

Vancouver

16-Jun-20

REGISTRY

V. Taylor #1
16/June/2020

NO. H200039
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

PEOPLES TRUST COMPANY

PETITIONER

AND:

**CENSORIO GROUP (HASTINGS & CARLETON) HOLDINGS LTD.
PETER CENSORIO also known as PETER ANTHONY CENSORIO
and PETER ANTHONY CENSORIO**

STRADA 39 TRUST

**BANCORP GROWTH MORTGAGE FUND II LTD.
BANCORP BALANCED MORTGAGE FUND II LTD.
BANCORP FINANCIAL SERVICES INC.**

PK CAPITAL LTD.

**ALL CANADIAN INVESTMENT CORPORATION
FBM CANADA GSD, INC.**

MEDINA CONCRETE SERVICES LTD.

TUCUVAN CONSTRUCTION LTD.

OMNI DRYWALL LTD.

1223293 B.C. LTD.

RAHUL GLASS LTD.

SERIN INVESTMENTS LTD.

**CLARION PROPERTY CORPORATION
G. I. H. PROPERTIES LTD.**

BARRY CHARLES HOLDINGS LTD.

BECISON HOLDING CORPORATION

SANDRA CHAPPELL

**CREST CAPITAL CORPORATION
DURHAM CAPITAL MANAGEMENT INC.**

YORK VENTURES LTD.

HI-GROVE HOLDINGS (1995) LTD.

DIANE RAUCH

JEFFREY RAUCH

GERHARD RAUCH

HELGA RAUCH

PAVILION INVESTMENTS INC.

RODNEY GRANT KENYON

ALAN LONG

MANDATE MANAGEMENT CORPORATION

RESPONDENTS

AFFIDAVIT

I, Vince Taylor, President of Pilothouse Real Estate Inc., 220 – 3433 North Rd. Burnaby, AFFIRM THAT:

1. I am the President of Pilothouse Real Estate Inc. (“Pilothouse”). Pilothouse is a project marketing company that specializes in pre-sale real estate, primarily condominiums. Attached as **Exhibit “A”** to this affidavit is a description of Pilothouse and the work it performs.
2. I make this affidavit at the request of Lui Garcea and Cheryl Serraglio to provide my assessment of the value and marketability of their unit in the Carleton by Censorio Group.
3. In giving my expert opinion expressed herein, I am aware of my duty to assist the court and not to be an advocate for any party. I have made this affidavit in conformity with that duty and will give all testimony in conformity with that duty.
4. I have been in the real estate industry for 25 years in various roles.
5. I have specific experience with all aspects of marketing and selling developments similar to the Carleton by Censorio Group in and around Burnaby, BC.
6. I am familiar with the Carleton by Censorio Group in particular, as I was approached by the Receiver to put in a bid to market this development. I ultimately declined and referred the project to a colleague.
7. I am familiar with the floor plans, styling, and features of the Carleton, and with the quality and reputation of other Censorio Group projects in the Burnaby area, including the Beta and Altezza developments.
8. I understand that Mr. Garcea and Ms. Serraglio entered into a presale contract to purchase Unit 402 in July 2016, and that a Receiver has been appointed and is seeking to disclaim all presale contracts in the Carleton in order to re-market the units at a higher price.
9. I have reviewed the marketing proposal and price lists set out in the Receiver’s first report and Affidavit #1 of Alex Ng.
10. I have also reviewed the floor plan and specifications of Unit 402.
11. While some of the marketing proposals in the Receiver’s report acknowledge that Unit 402 will be difficult to sell due to its size, in my view the various proposals do not adequately address the anticipated difficulties and uncertainties associated with remarketing Unit 402 as compared to the other units in the Carleton.

12. Unit 402 is extremely unique. It is a 1,700 square foot three-bedroom three-bathroom apartment. It is uncommon to see such a large unit in this type of development, which typically consists of smaller one and two-bedroom units. This type of project is typically marketed towards investors and price-conscious end-users, so smaller unit footprints are necessary to maximize the price per square foot that can be realized.

13. There is a very limited pool of potential purchasers that would be in the market for Unit 402. Typically, purchasers looking for a three-bedroom unit opt for single family homes or townhouses as the price delta between the asset classes is too narrow to choose a condo. This is not the type of unit that would appeal to investor-owners, a significant segment of the market.

14. In general, larger two and three-bedroom condo units typically take the longest to sell due to the more limited pool of purchasers. A helpful comparison to this case is the Murrayville House development in Langley, which was the subject of the *Forjay* litigation where the presale contracts were disclaimed in 2018. While all of the one-bedroom and smaller two-bedroom units in that development have now sold, there are still several larger two-bedroom units that remain unsold as of today's date.

15. In addition, Unit 402 has been completely customized to the Garceas' specifications, including the layout, appliances, and fixtures. It is not a stock or "off the shelf" presale unit. In my view, the extensive customization of Unit 402 will further limit its appeal to potential purchasers.

16. Due to the above factors, in my opinion Unit 402 will be more difficult to sell than the other units in the Carleton, which are smaller, more affordable stock units.

17. Unit 402 will likely require a much longer marketing period, and may require a significant price reduction from the suggested list prices in the Receiver's report to ultimately secure a sale. In addition, as the target market for Unit 402 is entirely different than for the other units, Unit 402 will likely require a unique marketing strategy, which would entail additional expense.

18. It is also important to note that the sale price for Unit 402 will not serve as a "benchmark" price for the remaining units in the Carleton. While the sale price of one-bedroom units may impact that price that can be obtained for larger units, the unique nature of Unit 402 makes it unlikely that its sale price would impact the prices that could be obtained for the remaining units.

19. Regarding the marketability of the Carleton generally, the development does not have amenities that are offered at many otherwise comparable developments. This can be a factor in many purchasers' decisions, especially in the current market where there is a large inventory of condo units available and many new projects under construction that continue to add to that inventory.

20. In addition to the above, in my view the marketing proposals in the Receiver's report fail to account for the significant market uncertainty that exists at present due to COVID-19.

21. COVID-19 has had widespread impacts on the residential real estate market across BC, and in the metro Vancouver area in particular. It has significantly impacted market confidence across industry professionals and market participants.

22. The Canadian Real Estate Association did not publish its usual quarterly predictions. Forecasts published by various banks and credit agencies have varied widely, with some predicting price increases over the next two years, and some forecasting declines of 10-30%. While these fears may not come to fruition, the uncertainty is a given and makes pricing unpredictable.

23. The Canada Mortgage and Housing Corp has forecasted declines of between 9-18% in home prices across Canada over the next year, and is increasing the eligibility requirements for mortgage insurance. This change will impact potential buyers' purchasing power and take some out of the market entirely.

24. The bottom line is that there is little certainty in the market right now, as it is impossible to predict the trajectory of COVID-19 and how it will impact the supply and demand of residential real estate. This type of uncertainty results in a large downside risk in the market. If COVID-19 persists for longer than expected or its effects are worse than expected, there can be little doubt that house prices will fall.

25. While the valuations and suggested list prices set out in the proposals in the Receiver's report likely represent a fairly accurate estimate of current market value, there is little certainty as to whether those values will hold constant in the coming months.

SWORN BEFORE ME at City of)
Vancouver, Province of British Columbia,)
on the 16th day of June, 2020)
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A Commissioner for taking affidavits for)
British Columbia)

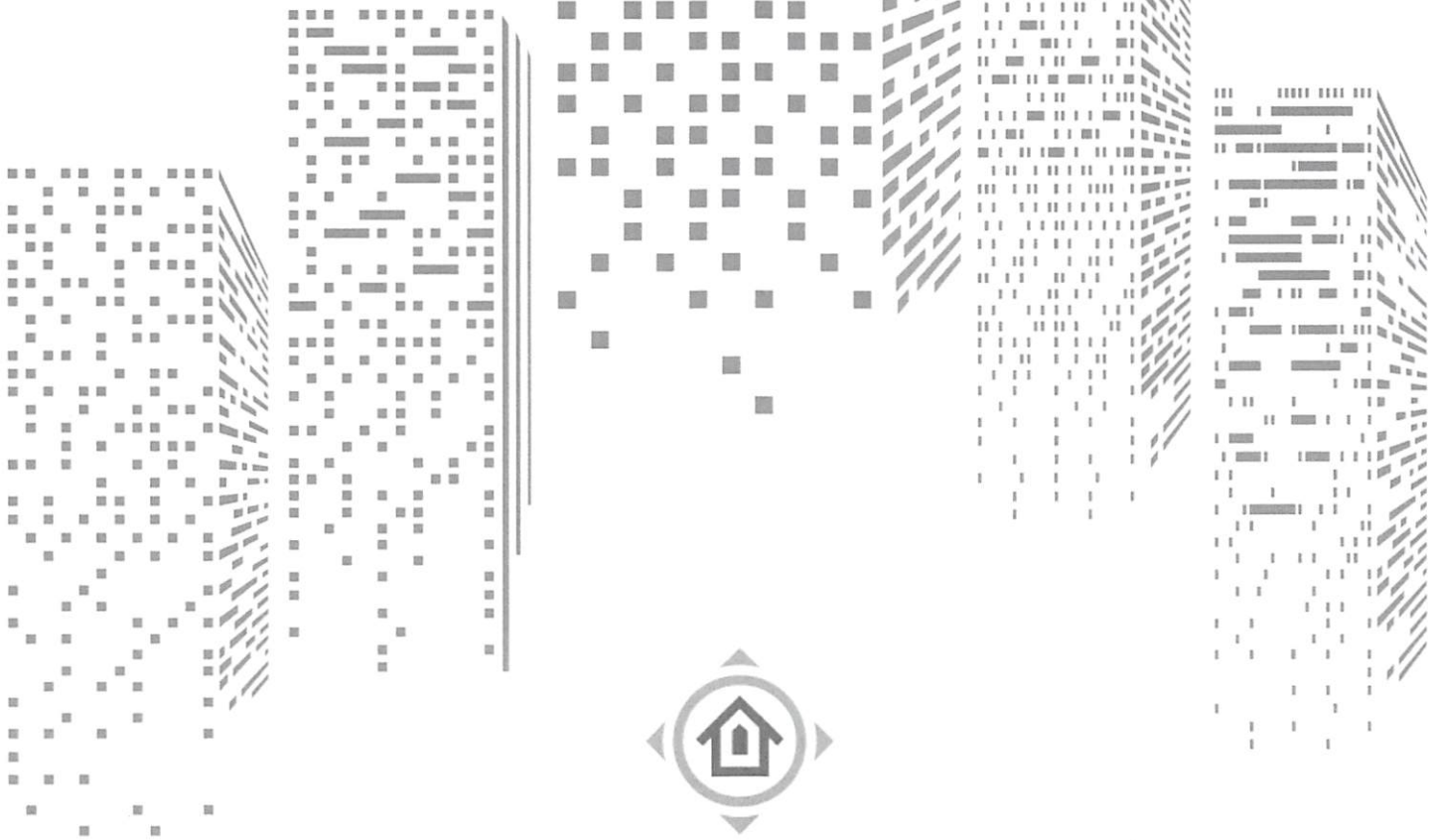
JORIE LES
Barrister & Solicitor
ALLEN & McMILLAN LLP
1550 - 1185 W. GEORGIA STREET
VANCOUVER, B.C. V6E 4E6

VINCE TAYLOR

Pilothouse Story

This is Exhibit "A" referred to in the
Affidavit of V. Taylor
sworn (or affirmed) before me at
Vancouver, B.C.
this 16 day of June, 2020.


A commissioner for taking affidavits for
British Columbia



Pilothouse
REAL ESTATE INC.

Thank you for the opportunity to share our story, experience and our project marketing history with your team.

Overview

For more than 27 years we have marketed and sold condo and townhome projects all over British Columbia, the Western United States, Hawaii and Mexico.

Specifically, we have sold high rise, low rise and resort property in every corner of the province and every municipality in British Columbia including sixteen new home developments in New Westminister, 800+ units in Burnaby, 2,600+ in Surrey and 300+ in Coquitlam, 135 in Richmond with the list going on.

With a long history of multi-family sales success, it's fair to say we fully understand both the "buyer profile" and the many micro-markets that will specifically impact the profitability of any new project.

Pilothouse Real Estate

Our objective, on each and every project, is to increase its value through great design and to maximize revenue during the sales process.

We understand buyer-trends — and that today's product might not fit tomorrow's buyer. With that in mind, we carefully architecturally match each new home community with the projected-buyers, then position each development as different and highly desirable.

Once designed, we know how to generate interest and results... and it doesn't just come from a sign or an ad in the paper.

Pilothouse's successes throughout British Columbia, Western Canada, California, Hawaii and Mexico means our clients achieve wide reaching local and international attention.



Pilothouse Approach

A critical and differentiating factor is that we have consistently beaten market pricing by creating a demand so great that “availability” becomes more important than “affordability.”

A few examples from the past years... we achieved a single day sell-out at “EightWest”, our 152 unit, New Westminster wood-frame development on 8th Avenue where we achieved a building average of \$30 a foot over our competition. We sold two phases of this development in a single day and broke price records for condominiums in the city.

Next we sold out “258”, a tower located between specific micro market areas, and in need of specific floor plan mix and unit design.

For “258”, we pushed the floor plans and marketing towards a different buyer market, attracting parental-purchasers, as well as attracting out-of-area buyers. The campaign was a huge success, and we sold out “258”, on opening day, leveraging a combination of PR and Guerilla marketing media.

Our “258” sales center included a 1,400 square foot “theater room” complete with computers in the ceiling that projected full sized floor plans onto the floor, and correlating time-lapsed view videos on each wall. The 258 “theater” captured international press exposure enabling us to sell-out the tower in a single day.

At “Evolve”, a 35 story tower, we sold 300 units on opening day.

One of our successes was selling out a complete development in a single day in Squamish where once again we broke records for a city’s fastest sell-out and price per foot.

Without a sales centre, Fraser Landmark Surrey was selling out 121 units in a single day hotel event in Vancouver.



Pilothouse
REAL ESTATE INC.

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Snapshots of Pilothouse's Successful Projects



<< Actors living in the suite

As an example, for a tower development in Surrey we constructed an entire show home from plexi-glass in a local shopping mall and filmed 3 actors living in the suite for 45-days.

The media exposure generated incredible interest before we opened our sales center, and when the time came to sell, we wrote 176 contracts on the very first day.

Surrey's Mayor interacted with Evolve Tower augmented realty floor plans >>

At the Evolve Tower in Surrey, we leveraged Augmented Reality in our sales center so prospects could interact with floor plans.

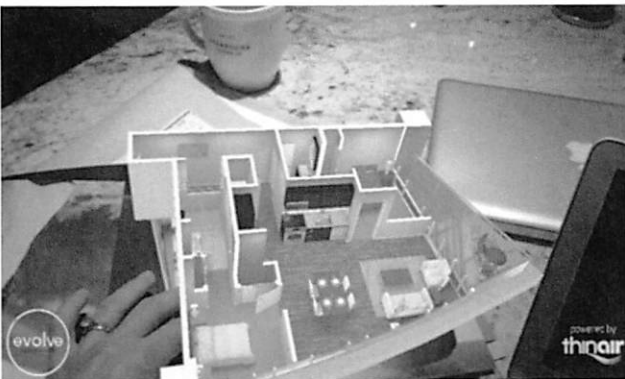
The Mayor of Surrey, Linda Hepner tried out our sales tools during a press event that caused international exposure and assisted us in selling 305 condominiums on opening day.

For Evolve, we built the world's first Augmented Reality Brochure, which allowed the prospect to

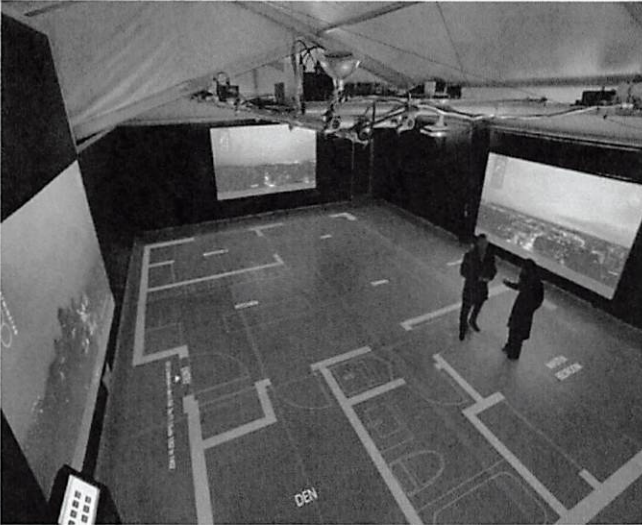


create 3D imagery from the brochure at home. We used Augmented Reality on Evolve's signage to generate a 400 foot tower rendering and show videos describing the tower and its views using a mobile device pointed at the signage.

This innovative use of technology generated worldwide interest and buying from as far away as Mainland China, Texas and Australia.



Snapshots of Pilothouse's Successful Projects



<< 258 Tower virtual realty suite view

As mentioned above, for our “258” Tower in New Westminster, we created a 1,400 square foot theatre that allowed detailed projections of each floor plan to be viewed in full scale on the floor, while time-lapsed view videos were projected onto the walls. The PR resulted in line-ups and a complete sellout of the tower during our first day open for sales.

Sell-out the development on opening day>>

For the New Westminster development “EightWest”, we designed a campaign specifically focused on the public’s attitude towards the New Home Development Taxes and the resulting media created a frenzied lineup of buyers that enabled us to sell-out the development on opening day.

At our sell-out in November 2015, in Squamish B.C., we designed a “museum-environment” as sales centre and created a campaign focused on the local’s fear of Vancouver real estate buyers. By theoretically positioning “potential big city buyers” as coming to buy their local real estate, we created substantially strong local community buying. The result was a complete sell-out of the building within 90-minutes of opening the first day breaking all records in Squamish.

Whether it’s selling a smaller multi-phase development in areas like Abbotsford where we sold-out Hudson’s Loft, a 135-unit development on opening day, or selling luxury product in Richmond for ASPAC Developments at River Green, our approach is always to generate a storm of anticipated buyers arriving on launch day with positive anxiety about missing the opportunity to purchase at your development.



Core Team

Our core team consists of specialists in Operations, Sales and Marketing and involve Vince Taylor being absolutely hands-on in every development.

Our projects are always cutting edge and we generate more traffic, more registration, more interest and ultimately, achieve better sales results than anyone else in town.

I hope this is a good starting point for you to better understand our capabilities. We love real estate and are fully committed to the success of our clients.

Thank you.

Vince Taylor
Pilothouse Real Estate



PILOTHOUSE REAL ESTATE INC.

220 – 3433 North Rd,
Burnaby, BC V3J 0A4

Tel: 604.736.8847
Fax: 604.736.7976

www.platinumprojectmarketing.com



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REAL ESTATE INC.