

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**

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF TRINITY RAVINE COMMUNITY INC.

SECOND REPORT OF THE MONITOR
July 15, 2022

INTRODUCTION

1. On February 23, 2022, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Initial Order**”) granting Trinity Ravine Community Inc. (“**TRC**” or the “**Applicant**”) protection under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”). The proceedings commenced by the Applicant under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

2. The Initial Order, among other things:
 - a) appointed Deloitte Restructuring Inc. (“**Deloitte**”) as the Monitor in the CCAA Proceedings (in such capacity, the “**Monitor**”);

 - b) granted a stay of proceedings against TRC until March 5, 2022 (the “**Stay Period**”);and

- c) granted an Administration Charge in the amount of \$150,000 for the professional fees of the Monitor, counsel to the Monitor and the Applicant's counsel.
3. On March 4, 2022, at the comeback hearing, the following orders were granted:
- a) an amended and restated Initial Order (the "**Amended and Restated Initial Order**"), which, among other things:
 - i. extended the Stay Period to July 22, 2022;
 - ii. approved debtor-in-possession financing (the "**DIP Facility**") and granted the DIP Lender's Charge in priority to the Administration Charge;
 - iii. increased the Administration Charge to \$250,000; and
 - iv. approved the Monitor's first report (the "**First Report**") dated March 1, 2022 and the Monitor's activities described therein.¹
 - b) an order (the "**SISP Order**") approving a sale and investment solicitation process (the "**SISP**") to solicit bids for TRC's Real Property and certain Development Assets.
4. A hearing in these CCAA Proceedings is scheduled for July 18, 2022 (the "**July 18 Motion**") and the Applicant is seeking an extension of the Stay Period up to and including August 31, 2022 (the "**Stay Extension**") to complete the SISP.
5. The Monitor has made available a copy of the Initial Order, the Amended and Restated Initial Order, the SISP Order, the First Report and other Court-filed documents and notices

¹ Capitalized terms not defined herein shall have the meaning attributed to them in the First Report.

in these CCAA Proceedings on the Monitor's case website at www.insolvencies.deloitte.ca/en-ca/trinityravine (the "**Monitor's Website**").

PURPOSE OF SECOND REPORT

6. The Monitor has prepared this report (the "**Second Report**") to provide the Court with information regarding:
 - a) the July 18 Motion and proposed Stay Extension;
 - b) the activities of TRC and the Monitor since March 1, 2022, the date of the Monitor's First Report;
 - c) the ongoing SISP;
 - d) the receipts and disbursements of TRC from February 21, 2022 through July 10, 2022, including a comparison of reported to forecast results (the "**Cash Flow Variance**"); and
 - e) TRC's revised cash flow forecast to September 4, 2022 (the "**Revised Cash Flow Forecast**").

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this Second Report and the commentary contained herein, the Monitor has been provided with, and has relied upon books and records and unaudited financial information prepared by TRC, and discussions with management of the Applicant ("**Management**") (collectively, the "**Information**").

8. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Generally Accepted Assurance Standards (“**Canadian GAAS**”) pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under Canadian GAAS in respect of the Information.
9. Due to restrictions imposed as a result of the Coronavirus pandemic (“**Covid-19**”), the Monitor has been unable to perform usual procedures to verify or test information provided by Management, including physical attendance at TRC’s premises.
10. The Monitor has prepared this Second Report in connection with the July 18 Motion and it should not be relied on for any other purpose.
11. Future oriented financial information referred to in this Second Report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
12. This Second Report does not include any consideration of the likely impact of Covid-19 on the business of the Applicant as the situation is continuing to evolve, and many uncertainties remain as to the effect the Covid-19 crisis will have on the Applicant.

Changes to market conditions could substantively affect the Applicant and conclusions drawn in this Second Report.

13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

ACTIVITIES OF TRC SINCE THE FIRST REPORT

14. Since the date of the First Report, TRC has undertaken the following activities:
 - a) responded to calls and inquiries from creditors and other stakeholders regarding the CCAA Proceedings;
 - b) worked with the Monitor and the Broker to carry out the terms of the SISP (as further described below);
 - c) requested and obtained advances for funds under the DIP Facility and worked with the Monitor to provide reporting to the DIP Lender as required under the DIP Term Sheet;
 - d) prepared the Revised Cash Flow Forecast;
 - e) reported receipts and disbursements to the Monitor and the DIP Lender; and
 - f) consulted with the Applicant's counsel, Miller Thomson LLP ("**Miller Thomson**"), the Monitor and its counsel, Cassels Brock & Blackwell LLP ("**Cassels**"), on various matters in connection with the CCAA Proceedings.

ACTIVITIES OF THE MONITOR SINCE THE FIRST REPORT

15. Since the date of the First Report, the Monitor has undertaken the following activities:

- a) responded to calls and inquiries from creditors and other stakeholders regarding the CCAA Proceedings;
- b) monitored and reviewed TRC's receipts and disbursements in accordance with the Applicant's Cash Flow Forecast (as defined below);
- c) assisted Management with the preparation of the Revised Cash Flow Forecast;
- d) engaged in discussions with the Applicant, its legal counsel, and its directors and Management regarding issues related to the CCAA Proceedings and borrowings under the DIP Facility;
- e) assisted with reporting to the DIP Lender, and communicated with the DIP Lender and its counsel as required under the DIP Term Sheet;
- f) worked with the Applicant and Broker to carry out the terms of the SISP (as further described below);
- g) consulted with Cassels regarding matters related to the CCAA Proceedings; and
- h) consulted with the Applicant and Miller Thomson on various matters in connection with the CCAA Proceedings.

UPDATE ON THE SISP

16. In accordance with the SISP Order, the Monitor, with the assistance of the Applicant and the Broker, has been conducting the SISP. The activities of the Monitor, Applicant and Broker since the granting of the SISP Order, as well as certain deadline extensions pursuant to section 4 of the SISP, are summarized as follows:

- a) ***Selection of Broker:*** On or about March 4, 2022, the Monitor, in consultation with the Applicant, contacted five licensed real estate agents and brokers and invited such brokers to submit Sale Proposals and all five submitted Sale Proposals. Due to the number and competitive terms of the Sale Proposals received, the Monitor, in consultation with the Applicant, amended the deadline under the SISP Order for selection of a broker and on March 18, 2022, selected Avison Young Commercial Real Estate Services, LP, to be engaged by the Applicant and assist with the implementation of the SISP (the “**Broker**”). The Broker and the Applicant entered into a Broker Agreement on April 1, 2022.

- b) ***Initial Solicitation of Interest:*** Upon execution of the Broker Agreement, the Broker, with assistance from the Monitor and the Applicant, prepared a list of over 4,000 Known Potential Bidders. Between April 6, 2022 and May 2, 2022 the Broker (i) contacted the Known Potential Bidders (ii) posted a notice of the sale on the Broker’s website and MLS, and (iii) posted and delivered Teaser Letters and Confidentiality Agreements.

- c) **Due Diligence:** Twenty-nine Known Potential Bidders executed Confidentiality Agreements and were provided with a confidential information memorandum describing the sale opportunity and due diligence materials. The Broker established and populated the data room and posted (i) information pertaining to the Real Property and Development Assets, (ii) the SISP Order, and (iii) a template sale agreement developed by the Monitor. The Parties who signed a Confidentiality Agreement were granted access to the data room.

 - d) **LOIs:** On May 6, 2022, the LOI Deadline, a number of LOIs were received. The Monitor in consultation with the Applicant and the Broker, assessed the LOIs based on the factors outlined in the SISP and worked with the various bidders to analyze the offers and where possible, improve their bids.

 - e) **Final Bids:** Under the SISP, the Final Bid Deadline was June 17, 2022, with a Final Agreement Deadline of June 24, 2022. However, based on discussions and ongoing negotiations with Qualified Bidders, the Monitor in consultation with the Applicant and Broker (and at the request of a Qualified Bidder in certain instances) agreed to extend the deadline for submission of final bids. As a result of the deadline extensions, and the Nation-wide Rogers outage on July 8, 2022, the Monitor and Applicant received bids up to and including July 11, 2022.
17. The Monitor and Applicant require additional time beyond the current Stay Period to review the bids received, select a Successful Bid if appropriate, and document a sale.

18. If the Stay Extension is granted, the Monitor will provide a further update on the results of the SISP in due course.

TRC CASH FLOW VARIANCE /RECEIPTS AND DISBURSEMENTS

19. The Applicant's cash flow forecast for the period from February 21, 2022 to August 21, 2022 (the "**Cash Flow Forecast**") was filed with the Court as Appendix "B" to the First Report.
20. A comparison of TRC's Cash Flow Forecast to reported results for the period February 21, 2022 to July 10, 2022 (the "**Reporting Period**") is set out below (the "**Cash Flow Variance**").

Cash flow results for the Reporting Period			
<i>Totals have not been adjusted for rounding differences</i>			
	<u>Forecast</u>	<u>Actual</u>	<u>Variance</u>
Receipts	46,086	42,693	(3,393)
Operating disbursements			
KJK Ventures Inc.	56,500	45,200	11,300
Payroll	48,318	49,588	(1,270)
GWL - Group Insurance	4,916	4,934	(18)
Copier Lease	-	1,087	(1,087)
Property Land Tax - City of Toronto	12,672	12,672	0
Office Supplies and Other	1,750	71	1,679
Environmental report	-	15,133	(15,133)
Contingency	10,000	2,082	7,918
Total operating disbursements	<u>134,155</u>	<u>130,766</u>	<u>3,389</u>
Financing and other disbursements			
DIP interest and fees (Nahid)	86,005	96,053	(10,048)
Bank Charges (RBC & TD)	750	183	567
Miller Thomson	240,000	215,000	25,000
Deloitte	180,000	200,000	(20,000)
Monitor's counsel	90,000	105,701	(15,701)
Total financing and other disbursements	<u>596,755</u>	<u>616,936</u>	<u>(20,181)</u>
Net Cash Flow	<u>(684,824)</u>	<u>(705,009)</u>	<u>(20,185)</u>
Opening cash	155,813	155,813	-
DIP Advance	685,000	615,000	(70,000)
Net Cash Flow	<u>(684,824)</u>	<u>(705,009)</u>	<u>(20,185)</u>
Closing cash	<u>\$ 155,989</u>	<u>\$ 65,803</u>	<u>\$ (90,185)</u>

21. The Cash Flow Variance shows a negative variance of \$90,185. This variance is due to: the timing of the DIP Advances; a request to conduct a Phase 1 Environmental assessment for the property; and higher than forecast restructuring disbursements.

Increase in Property Taxes

22. In or around June 6, 2022, the Applicant notified the Monitor that the final property taxes due in respect of the Real Property for fiscal year 2022 are approximately \$140,599 more than the amounts included in the Cash Flow Forecast (the “**Revised Property Taxes**”). The Applicant and its counsel have advised the Monitor that the Revised Property Tax is due to TRC no longer being designated a religious organization since separating from the Church.
23. Pursuant to the Cash Flow Forecast and the Cash Flow Variance, the Applicant does not have funds to pay the Revised Property Taxes owing. It is a requirement under the DIP Term Sheet that TRC pay property taxes on the Real Property when due, therefore the Monitor requested, and the DIP Lender agreed to waive this requirement until the end of the current stay period (as may be extended to August 31, 2022).
24. The Applicant will incur interest and penalties for the non-payment of the revised property taxes, however these charges are lower than the cost of additional borrowings under the current DIP Facility.
25. As described below, if the Stay Extension is granted, the Applicant intends to return to Court by August 31, 2022 to seek further relief in connection with the SISP and the Applicant’s cash flow needs.

REQUEST FOR AN EXTENSION OF THE STAY PERIOD

26. The Stay Period currently expires on July 22, 2022. The Applicant is seeking an extension of the Stay Period to August 31, 2022 (the “**Stay Extension**”). The Stay Extension will allow the Applicant and the Monitor time to (i) review the Bids received, (ii) evaluate the best option to maximize recovery for TRC Stakeholders and (iii) prepare and finalize definitive agreements as required.
27. TRC with the assistance of the Monitor, has prepared a revised forecast of its projected receipts and disbursements for the period July 11, 2022 to September 4, 2022 (the “**Extended Cash Flow Forecast**”). A copy of the Extended Cash Flow Forecast is attached hereto as **Appendix “A”** and a summary is set out below:

	Total - Jul 11 to Sept 4, 2022
Total receipts	-
Total operating disbursements	48,600
Total financing and other disbursements	246,531
Net Cash Flow	\$ (295,131)
Opening cash	65,803
DIP Advance	235,000
Net Cash Flow	(295,131)
Closing cash	\$ 5,673

Totals have not been adjusted for rounding differences

28. The Extended Cash Flow Forecast indicates that TRC is projected to have sufficient liquidity during the Stay Extension, if granted.

29. The Monitor is of the view that the Stay Extension is appropriate in the circumstances and supports TRC's request for an extension of the Stay Period for the following reasons:
- a) the Monitor believes that the Applicant has acted and continues to act in good faith and with due diligence;
 - b) the extension will provide the opportunity to complete the SISF for the benefit of all stakeholders; and
 - c) the granting of the extension should not prejudice any stakeholder, as TRC is projected to have sufficient funds, as contemplated in the Extended Cash Flow Forecast.
30. In accordance with the DIP Facility, the Extended Cash Flow Forecast has been presented to the DIP Lender.

CONCLUSION

31. For the reasons stated in this Second Report, the Monitor supports the relief sought by the Applicant in connection with the stay extension motion.
32. The Monitor respectfully submits to the Court this Second Report.

**Deloitte Restructuring Inc.,
Solely in its capacity as Court-appointed Monitor
of Trinity Ravine Community Inc.**
and without personal or corporate liability



Toni Vanderlaan
Senior Vice-President, CPA, LIT

APPENDIX “A”

Trinity Ravine Community Inc. ("TRC" or the "Company")
Cash Flow Forecast for the period July 11 to September 4, 2022

All amounts in CAD\$, unless otherwise stated

Unaudited

Totals have not been adjusted for rounding differences

	1	2	3	4	5	6	7	8	TOTAL - 8
<i>Week Ending</i>	17-Jul-22	24-Jul-22	31-Jul-22	7-Aug-22	14-Aug-22	21-Aug-22	28-Aug-22	4-Sep-22	weeks
Receipts									
HST refund									-
Total Receipts	-	-	-	-	-	-	-	-	-
Operating disbursements									
KJK Ventures Inc.	11,300				11,300				22,600
Payroll		4,832		4,832		4,832		4,832	19,326
GWL - Group Insurance				987				987	1,973
Copier Lease									-
Property Land Tax - City of Toronto									-
Office Supplies and Other				350				350	700
Contingency				2,000				2,000	4,000
Total operating disbursements	11,300	4,832	-	8,168	11,300	4,832	-	8,168	48,600
Financing and other disbursements									
DIP interest and fees (Nahid)		3,911				2,470			6,381
Bank Charges (TD)				150					150
Miller Thomson	40,000		40,000				40,000		120,000
Deloitte			35,000				35,000		70,000
Monitor's counsel			25,000				25,000		50,000
Total financing and other disbursements	40,000	3,911	100,000	150	-	2,470	100,000	-	246,531
Net Cash Flow	\$ (51,300)	\$ (8,743)	\$ (100,000)	\$ (8,318)	\$ (11,300)	\$ (7,301)	\$ (100,000)	\$ (8,168)	\$ (295,131)
Opening cash	65,803	14,503	125,761	25,761	17,442	6,142	113,841	13,841	65,803
DIP Advance		120,000				115,000			235,000
Net Cash Flow	(51,300)	(8,743)	(100,000)	(8,318)	(11,300)	(7,301)	(100,000)	(8,168)	(295,131)
Closing cash	\$ 14,503	\$ 125,761	\$ 25,761	\$ 17,442	\$ 6,142	\$ 113,841	\$ 13,841	\$ 5,673	\$ 5,673

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TRINITY RAVINE COMMUNITY INC.

Court File No. CV-22-00677236-00cl

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT
TORONTO

SECOND REPORT OF THE MONITOR

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