

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

BETWEEN:

**CHIEF EXECUTIVE OFFICER OF THE FINANCIAL SERVICES
REGULATORY AUTHORITY OF ONTARIO**

Applicant

-and-

**SUSSMAN MORTGAGE FUNDING INC., 2486976 ONTARIO INC., and
1981361 ONTARIO INC.**

Respondents

**SECOND SUPPLEMENTAL REPORT TO THE
FIRST REPORT OF B. RILEY FARBER INC.
IN ITS CAPACITY AS RECEIVER OF
SUSSMAN MORTGAGE FUNDING INC., 2486976 ONTARIO INC., and
1981361 ONTARIO INC.**

DATED JULY 23, 2025

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FIRST REPORT OF B. RILEY FARBER INC.
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SUSSMAN MORTGAGE FUNDING INC., 2486976 ONTARIO INC., and
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FIRST REPORT OF B. RILEY FARBER INC.
IN ITS CAPACITY AS RECEIVER OF
SUSSMAN MORTGAGE FUNDING INC., 2486976 ONTARIO INC., and
1981361 ONTARIO INC.**

DATED JULY 23, 2025

INTRODUCTION AND PURPOSE OF THIS REPORT

1. On April 11, 2025, the Financial Services Regulatory Authority of Ontario (“**FSRA**”) made an application (the “**Application**”) under subsection 37 of the *Mortgage Brokerages, Lenders and Administrators Act, 2006*, S.O. 2006,c.29 (the “**MBLAA**”) and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c.C.43 (the “**CJA**”) to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order appointing B. Riley Farber Inc. (“**B. Riley**”) as receiver without security, of all of the assets, undertakings and properties of Sussman Mortgage Funding Inc. (“**SMFI**”), 2486976 Ontario Inc. (“**248**”) and 1981361 Ontario Inc. (“**198**” and, together with SMFI and 248, the “**Debtors**”).
2. Pursuant to an order (the “**Receivership Order**”) of the Honourable Justice Dietrich dated May 2, 2025 (the “**Date of Appointment**”), B. Riley was appointed as receiver (in such capacity, the “**Receiver**”) of all of the assets, undertakings and properties of the Debtors, including any assets held in trust by the Debtors for any third party and all property, rights interests and proceeds arising from all joint venture or co-tenancy agreements entered into by the Debtors (collectively, the “**Property**”).
3. As required by paragraph 3 of the Receivership Order, the Receiver prepared and filed with the Court the First Report of the Receiver dated June 2, 2025 (the “**First Report**”), for consideration at a case conference to be held on June 26, 2025.
4. On June 25, 2025 the Receiver filed a motion (the “**Receiver’s Motion**”) for an order amending and restating the Receivership Order (the “**A&R Receivership Order**”). In

support of its motion the Receiver prepared and filed the Supplemental Report to the First Report (the “**Supplemental Report**”).

5. On July 8, 2025 Michael Stein (“**Stein**”) brought a motion (the “**Stein Motion**”) for an order, *inter alia*:
 - a. declaring that the S-26 Mortgage and the S-27 Mortgage (each as defined in the Stein Motion) do not form part of the Property;
 - b. requiring the Receiver to notify the mortgagors of the S-26 Mortgage and the S-27 Mortgage of same and directing the mortgagor to make all payments regarding the S-26 Mortgage and the S-27 Mortgage to Olympia Trust Company; and
 - c. requiring the Receiver to forthwith deliver (without deduction) all monies it has received, and may in the future receive, in respect of the S-26 Mortgage and the S-27 Mortgage, to Olympia.
6. The purpose of this second supplemental report to the First Report (the “**Second Supplemental Report**”) is to provide the Court with additional information with respect to:
 - a. the Receiver’s estimate of costs for the course of action proposed in the Supplemental Report, and the rational for a proposed increase in the Receiver’s Charge; and
 - b. the Receiver’s position on the Stein Motion.

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this Second Supplemental Report, the Receiver has relied upon certain unaudited, draft, and/or internal financial information of the Debtors, the books and records of the Debtors and discussions with the Debtors’ principals, and information from third-party sources (collectively the “**Information**”). Except as otherwise described in this Second Supplemental Report:

- a. the 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 Generally Accepted Assurance Standards (“GAAS”) pursuant to the Chartered Professional Accountant of Canada Handbook (the “CPA Handbook”) and, as such, the Receiver expresses no opinion or other form of assurance with respect to the Information presented in this First Report.
 - b. the Receiver has filed this Second Supplemental Report solely for the purpose of providing information to this Court. Parties using the Second Supplemental Report other than for the purposes outlined herein are cautioned it may not be appropriate for their purposes.
8. Unless otherwise noted, all monetary amounts contained in this Supplemental Report are expressed in Canadian dollars.
9. Defined terms in this Second Supplemental Report have the meaning provided to them in the First Report and the Supplemental Report unless otherwise defined herein.
10. Copies of all material related to these receivership proceedings are available at the Receiver’s Case Website: <https://brileyfarber.com/engagements/sussman-mortgage-funding-inc/>.

PROPOSED INCREASE TO RECEIVER’S CHARGE

11. Following discussions with Representative Counsel and other stakeholders, the Receiver has amended the form of order attached to the Receiver’s Motion to reflect a cap on the Receiver’s Charge of \$1,200,000. This amount reflects the Receiver’s estimate of the costs of completing the course of action proposed in the Supplemental Report, as well as costs incurred to date.
12. Set out below is a reconciliation of the Receiver’s costs, and those of its counsel, incurred to date, along with an estimate of costs for the proposed course of action. The Receiver notes that these are estimates and are subject to change, particularly given the issues

identified by the Receiver in the First Report with respect to the quality and completeness of the Debtors' books and records.

	Budget - Low	Budget - High
Receiver's fees through May 31, 2025 (exclusive of HST)	242,858	242,858
Receiver's WIP	115,000	115,000
Third party costs incurred	43,358	43,358
Legal fees	197,492	197,492
Legal WIP	40,000	40,000
Total costs incurred to date	\$ 638,708	\$ 638,708
Proposed Course of Action		
Develop realization plan for each Active Mortgage	\$ 50,000	\$ 75,000
Explore other potential avenues of recovery	30,000	50,000
Steps to complete preliminary investigation	175,000	200,000
Investigation of reviewable transactions	25,000	35,000
Prepare claims process	10,000	15,000
Legal fees and disbursements	175,000	200,000
Total estimated costs for next phase	\$ 465,000	\$ 575,000
Total projected costs	\$ 1,103,708	\$ 1,213,708

STEIN MOTION

13. The Receiver outlined its position on the S-26 Mortgage and the S-27 Mortgage in the First Report and the Supplemental Report. To summarize the Receiver's position:
 - a. In respect of the S-26 Mortgage, the information available to the Receiver suggests that Investors other than the Registered Investors may have a continuing interest in the S-26 Mortgage. As such, the Receiver cannot support a carve-out of the S-26 Mortgage at this time.
 - b. In respect of the S-27 Mortgage, the information available to the Receiver suggests that Messrs. Teichman and Stein are the only Investors with an interest in the S-27 Mortgage. As a result, the Receiver does not oppose an order allowing Teichman and Stein to enforce their remedies in respect of S-27.

- c. The Receiver's analysis is not in any way based on the fact that funds advanced by Teichman and Sten were advanced through Olympia. Rather, the Receiver's position on the S-27 Mortgage is based on the fact that the information available to the Receiver does not suggest that any Investors other than Teichman and Stein have an interest in the S-27 Mortgage.
- 14. The Receiver does not agree that funds collected to date in respect of either S-26 or S-27 should be delivered without deduction to Olympia or any other party. The Receiver has legitimately incurred costs in the exercise of its powers under the Receivership Order in order to preserve and protect stakeholder interests in the S-26 and S-27 Mortgages, both of which are subject to the Receiver's Charge.
- 15. The Receiver understands that Representative Counsel intends to seek an adjournment of the Stein Motion in order to address concerns it has raised with cost allocation, distributions and other matters and to verify if the S-27 mortgage is truly a one-off situation or if there are other mortgages that might have no commingling of funds. The Receiver has advised Representative Counsel that it would not oppose an adjournment of the Stein Motion.

CONCLUSION

- 16. The Receiver believes that the proposed course of action is reasonable and appropriate in the circumstances and is in the best interest of Investors. The Receiver has prepared an estimate of costs required to complete the proposed course of action and recommends that the Court approve an increase in the Receiver's Charge from \$300,000 to \$1,200,000.

All of which is respectfully submitted this 23rd day of July, 2025.

B. RILEY FARBER INC.,
solely in its capacity as Court-Appointed
Receiver of the Debtors and without
personal or corporate liability

Per:  _____

Name: Richard Williams , CA, CIRP, LIT
Title: Senior Managing Director

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

**SECOND SUPPLEMENTAL REPORT OF THE
RECEIVER, B. RILEY FARBER INC.**

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