

District of: **British Columbia**
Division No.: **03 - Vancouver**
Court No.: **11-3254672**
Estate No.: **11-3254672**

**IN THE MATTER OF THE BANKRUPTCY OF
LIGHTSTONE DEVELOPMENT LTD.
OF THE CITY OF VANCOUVER
IN THE PROVINCE OF BRITISH COLUMBIA**

TRUSTEE'S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

August 18th, 2025

BACKGROUND AND CAUSES OF INSOLVENCY

Background

1. On February 24, 2025 (the “**Receivership Date**”), FTI Consulting Canada Inc. (“**FTI**”) was appointed as receiver and manager (in such capacity, the “**Receiver**”), without security, of all of the assets, undertaking and property (collectively, the “**Property**”) of 1076255 B.C. Ltd. (“**107**”) and Lightstone Development Ltd. (“**Lightstone**” and together with 107, the “**Debtors**”) pursuant to an order pronounced by the Supreme Court of British Columbia on February 13, 2025 (the “**Receivership Order**”).
2. The Debtors were formed for the purpose of developing a mixed-used residential and commercial building known as Chloe located in the Kerrisdale area of Vancouver British Columbia. The development consists of a four-story concrete building with two levels of below grade parking, comprising of 46 residential strata lots and 11 commercial strata lots. 107 is listed as the registered owner in trust for Lightstone, the beneficial owner.
3. Lightstone is owned by three companies: Gold Coast Industries Ltd. (“**Gold Coast**”), 1082463 B.C. Ltd. (“**1082**”), and 1218548 B.C. (“**1218**”). 1082 and 1218 are owned 50/50 by the same two individuals: Xiao Song Zheng (who also goes by the name “**Vicky Zheng**”), and Xiao Li. Gold Coast is owned by Ying Zheng Yu and Fangchi Yu.

4. As at the Receivership Date, 22 residential strata lots were sold, and title was transferred to the relevant purchasers. The Debtors were and remain registered and beneficial owners of the remaining unsold lots (together, the “**Unsold Units**”) as follows:
 - a) 24 residential strata lots (the “**Residential Units**”); and
 - b) all 11 commercial retail strata lots (the “**Commercial Units**”).

Causes of Insolvency

5. The primary causes of Lightstone’s financial difficulties were as follows:
 - a) certain of the Unsold Units, including all Commercial Units, were subject to pre-receivership purchase and sale agreements that had failed to complete (the “**Incomplete Contracts**”); and
 - b) inability to sell the Unsold Units as a result of the recent downturn in Vancouver’s real estate market.

The Receivership Proceedings

6. Since the Receivership Date, the Receiver’s principal activities have included, among other things, the following:
 - a) managing Chloe’s Unsold Units through a strata manager, engaging engineering contractors for restoration work, and retaining Urban One Contractor Inc. (“**Urban One**”) to support construction, warranty, and deficiency-related tasks;
 - b) engaging Avison Young Valuation & Advisory Service, LP (“**AY**”) to complete an appraisal for the Unsold Units (the “**AY Appraisal**”);
 - c) selecting Marcus & Millichap REIS Canada Inc. (“**M&M**”) and Exclusive Vancouver Real Estate Group (“**EV**”) to act as exclusive brokers for the Commercial Units and Residential Units, respectively;
 - d) instructing EV to commence an informal sales process for the Residential Units, with a formal launch scheduled for September; and

- e) instructing M&M to launch their formal sales process for the Commercial Units.
M&M has begun active marketing and sales efforts.

7. As sales efforts remain ongoing and pricing for finalized units continues to be determined on a unit-by-unit basis, it remains the Receiver's opinion that the proceeds from asset sales will be insufficient to fully satisfy the claims of the secured creditors.
8. On July 17th, 2025, the Receiver sought and obtained an Order, among other things, authorizing the Receiver to assign the Debtors into Bankruptcy.
9. The Debtors are insolvent and have committed acts of bankruptcy pursuant to the Bankruptcy and Insolvency Act ("BIA"), including failure to meet their obligations as they generally become due and owing.
10. Accordingly, pursuant to the court order obtained, the Receiver made a voluntary assignment of the estates into bankruptcy, and Certificates of Appointment were issued on July 31, 2025.

PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTEREST

Assets

11. As indicated previously, the Debtors' primary asset is a four-story concrete building with two levels of underground parking, 46 residential strata lots and 11 commercial strata lots. Of the 46 residential units, 24 remain unsold, along with all 11 commercial retail strata lots.
12. The Receiver engaged AY to conduct an appraisal of the Unsold Units. In addition, the Receiver solicited competitive proposals from three residential and three commercial real estate brokerage firms to act as listing agents.
13. The appraisal and brokerage proposals were undertaken to assist the Receiver in formulating its realization strategy. As such, a prescribed price range for each unit was established and approved by the court.

14. The Receiver has considered the appraised values, current market conditions, and the secured claims, and does not anticipate any recoveries in excess of the secured creditors.

Security Interest

15. As described in the First Report of the Receiver, McCarthy Tétrault LLP, (“**Receiver’s Counsel**”) conducted a independent security review of the secured creditors claims. The Receiver is advised by Receiver’s Counsel, subject to standard assumptions and qualifications, that the following loans are valid and enforceable security as against the Debtors:
- a) A loan from National Bank Canada (“**NBC**”) secured by first priority mortgage and assignment of rents under instrument numbers CB292874 and CB292875 (the “**NBC Mortgage**”) and a general security agreement registered under the Personal Property Security Act, R.S.B.C. 1996, c. 359 (the “PPSA”);
 - b) A loan from Westmount West Services Inc. (“**Westmount**”) secured by a second priority mortgage and assignment of rents under instrument numbers CB294046 and CB294047 (the “**Westmount Mortgage**”) and a location specific security agreement registered under the PPSA.; and
 - c) A loan from Peterson Investment Group Inc. (“**Peterson**”) secured by a third priority mortgage and assignment of rents under instrument numbers CB293126 and CB293127 (the “**Peterson Mortgage**”) and a general security agreement registered under the PPSA.
16. The following security interest have been registered against the Debtors (“**The Fourth Priority Lenders Agreements**”) summarized as follows:
- a) Lei Bun Leung, Xiao Lian Zhang, Johnson Rui Leung, Jon Kit Leung, and Karen Leung, secured by a mortgage and assignment of rents registered against Commercial Units 1, 2, 6, 7 and 8;
 - b) Li Jiang, secured by a mortgage and assignment of rents registered against Commercial Units 6, 7 and 8;

- c) Bei Chen, Qing Su, Jide Liu, secured by an option to purchase (now expired), mortgage and assignment of rents registered against Residential Units 19, 37 and 43; and
 - d) 686912366 Investment Ltd., secured by a mortgage and assignment of rents registered against Residential Unit 34.
- 17. A review of the Fourth Priority Lenders Agreements have not been conducted at this time, pending the outcome of the sales processes.
- 18. Urban One has also claimed a builder's lien against the SPA Holdbacks related to unpaid construction and warranty work.

POSSESSION OF BOOKS AND RECORDS

- 19. The Receiver took possession of the relevant books and records of Lightstone and performed a backup of the Debtors electronic records.

CONSERVATORY AND PROTECTIVE MEASURES

- 20. The Receiver took possession of all Residential and Commercial Units, including securing keys, changing residential locks and de activating unused transponders.
- 21. Regular site visits to the building to inspect units and common areas are conducted by the Receiver.
- 22. Urban One provides the Receiver with regular update on the building's condition.

PROVABLE CLAIMS AND DESCRIPTION OF CREDITORS

- 23. The claims disclosed in the statement of affairs of Lightstone are summarized as follows:
 - a) Secured creditor claims: CAD 80.3 million (updated since the Statement of Affairs to reflect accurate secured claim amounts)

- b) Contingent creditor claim: unknown amount; and
 - c) Unsecured creditor claims: CAD 817.3 thousand.
24. As of August 18, 2025, the Trustee had received 4 proofs of claim from unsecured creditors totalling CAD 29,705.20 and 6 proofs of claim from secured creditors totalling CAD 49,903,373.86 against the Debtor's.

LEGAL PROCEEDINGS, TRANSFERS AT UNDERVALUE, PREFERENCE PAYMENTS

25. The Trustee is not aware of any other legal proceedings commenced against or by Lightstone as part of the bankruptcy at this time. However, there are ongoing legal proceedings within the Receivership.
26. A preliminary review of the Debtors' books and records identified certain recent transactions that are not reflected in the accounting records. These recent transactions may be subject to further investigation.
27. The Trustee is not aware of any reviewable transactions, preferential transfers or payments in favour of a related party creditor as defined in the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, or potential fraudulent preferences as defined in the *Fraudulent Preferences Act*, RSA 2000, c F-24.
28. If subsequently the Trustee is made aware of any, it will be discussed with the inspectors.

THIRD-PARTY DEPOSITS AND GUARANTEES

29. The Receiver has guaranteed the reasonable fees, expenses and claims of the Trustee in respect of its activities as the Trustee of the estate.

ASSET REALIZATION AND PROJECTED DISTRIBUTION

30. All of the assets are expected to be realized as part of the Receivership proceedings and based on the pricing guidance from the Receiver's real estate brokers, the Receiver does not anticipate sufficient recoveries to repay the secured creditors debt in full. As a result, the Trustee does not expect there to be any distribution to the unsecured creditors of the bankrupt estate.

OTHER MATTERS

31. There are no other matters.

FTI Consulting Canada Inc.

In its capacity as Trustee in Bankruptcy of
Lightstone Development Ltd.
and not in its personal capacity

A handwritten signature in black ink, appearing to read 'Tom Powell', with a stylized, cursive script.

Tom Powell
Senior Managing Director

APPENDIX A



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of: British Columbia
Division No.: 03 - Vancouver
Court No.: 11-3254672
Estate No.: 11-3254672

In the Matter of the Bankruptcy of:

Lightstone Development Ltd.

Debtor

FTI CONSULTING CANADA INC.

Licensed Insolvency Trustee

Ordinary Administration

Date and time of bankruptcy:	July 31, 2025, 08:45	Security:	\$0.00
Date of trustee appointment:	July 31, 2025		
Meeting of creditors:	August 18, 2025, 10:30 Via MSTeam (866) 840-8976,468844180# ID:2559343248794. Password 792hq96n Vancouver, British Columbia Canada,		
Chair:	Trustee		

CERTIFICATE OF APPOINTMENT - Section 49 of the Act; Rule 85

I, the undersigned, official receiver in and for this bankruptcy district, do hereby certify that:

- the aforementioned debtor filed an assignment under section 49 of the *Bankruptcy and Insolvency Act*;
- the aforementioned trustee was duly appointed trustee of the estate of the debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable, to call in the prescribed manner a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the official receiver.

Date: July 31, 2025, 19:40

E-File/Dépôt Electronique

Official Receiver

300 Georgia Street W, Suite 2000, Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902

Canada