Default, which is continuing:

(a) the Lender may immediately terminate the Facility; and

(b) all amounts outstanding under the Facility and this Term Sheet shall, at the option of the Lender, immediately become due and payable; and

(c) upon seeking an Order of the Court on five (5) days prior notice, enforce, without further notice, demand or delay, all of its rights and remedies against the "Puccini Project", the Borrowers and their property, assets and undertaking including, without limitation, by way of appointment of a receiver.

**Conditions Precedent**

The advance of the Facility is conditional upon the Borrowers obtaining the Initial Order on terms acceptable to the Lender, including an order (i) authorizing the Borrowers to enter into and perform their obligations under this Term Sheet, (ii) granting the Lender a first-ranking super-priority charge over all of the present and future real and personal, tangible and intangible property and assets of the Borrowers, including the real property legally described in Schedule "A" hereto and (iii) authorizing and directing the Monitor to control the Borrowers' receipts and disbursements.

**Fees and Expenses**

The Borrowers shall be responsible for all costs, fees and expenses incurred by the Lender in connection with the negotiation, preparation and administration of this Term Sheet and the enforcement of the Security including, without limitation, all court attendances in connection therewith. All such fees and expenses shall be added to the Facility and secured by the Security.

**Governing Law**

Province of Ontario.

**Counterparts**

This Term Sheet may be executed and delivered by the parties in separate counterparts, each of such counterparts when so executed and delivered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. Delivery of an executed copy of this Term Sheet or any counterpart to any party may be by facsimile or email PDF format.

The offer of financing constituted by this Term Sheet is open for acceptance by the execution by the Borrower and return of a duplicate copy by 5:00pm on December 11, 2013, after which date this offer will expire and this Term Sheet shall be of no further force or effect.

Yours truly,

**SANDALL INVESTMENTS LIMITED**

Per:____________________
Name:
Title:

I have authority to bind the corporation.

Accepted this _____ day of December, 2013.

**SILVER STREAMS HOMES INC.**

Per:________________________
Name: Imran Jinnah
Title: President

I have authority to bind the corporation.

**SILVER STREAMS (PUCCINI) INC.**

Per:________________________
Name:
Title:

I have authority to bind the corporation.

**2148993 ONTARIO INC.**

Per:________________________
Name:
Title:

I have authority to bind the corporation.

**2148990 ONTARIO INC.**

Per:________________________
Name:
Title:

I have authority to bind the corporation.

**2147681 ONTARIO INC.**

Per:________________________
Name:
Title:

I have authority to bind the corporation.

**2147650 ONTARIO INC.**

Per:________________________
Name:
Title:

I have authority to bind the corporation.

**SCHEDULE "A"**
**REAL PROPERTY**

Lot 1 on Plan 65M4249; Town of Richmond Hill, PIN 03206-3418 (LT):

Lot 23 on Plan 65M4249; Subject to an easement in gross over Part 2 on Plan 65R3291 as set out in Instrument No. YR1620823; Town of Richmond Hill, PIN 03206-3440 (LT). Lot 24 on Plan 65M4249; Subject to an easement in gross over Part 3 on Plan 65R32917 as set out in Instrument No. YR1620823; Town of Richmond Hill, PIN 03206-3441 (LT).

Lot 18 on Plan 65M4331; Town of Richmond Hill; PIN 03206-3501 (LT). Lot 19 on Plan 65M4331; Town of Richmond Hill; PIN 03206-3502 (LT). Lot 20 on Plan 65M4331; Town of Richmond Hill; PIN 03206-3505 (LT). Lot 22 on Plan 65M4331; Town of Richmond Hill; PIN 03206-3505 (LT). Lot 23 on Plan 65M4331; Town of Richmond Hill; PIN 03206-3506 (LT). Lot 24 on Plan 65M4331; Town of Richmond Hill; PIN 03206-3507 (LT). Lot 25 on Plan 65M4331; Town of Richmond Hill; PIN 03206-3508 (LT).