

**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.**

**THIRD REPORT OF THE MONITOR
August 23, 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, appointed Deloitte Restructuring Inc. as the Monitor in the CCAA Proceedings (in such capacity, the “**Monitor**”) and granted a stay of proceedings in favour of TRC until March 5, 2022 (the “**Stay Period**”).
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, extended the Stay Period to July 22, 2022 and

approved debtor-in-possession financing (the “**DIP Facility**”) and granted the DIP Lender’s Charge¹ in priority to the Administration Charge; and

- 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 (as defined in the SISP).
4. On July 18, 2022, Madam Justice Kimmel granted an order that, among other things, extended the Stay Period until August 31, 2022 to allow the Applicant and the Monitor time to complete their review of Final Bids (as defined in the SISP) and consider the selection of a Winning Bid (if any) under the SISP.
 5. A hearing in these CCAA Proceedings is scheduled for August 24, 2022 (the “**August 24th Motion**”) and the Applicant is seeking an extension of the Stay Period up to and including September 16, 2022 (the “**Stay Extension**”) to allow it time to provide proper notice to stakeholders including parties to the Life Lease Agreements (the “**Life Lease Holders**”) in connection with the Proposed Purchase Agreement (as defined below).
 6. The Monitor has made available a copy of the Initial Order, the Amended and Restated Initial Order, the SISP Order, the First Report, the Second Report and other Court-filed documents and notices in these CCAA Proceedings on the Monitor’s case website at www.insolvencies.deloitte.ca/en-ca/trinityravine.

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

PURPOSE OF THE THIRD REPORT

7. The Monitor has prepared this report (the “**Third Report**”) to provide the Court with information regarding:
- a) the August 24th Motion and the Applicant’s request for an extension of the Stay Period to September 16, 2022 to allow for the proper service and notice related to the sale of TRC’s assets pursuant to the SISP;
 - b) the activities of TRC and the Monitor since July 15, 2022, the date of the Monitor’s second report to Court dated July 14, 2022 (the “**Second Report**”);
 - c) an update on the SISP;
 - d) TRC’s receipt of a purported notice of default in respect of its DIP Facility;
 - e) TRC’s rejection of a proposed facility to replace the DIP Facility;
 - f) TRC’s receipts and disbursements from July 11, 2022 through August 21, 2022, including a comparison of reported to forecast results (the “**Cash Flow Variance**”);
 - g) TRC’s revised cash flow forecast to September 25, 2022 (the “**Extended Cash Flow Forecast**”); and
 - h) The Monitor’s recommendations in respect of the relief being sought by TRC.

TERMS OF REFERENCE AND DISCLAIMER

8. In preparing this Third 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**”).
9. 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.
10. The Monitor prepared this Third Report in connection with the August 24th Motion and it should not be relied on for any other purpose.
11. Future oriented financial information referred to in this Third 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 Third 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 Third Report.

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

ACTIVITIES OF TRC SINCE THE SECOND REPORT

14. Since the date of the Second 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 (as defined in the SISP) to review and negotiate the Final Bids;
 - c) conducted meetings of the Board of Directors (the “**Board**”) regarding the SISP, Final Bids, Replacement DIP Term Sheet (as defined below), Proposed Purchase Agreement and ongoing CCAA matters;
 - d) requested and obtained advances for funds under the DIP Facility and worked with the Monitor to provide reporting to the DIP Lender (as defined in the Amended and Restated Initial Order) as required under the DIP Term Sheet;
 - e) conducted discussions regarding the Replacement DIP Term Sheet;
 - f) prepared the Extended Cash Flow Forecast (as defined below);

- g) reported receipts and disbursements to the Monitor and the DIP Lender; and
- h) 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 including the SISP, Final Bids, the Proposed Purchase Agreement and proposed Replacement DIP Term Sheet.

ACTIVITIES OF THE MONITOR SINCE THE SECOND REPORT

15. Since the date of the Second 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 Extended Cash Flow Forecast;
 - d) engaged in discussions with TRC, its counsel Miller Thomson, and its directors and Management regarding issues related to the CCAA Proceedings, SISP, DIP Facility, Final Bids, Replacement DIP Term Sheet and Proposed Purchase Agreement;
 - e) engaged in discussions with Qualified Bidders who submitted Final Bids under the SISP;

- f) assisted with reporting to the DIP Lender, and communicated with the DIP Lender and its counsel as required under the DIP Term Sheet;
- g) worked with the Applicant and Broker to carry out the terms of the SISP (as further described below); and
- h) consulted with Cassels regarding matters related to the CCAA Proceedings including the SISP, DIP Facility, Final Bids, Replacement DIP Term Sheet and Proposed Purchase Agreement.

UPDATE ON THE SISP

- 16. The Monitor, with the assistance of the Applicant and Broker, have conducted the SISP in accordance with the SISP Order and the terms of the SISP itself.
- 17. As described in the Second Report, due to deadline extensions, the Applicant and Monitor required more time to finalize their review of the Final Bids received pursuant to the terms of the SISP and the Monitor advised that it would provide the Court with an update on the results of the SISP.
- 18. Since the Second Report, the Applicant, Broker and Monitor continued to work with bidders in an effort to improve the terms of their Final Bids.
- 19. Ultimately, none of the Final Bids were accepted by the Board. During the course of the SISP, the Applicant received a proposal for replacement financing and the Board opted to pursue discussions to secure this financing.

20. On August 18, 2022, an existing bidder (the “**Proposed Purchaser**”), submitted a revised Final Bid comprised of three different deals, all of which included improved deal terms from the bid initially submitted.
21. On August 20 and 21, 2022, the Applicant’s Board convened meetings to consider the revised Final Bid submitted by the Proposed Purchaser and whether any such bid should be accepted as part of the SISP. On August 21, 2022, the Applicant advised the Monitor that the Board had voted to accept one of the revised deals included in the Final Bid in accordance with the SISP (the “**Winning Bid**”).
22. As described in the Supplemental Affidavit of Jeremy Anderson sworn on August 23, 2022 (the “**Supplemental Affidavit**”), on August 23, 2022 the Applicant and the Proposed Purchaser executed an Asset Purchase Agreement which is subject to Court approval (the “**Proposed Purchase Agreement**”). A copy of the executed Proposed Purchase Agreement has been attached as a confidential appendix to the Supplemental Affidavit.
23. The Court’s approval of the Proposed Purchase Agreement is not being sought at this time. If the Stay Extension is granted, as contemplated by the SISP Order, the Applicant intends to return to Court to apply for an order approving the transaction contemplated by the Proposed Purchase Agreement and any other relief necessary to consummate the transaction on full notice to the Service List and Life Lease Holders (the “**Approval Motion**”). The completion of any transaction will be subject to Court approval.

24. The Monitor intends to provide details regarding the terms of the Proposed Purchase Agreement and its recommendations regarding the Proposed Purchase Agreement in advance of any Approval Motion.

UPDATE ON DIP FACILITY

25. The Amended and Restated Initial Order authorized the Applicant to enter into the DIP Term Sheet with the DIP Lender in the principal amount of \$850,000 and, at the same time, approved a corresponding DIP Lender's Charge.
26. On August 17, 2022, the DIP Lender delivered a notice of default under the DIP Facility (the "**Default Notice**") to the Applicant, the Monitor and their respective counsel. A copy of the Default Notice is attached as Exhibit "I" to the Affidavit of Jeremy Anderson sworn August 19, 2022 (the "**Anderson Affidavit**").
27. On the same date, the Monitor and the DIP Lender discussed the possibility that the Default Notice could be withdrawn if the Applicant had an agreement in place to satisfy the obligations to the DIP Lender.
28. The Default Notice states, among other things, that the "Maturity Date" under the DIP has passed and provides the Applicant and Monitor with the requisite seven days notice under the DIP Term Sheet before the DIP Lender can enforce its rights under the DIP Term Sheet.
29. The DIP Lender has advised that since a Winning Bid has been selected and the Proposed Purchase Agreement has been executed pending court approval, it will continue to (i) fund in accordance with the DIP Term Sheet as per the Extended Cash Flow Forecast (as

described below); and (ii) waive the default in respect of the non-payment of property taxes (as described in the Second Report) to the closing date contemplated in the Proposed Purchase Agreement.

30. The DIP Lender has also advised that it will not take any further steps to enforce under the DIP Term Sheet or the Notice of Default unless (i) the Purchase Agreement is not approved by the Court at an Approval Motion (ii) the Stay Extension is not granted or (iii) the transaction contemplated in the Proposed Purchase Agreement does not close.
31. As such and on these terms the DIP Lender has advised the Monitor that it supports the proposed extension of the Stay Period.

PROPOSED DIP REPLACEMENT FACILITY

32. As described in the Anderson Affidavit, the Applicant received a revised term sheet for replacement DIP financing from RCM Management Ltd. (“RCM”) on August 17, 2022 (the “**Replacement DIP Term Sheet**”).
33. The Monitor participated in discussions with RCM and the Applicant regarding this proposed re-financing.
34. The Applicant advised the Monitor on August 21, 2022 that the Board has voted not to proceed with the Replacement DIP Term Sheet.

TRC CASH FLOW VARIANCE /RECEIPTS AND DISBURSEMENTS

35. The Applicant’s cash flow forecast for the period from July 11, 2022 to August 31, 2022 (the “Cash Flow Forecast”) was filed with the Court as Appendix “A” to the Second Report.
36. A comparison of TRC’s Cash Flow Forecast to reported results for the period July 11, 2022 to August 21, 2022 (the “Reporting Period”) is set out below in 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	-	24,989	24,989
Operating disbursements			
KJK Ventures Inc.	22,600	22,600	-
Payroll	14,495	14,471	24
GWL - Group Insurance	987	987	-
Copier Lease	-	-	-
Property Land Tax - City of Toronto	-	-	-
Office Supplies and Other	350	25,076	(24,726)
Contingency	2,000	-	2,000
Total operating disbursements	<u>40,432</u>	<u>63,134</u>	<u>(22,703)</u>
Financing and other disbursements			
DIP interest and fees (Nahid)	6,381	3,911	2,470
Bank Charges (TD)	150	38	112
Miller Thomson	80,000	65,000	15,000
Deloitte	35,000	25,000	10,000
Monitor's counsel	25,000	5,444	19,556
Total financing and other disbursements	<u>146,531</u>	<u>99,393</u>	<u>47,138</u>
Net Cash Flow	<u>(186,962)</u>	<u>(137,539)</u>	<u>49,424</u>
Opening cash	65,803	65,803	-
DIP Advance	235,000	120,000	(115,000)
Net Cash Flow	(186,962)	(137,539)	49,424
Closing cash	<u>\$ 113,841</u>	<u>\$ 48,265</u>	<u>\$ (65,576)</u>

37. The cash flow variance shows a negative variance of \$65,576. This is due to a negative variance caused by the final DIP Advance not being drawn and a positive timing variance due to a lower amount of professional fees paid in the Reporting Period. As described above, at this time the DIP Lender has agreed to continue to fund under the DIP Facility.

REQUEST FOR AN EXTENSION OF THE STAY PERIOD

38. The Stay Period currently expires on August 31, 2022. The Applicant is seeking an extension of the Stay Period to September 16, 2022 to allow the Applicant time to give proper notice to all stakeholders including Life Lease Holders in connection with the Proposed Purchase Agreement.

39. TRC, with the assistance of the Monitor, has prepared a revised forecast of its projected receipts and disbursements for the period August 22 to September 25, 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 - Aug 22 to Sept 25, 2022
Total Receipts	-
Total operating disbursements	24,300
Total financing and other disbursements	131,845
Net Cash Flow	\$ (156,145)
Opening cash	48,265
DIP Advance	115,000
Net Cash Flow	(156,145)
Closing cash	\$ 7,120

Totals have not been adjusted for rounding differences

40. The DIP Lender has advised that it will continue to fund the DIP Facility as described above and will not take further enforcement steps on the conditions outlined in paragraph 30 above. Therefore, the Extended Cash Flow Forecast indicates that TRC is projected to have sufficient liquidity until September 25, 2022.
41. 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 Applicant is forecast to have sufficient liquidity during the extended Stay Period;
 - c) the extension will provide the opportunity for TRC to provide proper notice to stakeholders including Life Lease Holders in connection with the Proposed Purchase Agreement, which is the product of an extensive sale and marketing process; and
 - d) in the Monitor's view, the granting of the Stay Extension should not prejudice any stakeholder, as TRC is projected to have sufficient funds, as contemplated in the Extended Cash Flow Forecast.

CONCLUSION

42. For the reasons stated in this Third Report, the Monitor supports the relief sought by the Applicant in connection with the Stay Extension motion.
43. The Monitor respectfully submits to the Court this Third Report.

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

A handwritten signature in cursive script, appearing to read "Toni Vanderlaan".

Toni Vanderlaan
Senior Vice-President, CPA, LIT

Appendix "A"

Trinity Ravine Community Inc. ("TRC" or the "Company")
Cash Flow Forecast for the period August 22 to September 25, 2022

All amounts in CAD\$, unless otherwise stated

Unaudited

Totals have not been adjusted for rounding differences

	1	2	3	4	5	TOTAL - 5 weeks
<i>Week Ending</i>	28-Aug-22	4-Sep-22	11-Sep-22	18-Sep-22	25-Sep-22	
Total Receipts	-	-	-	-	-	-
Operating disbursements						
KJK Ventures Inc.				11,300		11,300
Payroll		4,832		4,832		9,663
GWL - Group Insurance		987				987
Copier Lease						-
Property Land Tax - City of Toronto						-
Office Supplies and Other	200	150				350
Contingency		2,000				2,000
Total operating disbursements	200	7,968	-	16,132	-	24,300
Financing and other disbursements						
DIP interest and fees (Nahid)			1,835			1,835
Bank Charges (TD)	10					10
Miller Thomson				50,000		50,000
Deloitte				50,000		50,000
Monitor's counsel				30,000		30,000
Total financing and other disbursements	10	-	1,835	130,000	-	131,845
Net Cash Flow	\$ (210)	\$ (7,968)	\$ (1,835)	\$ (146,132)	\$ -	\$ (156,145)
Opening cash	48,265	48,054	40,086	153,251	7,120	48,265
DIP Advance			115,000			115,000
Net Cash Flow	(210)	(7,968)	(1,835)	(146,132)	-	(156,145)
Closing cash	\$ 48,054	\$ 40,086	\$ 153,251	\$ 7,120	\$ 7,120	\$ 7,120

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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

THIRD REPORT OF THE MONITOR

Cassels Brock & Blackwell LLP

2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Jane Dietrich LSO#49302U

Tel: (416) 860-6463
Email: jdietrich@cassels.com

Monique Sassi LSO# 63638L

Tel: (416) 860-6886
E-mail: msassi@cassels.com

Lawyers for the Monitor, Deloitte Restructuring Inc.