

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

DATED OCTOBER 15, 2025

**SECOND REPORT OF B. RILEY FARBER INC.
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SUSSMAN MORTGAGE FUNDING INC., 2486976 ONTARIO INC.,
and 1981361 ONTARIO INC.**

DATED OCTOBER 15, 2025

TABLE OF CONTENTS

INTRODUCTION AND PURPOSE OF THIS REPORT 4

TERMS OF REFERENCE AND DISCLAIMER 5

ACTIVITIES OF THE RECEIVER 6

STAKEHOLDER CORRESPONDENCE 7

MORTGAGE-RELATED MATTERS 10

OTHER AVENUES OF POTENTIAL REALIZATION 20

FINANCIAL REVIEW AND CLAIMS PROCESS 23

PROPOSED COURSE OF ACTION 25

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS 26

FEES AND DISBURSEMENTS OF THE RECEIVER AND ITS COUNSEL 26

RECEIVER’S CHARGE 27

CONCLUSION 28

**SECOND REPORT OF B. RILEY FARBER INC.
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DATED OCTOBER 15, 2025

LIST OF APPENDICES

Appendix A	Receivership Order dated May 2, 2025
Appendix B	Representative Counsel Order dated May 20, 2025
Appendix C	Amended and Restated Receivership Order issued July 25, 2025
Appendix D	Email from TGF dated September 26, 2025
Appendix E	October 3 Endorsement dated October 3, 2025
Appendix F	Interim Statement of Receipts and Disbursements for the period May 2, 2025 to September 30, 2025
Appendix G	Affidavit of Richard Williams sworn October 15, 2025
Appendix H	Affidavit of Robert Kennedy sworn October 15, 2025

**SECOND REPORT OF B. RILEY FARBER INC.
IN ITS CAPACITY AS RECEIVER OF
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1981361 ONTARIO INC.**

DATED OCTOBER 15, 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**”). A copy of the Receivership Order is attached hereto as **Appendix “A”**.
3. Pursuant to an order (the “**Representative Counsel Order**”) of the Honourable Justice Dietrich dated May 20, 2025, A&B was appointed as representative counsel (in such capacity, “**Representative Counsel**”) of all Investors other than those Investors who notify the Receiver and Representative Counsel by no later than June 6, 2025 that they do not

wish to be represented by Representative Counsel (the “**Opt-Out Investors**”). A copy of the Representative Counsel Order is attached hereto as **Appendix “B”**.

4. On July 25, 2025, the Honourable Justice Dietrich issued an amended and restated Receivership Order (the “**ARRO**”), a copy of which is attached hereto as **Appendix “C”**.
5. The purpose of this second report of the Receiver (the “**Second Report**”) is to provide information to the Court with respect to:
 - a. the activities of the Receiver since the date of the Receiver’s first report to court (the “**First Report**”), June 2, 2025;
 - b. the Receiver’s views on the appropriate next steps in the administration of these receivership proceedings; and
 - c. the Receiver’s motion for an increase to the Receiver’s Charge and for approval of the Receiver’s fees and those of its counsel.

TERMS OF REFERENCE AND DISCLAIMER

6. In preparing this Second 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 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 Second Report.
 - b. the Receiver has filed this Second Report solely for the purpose of providing information to this Court. Parties using the Second Report other than for the purposes outlined herein are cautioned it may not be appropriate for their purposes.

7. Unless otherwise noted, all monetary amounts contained in this Second Report are expressed in Canadian dollars. Capitalized terms not defined herein have the meaning ascribed to them in the First Report, the first supplemental report to the First Report (the “**First Supplement**”), the second supplemental report to the First Report (the “**Second Supplement**”) or the third supplemental report to the First Report (the “**Third Supplement**” and, together with the First Supplement and the Second Supplement, the “**Supplemental Reports**”).
8. Copies of the Receiver’s reports and other material relevant to these proceedings are available on the Receiver’s case website at <https://brileyfarber.com/engagements/sussman-mortgage-funding-inc/>.

ACTIVITIES OF THE RECEIVER

9. Since the date of the Receiver’s First Report, the Receiver’s activities have included:
 - a. continuing its review and reconciliation of certain mortgage loans;
 - b. regularly updating the Receiver’s Case Website;
 - c. transporting books and records to its offices and releasing the Premises;
 - d. corresponding with CRA, completing tax returns and facilitating trust exams;
 - e. corresponding with third parties to obtain insurance policies, financial statements and other information;
 - f. corresponding with counsel for the Goldfarb Group, Representative Counsel and other key stakeholders;
 - g. attending a townhall presentation for Investors and attending a meeting of the Investor Committee;
 - h. preparing workplans, budgets and stakeholder updates;
 - i. preparing materials for various case conferences and attending those conferences;

- j. assisting former employees in pursuing WEPPA claims;
- k. completing the windup of the GIC Business;
- l. corresponding extensively with the Receiver's counsel, Dentons Canada LLP, regarding all matters pertaining to these proceedings;
- m. dealing with various administrative matters;
- n. taking steps to realize on certain mortgages and developing realization strategies for others, as set out in greater detail below, and
- o. drafting this First Report.

STAKEHOLDER CORRESPONDENCE

- 10. Since the date of the First Report, the Receiver has engaged in extensive correspondence with a range of stakeholders, including Investors, Representative Counsel and Thornton Grout Finnigan LLP ("TGF"), counsel to the Goldfarb Group.

Investors

- 11. On July 11, 2025 the Receiver attended a town hall meeting with Investors arranged by Representative Counsel. The agenda for the town hall meeting was:
 - a. Overview of the receivership proceedings and role of Representative Counsel;
 - b. Realization efforts;
 - c. Anticipated recoveries; and
 - d. Next steps.
- 12. During the meeting the Receiver and Representative Counsel addressed certain commonly asked questions that Representative Counsel had received from Investors. Following the meeting, the Receiver received several emails from Investors providing additional perspectives on the information provided.

13. In addition to the town hall meeting, the Receiver met with the Investor Committee and Representative Counsel on August 28, 2025 to allow the Investor Committee to ask questions of the Receiver. Following that call the Receiver provided additional written information to the Investor Committee, including copies of the financial statements of SMFI and the JVs.

Representative Counsel and TGF

14. In addition to extensive emails, telephone calls and meetings with TGF and Representative Counsel (together, “**Investor Counsel**”), the Receiver provided Investor Counsel with detailed written updates on August 21, 2025 and September 17, 2025 (collectively, the “**Status Updates**”). As the Status Updates include the Receiver’s preliminary assessment of certain claims and recovery sources as well as sensitive discussions of strategy, they have not been attached to this Second Report.
15. Paragraph 18 of the ARRO states that, prior to incurring any obligations in excess of \$850,000, the Receiver must first obtain the consent of Investor Counsel. In the Receiver’s September 17 status update, the Receiver advised Investor Counsel that it was approaching the limit of \$850,000 and requested their consent to incur additional obligations of \$150,000 in order to bring a motion for the relief set out herein.
16. The Receiver did not receive any written response from Representative Counsel to its request.
17. TGF advised the Receiver on September 26, 2025 that it required significant additional information before consenting to the Receiver’s request. A copy of TGF’s email is attached hereto as **Appendix “D”**. The information (the “**Requested Information**”) included:
 - a. An interim statement of receipts and disbursements;
 - b. A Gantt chart or project schedule showing the work that had been completed and the work that was expected to be completed, inclusive of timelines, anticipated costs and anticipated recoveries; and

- c. Answers to specific questions regarding the Ballymore Project, the Alliance Project and Heritage Village.
- 18. Dentons wrote to TGF on September 26, 2025 and advised that the Receiver was unable to provide the Requested Information, as doing so would require it to incur obligations in excess of the \$850,000 limit and, by doing so, violate the terms of the ARRO. As such, the Receiver scheduled a case conference on October 3, 2025 to seek the advice and direction of the Court.
- 19. Justice Dietrich issued an endorsement on October 3, 2025 (the “**October 3 Endorsement**”) which:
 - a. Increased the limit set out in paragraph 18 of the ARRO to \$950,000;
 - b. Directed the Receiver to provide the Required Information; and
 - c. Scheduled a motion to be heard on October 28, 2025 (the “**October Motion**”) to provide an update on the Receiver’s activities, seek approval of its fees and seek approval of a general realization plan.
- 20. A copy of the October 3 Endorsement is attached hereto as **Appendix “E”**.
- 21. The Receiver provided the Required Information to Investor Counsel on October 7th. As with the Status Updates, the Required Information is sensitive and potentially prejudicial to the Receiver’s realization efforts and has not been appended to this Second Report.
- 22. The Receiver requested a call with Investor Counsel to discuss the Requested Information and the relief to be sought at the October Motion. The Receiver met with Representative Counsel on October 15, 2025 to discuss the Required Information and the Receiver’s proposed course of action. Unfortunately, TGF was unable to meet prior to the service of this Second Report.

MORTGAGE-RELATED MATTERS

23. The Receiver has worked since the issuance of the ARRO to realize on certain residential mortgages and to develop realization strategies in respect of the remaining Active Mortgages.

Alliance Project

24. The Receiver's activities with respect to the Alliance Project include:
- a. Reconciling the principal and interest owing under the Alliance Mortgages;
 - b. Developing an understanding of the Alliance JV, including the mechanisms for distribution of the Cash Surplus, the composition of the Management Committee, and the mechanics concerning the Receiver's ability to sell 198's interest in the JV;
 - c. Reviewing appraisals prepared in respect of the Alliance Project and developing an estimate of the realizable value of the Alliance Property; and
 - d. Corresponding with Alliance to understand the history of the Uptergrove project and Alliance's plans to fund the balance of the development.
25. Alliance believes the development is viable and intends to proceed with building out the balance of Phase 1. Alliance has advised the Receiver that it is well advanced in discussions with a lender who is prepared to provide construction financing to complete the 13 homes remaining in Phase 1 of the Alliance Project.
26. The Receiver has been advised that Alliance expects the proposed financing to be conditional on (a) a final reconciliation of amounts owing under the Alliance Project mortgages (the "**Alliance Mortgages**"); and (b) the severance of Phase 1 from the balance of the Alliance Project lands.
27. The Receiver's efforts to reconcile the Alliance Mortgages have been hampered by a lack of reliable financial data. Alliance has provided schedules of advances and repayments under the mortgages, which the Receiver has compared to SMFI's accounting and bank

records. As the Receiver has neither accounting nor bank records for transactions between June, 2011 and August, 2018 it has been necessary to rely in part on Alliance's records for that period.

28. The Receiver has provided a draft mortgage reconciliation to Alliance, who has advised the Receiver that it has no substantive concerns with the reconciliation. The reconciliation has also been provided to the Goldfarb Group and Representative Counsel, neither of whom have expressed any concerns.
29. The Receiver has also been provided with a copy of a letter from Alliance's counsel to Ewart O'Dwyer, counsel to the Township of Ramara, setting out the basis for Alliance's request to sever the Phase 1 lands from the Phase 2 and Phase 3 lands. The request is being made to facilitate financing of the Phase 1 lands based on the land lease income. The Receiver is reviewing the proposal to determine what effect it will have on recoveries for Investors. The Receiver understands that the application to approve the proposed severance will be heard on November 4, 2025.
30. Given the prospect of an immediate recovery for Investors through the Alliance LOI, the Receiver believes it would be prudent to allow Alliance to complete Phase 1 while further consideration is given to a sale process in respect of Phases 2 and 3.
31. The Receiver proposes the following next steps with respect to the Alliance Project:
 - a. Obtain a copy of the Alliance LOI and any other financing proposals available to Alliance;
 - b. Review the financing proposals and, with the input of the Goldfarb Group and Representative Counsel, work with Alliance to finalize a financing proposal;
 - c. Monitor Alliance's application for a severance of Phase 1 from the balance of the Alliance Property, which the Receiver understands may be a condition of the proposed financing;
 - d. Collect the initial land payment which the Receiver understands will be a component of any Alliance LOI;

- e. Monitor the construction and sale of the remaining 13 homes in Phase 1; and
- f. Collect any residual proceeds resulting from the sale of the remaining 13 homes in Phase 1 after the repayment of construction financing.

Ballymore Project

32. The Receiver's activities with respect to the Ballymore Project include:
- a. Attempting to reconcile the principal and interest under the various Ballymore Mortgages;
 - b. Developing an understanding of the funding structure of the Ballymore Project and the disposition of third-party mortgages;
 - c. Developing an understanding of the Ballymore JV, including the mechanisms for distribution of the Cash Surplus, the composition of the Management Committee, and the mechanics concerning the Receiver's ability to sell 248's interest in the JV;
 - d. Obtaining an opinion of value on the Ballymore Project from Avison Young;
 - e. Discussing a potential sale process with Ballymore and its counsel;
 - f. Developing an understanding of the status of the Ballymore Project and of the future cash flows associated with the various phases of the housing development; and
 - g. Corresponding with Ballymore and its counsel to obtain information on past and future profit distributions and review of same, resulting in the identification of an additional \$1.3 million owing to 248 in respect of past profit distributions.
33. As set out in the Receiver's First Report, Ballymore had previously advised that it intended to launch pre-sales of Phase 2 in May. Ballymore has since advised the Receiver that only two pre-sales were completed. As such, Ballymore does not intend to move forward with the development of Phase 2 until sales improve and is unable to provide projections of costs and revenues.

34. The Receiver has reviewed preliminary information provided by Ballymore with respect to payments made to 248 / SMFI in respect of debt and equity obligations. After reviewing the information provided by Ballymore, the Receiver raised concerns with the calculation of previous distributions.
35. Specifically, the Receiver noted that a total of \$10.5 million was paid out as profit by Ballymore in 2021, with 50% of the profit, or \$5.25 million, going to each Member. However, SMFI's distribution included \$3.2 million that was actually a repayment of equity and not profit. Pursuant to the terms of the Ballymore JV, equity repayments rank in priority to profit distributions.
36. Ballymore has reviewed its records and conceded that the previous calculation was incorrect. As set out in the table below, Ballymore will issue payment to the Receiver in the amount of \$1,344,379.

Total Distribution	\$	10,500,000
Ballymore Equity Repayment		(532,717)
Sussman Equity Repayment		(3,221,474)
Profit Available for Distribution	\$	6,745,809
Sussman Profit Distribution (50%)	\$	3,372,904
Previous Profit Distribution		(2,028,526)
Difference	\$	1,344,379

37. Ballymore has also advised that a further profit distribution is expected shortly. Ballymore has advised that the total profit distribution is expected to be \$7 – 8 million, of which 50% is payable to 248. The Receiver has requested additional information to support Ballymore's estimate and to validate previous profit calculations. The Receiver and Ballymore are working cooperatively to determine the information reasonably required to satisfy the Receiver's concerns.
38. Dentons has reviewed the Ballymore JV and provided the Receiver advice on its effect on the Receiver's ability to conduct a sale process. The Receiver met with Ballymore and its counsel to determine whether there would be any objections to a sale process.

- a. On September 10, 2025 Ballymore's counsel advised the Receiver that Ballymore would not support any sale process that did not entirely comply with the terms of the JV.
 - b. On October 10, 2025 Ballymore advised the Receiver that it was considering a buy-out of 248's interest on the terms set out in the Ballymore JV (which is, in effect, a purchase at fair market value). The Receiver expects to receive a proposal in the near term, which it will review with the Goldfarb Group and Representative Counsel.
39. The Receiver proposes the following next steps in respect of the Ballymore Project:
- a. Continue efforts to reconcile the Ballymore Mortgages to the extent possible given the limitations imposed by the quality of SMFI's records;
 - b. Continue to work with Ballymore to obtain the information required by the Receiver to validate past and future profit distributions;
 - c. Collect the undisputed portion of any profit distributions;
 - d. Review the information provided by Ballymore to identify any additional amounts owing in respect of past and future profit distributions and get stakeholder alignment on Ballymore's obligations;
 - e. Collect additional amounts owing; and
 - f. Review Ballymore's proposal to buy out 248's interest in the remaining phases of the Ballymore Project.

Waterways Project

40. The Receiver's activities with respect to the Waterways Project include:
- a. Reconciling the principal and interest owing under the Waterways Mortgages;

- b. Developing an understanding of the Waterways JV, including the mechanisms for distribution of the Cash Surplus, the composition of the Management Committee, and the mechanics concerning the Receiver's ability to sell 198's interest in the JV;
 - c. Preparing a reconciliation of forecast costs and recoveries and reviewing same with Alliance, the Goldfarb Group and Representative Counsel; and
 - d. Engaging in discussions with Alliance, the Goldfarb Group, Representative Counsel and other stakeholders on potential solutions to complete the Waterways Projects in light of competing liens and mortgages..
41. On July 10, 2025 the Receiver was advised by TGF that its client had received a request for a partial discharge in respect of the sale of a Waterways unit that was to close on July 29, 2025 (the "**July Transaction**").
42. Over the following two weeks, the Receiver engaged in extensive correspondence with TGF, Representative Counsel and counsel for various lenders and lien claimants with an interest in the Waterways Project. This correspondence identified an intercreditor issue that prevented the proposed sale from closing. That dispute is summarized below.
43. The charges held by various creditors include (note that the Receiver has not conducted a fulsome review of these competing claims):
- a. Durham holds a first-ranking mortgage (the "**Durham Mortgage**") related to a construction financing facility and is owed approximately \$720,000;
 - b. SMFI holds a second-ranking mortgage (the "**SMFI Mortgage**") and is owed approximately \$1.8 million;
 - c. Chalmers Construction Inc. ("**Chalmers**") holds a third-ranking mortgage (the "**Chalmers Mortgage**") securing approximately \$671,000, which is owed pursuant to a promissory note issued by Waterways in February, 2025 (the "**Chalmers Note**"). The Receiver understands that approximately \$510,000 remains owing under the Chalmers Note.

- d. Penco Drywall Ltd. (“**Penco**”) has registered a lien against the Waterways Project in the amount of \$178,843 (the “**Penco Lien**”).
44. According to the terms of the Chalmers Note, Waterways is to pay Chalmers \$74,676.98 to receive a partial discharge in respect of any sale transaction. TGF advised the Receiver that Logpin, which took an assignment of the SMFI Mortgage, had negotiated partial pay-downs of the SMFI mortgage in exchange for partial discharges in two previous transactions. The Receiver understands that the amount of each partial payment to the various lenders was negotiated between the parties in each transaction without formal documentation.
45. On July 25, 2025 the Receiver was advised by Waterways that Durham insisted on receiving all surplus proceeds after payment of HST, commission and payments to Penco and Chalmers. As a result, no proceeds would be available to the Receiver despite the fact that the SMFI Mortgage is a second ranking charge.
46. The Receiver engaged in extensive correspondence with all stakeholders over the ensuing weeks to attempt to reach a negotiated compromise for this single transaction to close. To assess the ability of Waterways to repay the SMFI Mortgage if a partial discharge was granted in respect of the July Transaction, the Receiver reviewed a cash flow forecast, cost projection and other information provided by Waterways and prepared its own reconciliation of projected costs and revenues.
47. The Receiver reviewed its reconciliation with Waterways and concluded that the Waterways Project would not generate sufficient revenues to repay all creditors. As such, the Receiver was unable to consent to a partial discharge in respect of the July Transaction. The July Transaction did not close, and Waterways has advised the Receiver that the purchaser is occupying the premises on a rental basis until a solution can be reached.
48. Following consultations with TGF and Representative Counsel, the Receiver proposed a compromise whereby Chalmers would receive a discounted cash payment to fully release the Chalmers Mortgage. Unfortunately, the Chalmers Mortgage issue remains unresolved.

49. Given the lack of progress on a negotiated solution to the intercreditor dispute and the inability of the parties to close sale transactions in respect of the remaining 8 lots, the Receiver believes the only path forward is the appointment of a receiver over the Waterways Project.
50. The Receiver proposes the following next steps with respect to the Waterways Project:
- a. Issue demands in respect of the Waterways Project;
 - b. Advance a receivership application in respect of the Waterways Project, either by supporting an application brought by Durham or by bringing its own application; and
 - c. Monitoring the completion of the Waterways Project and collecting the residual proceeds after payment of amounts owing to Durham and any lien claimants.

Heritage Village

51. The Receiver's activities to date with respect to Heritage Village have included corresponding with Alliance to obtain records relating to mortgage advances and efforts to reconcile the principal and interest owing under the mortgage. Alliance has advised the Receiver that it intends to refinance and pay out the mortgages once the amount owing is confirmed.
52. The Receiver proposes the following steps with respect to Heritage Village:
- a. Finalize the reconciliation of the mortgages;
 - b. Issue demands and continue discussions with Alliance regarding repayment of the the mortgages; and
 - c. Monitor Alliance's refinancing..

Raseta Lands

53. The Receiver's activities with respect to the Raseta Lands include:

- a. Developing an understanding of the history of the Raseta Lands, SMFI's involvement in the proposed development, and amounts owing to various consultants;
 - b. Meeting and corresponding with the planning consultant engaged by SMFI in respect of the Raseta Lands to develop an understanding of the viability of the housing development; and
 - c. Obtaining an opinion of value with respect to the Raseta Lands and meeting with AY to discuss a realization strategy.
54. The Raseta Lands consist of a proposed housing development at 2970 Fesserton Sideroad, Township of Severn (the "**Township**"). The Receiver has been in communication with the planning consultant, PGC Land Management Inc. ("**PGC**") to develop an understanding of the status of the project.
55. PGC advises the Receiver that the project was at the point of securing final approvals from the Township prior to the Receiver's appointment. That process was put on hold once the Receiver was appointed. PGC estimates a 4-6 month period to finalize approvals once all the consultants are paid and reports are released. The various consultants are owed \$47,850.81 as reflected in the chart below.

Consultant	Amount	HST	Total
Azimuth Environmental	\$ 843.84	\$ 109.70	\$ 953.54
Jones Consulting	6,325.02	822.30	7,147.32
PGC Land Management Inc.	17,095.12	2,213.42	19,308.54
RJ Burnside	18,089.74	2,351.67	20,441.41
	\$ 42,353.72	\$ 5,497.09	\$ 47,850.81

56. The Receiver engaged Avison Young to assess the potential value of the Raseta Lands under various scenarios. Avison Young issued its opinion of value (the "**Raseta OPV**") on September 10, 2023.

57. The Receiver has provided a copy of the Raseta OPV to TGF and Representative Counsel but has not appended it to this report, as it contains commercially sensitive information that could compromise a sale process.
58. The Receiver intends to engage AY to conduct a sale process in respect of the Raseta Lands on commercial terms acceptable to the Receiver, TGF and Representative Counsel.

The Subramaniam Mortgages

59. The Receiver's activities with respect to the Subramaniam Mortgages include:
 - a. Reconciling the mortgages and engaging in extensive correspondence with Olympia, Stein and Teichman regarding payout statements;
 - b. Coordinating the repayment of each mortgage with Ramachandran Law, Olympia, Stein and Teichman;
 - c. Preparing materials and attending hearings to address Stein's motion to carve out S-26 and S-27 from the Receivership Proceedings; and
 - d. Collecting the proceeds of the repayment of S-26 and collecting the S-27 Cash Reserve.
60. As set out in the Third Supplement, the Stein Motion was brought on July 8, 2025 for an order, *inter alia*:
 - a. declaring that the S-26 Mortgage and the S-27 Mortgage 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; and
 - c. requiring the Receiver to deliver (without deduction) all monies it had received, and may in the future receive, in respect of the S-26 Mortgage and the S-27 Mortgage, to Olympia.

61. Pursuant to an order of the Court issued September 10, 2025 (the “**S-27 Order**”):
- a. The stay provisions set out in paragraphs 9 and 10 of the ARRO no longer operate in respect of the S-27 Mortgage;
 - b. The total amount of \$40,000 is to be paid to the Receiver as a cash reserve on account of an allocation of costs and expenses, subject to further order of the Court or agreement between the parties (the “**Cash Reserve**”); and
 - c. The Receiver shall notify the Borrower of the Order and notify the Borrower to make all mortgage payments to Olympia and to pay the Cash Reserve to the Receiver.
62. The Receiver understands that the S-27 Mortgage was fully repaid to Olympia by Subramaniam. The Receiver has received \$40,000 in respect of the Cash Reserve.
63. On September 24, 2025 the Receiver received gross proceeds of \$544,248 in respect of the S-26 Mortgage, inclusive of costs for the Receiver, its counsel and Stein’s counsel. The Receiver transferred \$11,527 to Stein’s counsel in respect of its costs.
64. The Subramaniam Mortgages have been fully repaid.

The Bidmead Mortgage

65. The Bidmead Mortgage was paid out on July 15, 2025. Total proceeds were \$826,318.13, of which approximately \$18,000 was held in trust by Dentons subject to the resolution of a dispute with the borrower over the total amount payable.
66. The Receiver and Bidmead agreed on September 20, 2025 to resolve the dispute by allocating 50% of the disputed amount to each party.

OTHER AVENUES OF POTENTIAL REALIZATION

67. The Receiver has also explored other areas of potential realization as detailed below.

Mortgage Funding Building Inc.

68. The Receiver has reviewed the bank statements of SMFI and Mortgage Funding Building Inc. (“MFB”) for the period January 1, 2024 through March 31, 2025 to identify transfers between SMFI and MFB. A summary of those transfers is set out below.

**Intercompany Transfers
January 1, 2024 - March 31, 2025**

	Amount
From SMFI General to MFB	52,320.00
From SMFI Trust to MFB	28,958.00
From MFB to SMFI*	134,695.00

*Total excludes investment of \$700,000 by MFB in SMFI mortgages on September 9, 2024

69. The Receiver is investigating the nature of the transfers and believes that certain transfers between SMFI’s general bank account and MFB may represent rent. The purpose of the remaining transfers is unclear at this time.
70. The Receiver is working with its counsel to determine whether the transfers of funds between SMFI and MFB are sufficient grounds for an application to extend the receivership proceedings over MFB and its assets.
71. Toronto-Dominion Bank (“TD”) sent notice of TD’s intention to enforce its security over the premises at 129 Dunlop Street East. In concert with Foglers LLP, counsel to the Goldfarb Group in respect of the Mareva motion, the Receiver has corresponded with TD’s counsel on the issue of paying net proceeds of the sale of the property beyond that owed to TD into court. These discussions are ongoing.
72. The Receiver proposes the following steps with respect to MFB and the Premises:
- a. Develop an understanding of the realizable value of the Premises;
 - b. Monitor TD’s enforcement activities;
 - c. Assess the validity of the Citron / WFE mortgage registered against the Premises;

- d. Consider whether to bring a motion to extend the Receivership Proceedings over MFB and the Premises. This, however, depends on the result of the TD sale process to see if there are going to be any excess proceeds as there is no merit to extending the receivership if there will be little or no net proceeds available;
- e. Challenge the Citron / WFE mortgage if appropriate; and
- f. Collect any residual amounts from the sale of the Premises.

Insurance Policies

- 73. The Receiver has received and reviewed copies of two professional liability insurance policies in favour of SMFI – one for mortgage broker activities and one for mortgage administrator activities. Both policies were cancelled by Sussman in April, 2025 and no extended coverage period was entered into.
- 74. The Receiver has also reviewed two letters from the insurer to SMFI denying coverage in respect of lawsuits brought by the Shefskys and the Goldfarb Group. In each case AIG makes reference to a number of exclusions in the policies to deny coverage.
- 75. The Receiver will continue its review of potential realizations associated with the insurance policies in consultation with TGF and Representative Counsel.

Auditor Claims

- 76. The Receiver has reviewed audited financial statements for the years 2017 – 2024. The Receiver has instructed its counsel to assess the merits of a potential claim against the auditors and will consult with TGF and Representative Counsel on appropriate next steps following that assessment.

Claims Against Principals and Related Parties

- 77. The Receiver has not devoted any time to date to an assessment of the merits of potential claims against Sussman and related parties but understands the Investor Committee is interested in pursuing same.

78. The Receiver proposes the following steps:
- a. Assess the legal basis for a claim against Sussman and related parties;
 - b. Conduct additional investigations to identify reviewable transactions and potentially recoverable payments;
 - c. Present findings to stakeholders and align on strategy; and
 - d. If advisable, advance claims against Sussman and related parties.

FINANCIAL REVIEW AND CLAIMS PROCESS

Financial Review

79. The First Supplement sets out the Receiver's proposed course of action to finalize the Investigation, which includes a review of the Information and any additional information that may be provided by Investors, to determine:
- a. Principal amounts invested by each Investor in the Active Mortgages;
 - b. The mortgages in which each Investor intended to invest;
 - c. The mortgages to which each Investor's funds were actually directed;
 - d. The amount, if any, received by each Investor as a repayment of principal since August 1, 2018;
 - e. The amount, if any, received by each Investor as interest since August 1, 2018;
 - f. The amount paid to each borrower since August 1, 2018; and
 - g. The amount received from each borrower since August 1, 2018.
80. Prior to the hearing on July 25, 2025, stakeholders asked the Receiver to defer this detailed review and rather focus on developing the realization strategy. The Receiver believes it is now appropriate to continue the financial review.

Claims Process and Distribution

81. As set out in the First Supplement, the Receiver proposes to work with Representative Counsel and other stakeholders to design a claims process to allow Investors to prove claims against the estate at the appropriate time. While Receiver believes it would be useful to complete the financial review discussed above before assessing claims, the design of the claims process can proceed immediately.
82. The Receiver also expects that an interim distribution will be appropriate in the next 12 months, although the exact timing of the distribution will depend on a number of factors, including amounts realized by the Receiver, the outcome of a claims process and the determination of a method to allocate costs. The Receiver will continue to review status of cash on hand and required reserves with a view to making interim distributions to investors at earliest opportunity, accounting for the factors listed above and considering cost-benefit.

Logpin Transactions

83. The Receiver has had discussions with both Representative Counsel and the Goldfarb Group on the assignment of mortgages and JV interests taken by the Goldfarb Group (the “**Logpin Transactions**”).
84. The Receiver understands that the Investor Committee believes that the Logpin Transactions represent a preference and are anxious for steps to be taken immediately to challenge the various assignments; and
85. The Receiver has advised Representative Counsel that it believes any challenge to the Logpin Transactions is best advanced through bankruptcy proceedings in respect of SMFI and the Equity Corps. As such, the Receiver believes the next steps include:
 - a. Securing a bankruptcy order in respect of SMFI; and
 - b. Filing assignments in bankruptcy in respect of each of the Equity Corps.

PROPOSED COURSE OF ACTION

86. The following is a summary of the Receiver's proposed course of action, which will be undertaken in consultation with TGF and Representative Counsel.

Realization Strategy

87. The Receiver proposes to:
- a. Continue discussions with Ballymore on the quantum of past and future profit distributions and on a potential buy-out of 248's interest in the Ballymore Project;
 - b. Work with Alliance to finalize financing for the remaining 13 homes in Phase 1 of the Alliance Project;
 - c. Continue discussions with Durham on the appropriate enforcement strategy for the Waterways Project;
 - d. Pursue a refinancing and payout of Heritage Village;
 - e. Enter into a listing agreement with AY to list the Raseta Lands; and
 - f. Continue its review of additional sources of realization, including but not limited to insurance policies, auditor claims, residual equity in the Premises and potential claims against Sussman and related parties.

Other Matters

88. In addition to the foregoing, the Receiver proposes to:
- a. Complete the financial review;
 - b. Work with TGF and Representative Counsel to design a claims process;
 - c. File assignments in bankruptcy in respect of 198 and 248; and
 - d. Work with Representative Counsel to advance the bankruptcy of SMFI.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

89. Attached as **Appendix “F”** is a consolidated interim Statement of Receipts and Disbursements for the period May 2, 2025 to September 30, 2025. As at September 30, 2025 the Receiver had realized receipts of \$1,412,793 and had made disbursements of \$62,484, resulting in cash on hand of \$1,350,310.

FEES AND DISBURSEMENTS OF THE RECEIVER AND ITS COUNSEL

90. Paragraph 19 of the ARRO states that the Receiver and its legal counsel shall pass their accounts from time to time. The Receiver and its independent legal counsel, Dentons, have each prepared regular accounts, including detailed time records.
91. Professional fees and disbursements charged by B. Riley in its capacity as Receiver total \$436,133 (exclusive of HST) for the period from May 2, 2025, to September 30, 2025 (the “**Receiver’s Fees**”), as referenced in the Affidavit of Richard Williams sworn October 15, 2025, a copy of which is attached hereto as **Appendix “G”**.
92. Professional fees and disbursements charged by Dentons Canada LLP (“**Dentons**”) in relation to the receivership proceedings total \$473,576 (exclusive of HST) for the period from May 2, 2025, to September 30, 2025 (the “**Dentons Fees**”), as referenced in the Affidavit of Robert Kennedy sworn October 15, 2025, a copy of which is attached hereto as **Appendix “H”**.
93. The Receiver has reviewed the accounts of Dentons and finds the work performed and charges to be appropriate and reasonable. The Receiver is of the view that all of the work performed by B. Riley and Dentons was necessary, reasonable and appropriate.
94. The Receiver is of the view that the quantum of fees and the billing rates charged by each of B. Riley and Dentons are reasonable given the complexity of the matters in this receivership.

RECEIVER'S CHARGE

95. The Receiver has estimated the cost of the proposed steps set out herein at approximately \$1.2 million. As the Receiver and Dentons have incurred fees of approximately \$880,000 as at September 30, 2025, the Receiver believes it is reasonable to increase the Receiver's Charge from \$850,000 to \$1,650,000. This will allow the Receiver to substantially advance a number of the proposed steps before returning to Court to address further increases in the Receiver's Charge. These steps would include:
- a. Ongoing stakeholder communication and alignment;
 - b. Completing the Investigation;
 - c. Designing a claims process and preparing materials for a motion to approve of a claims process order;
 - d. Securing construction financing for the Alliance Project;
 - e. Completing the reconciliation of past and future profit distributions for the Ballymore Project;
 - f. Advancing a realization strategy for the Waterways Project;
 - g. Refinancing and repayment of amounts owing on Heritage Village;
 - h. Entering into a listing agreement in respect of the Raseta Lands;
 - i. Assessing the realizable value of the Premises and, if necessary, bringing a motion to extend the receivership proceedings over MFB;
 - j. Determining whether there is any realizable value in the insurance policies; and
 - k. Assessing the merits of claims against former auditors, Sussman and related parties;

CONCLUSION

96. The Receiver has realized on two of the Active Mortgages and has made substantial progress in advancing a realization strategy in respect of the remaining Active Mortgages.
97. The Receiver respectfully requests that this Court issue an order:
- a. Approving the Receiver's activities as set out herein;
 - b. Approve the fees and disbursements of the Receiver and its counsel; and
 - c. Amend the ARRO by increasing the Receiver's Charge from \$850,000 to \$1,650,000.

All of which is respectfully submitted this 15th day of October, 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: Managing Director

IN THE MATTER OF THE RECEIVERSHIP OF SUSSMAN MORTGAGE FUNDING INC., 2486976 ONTARIO INC. and 1981361 ONTARIO INC.

Court File Number: CV-25-00741044-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

SECOND REPORT OF THE RECEIVER
B. RILEY FARBER INC.

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