

**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 TEHAMA INC.**

Applicant

**FOURTH REPORT OF THE MONITOR
DATED APRIL 14, 2023**

INTRODUCTION

1. On January 20, 2023, Tehama Inc. (the "**Applicant**" or "**Tehama**") commenced proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36 (the "**CCAA**"), pursuant to the Initial Order of Justice Kimmel of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated January 20, 2023 (the "**Initial Order**").
2. On January 30, 2023, this Honourable Court granted the Amended and Restated Initial Order (the "**ARIO**"), approving, amongst other things, an extension of the stay of proceedings until March 31, 2023 (the "**Stay Period**") and increases to certain priority charges.
3. On February 9, 2023, this Honourable Court granted an order approving, among other things, a sale and investment solicitation process (the "**SISP**") involving all of the Applicant's assets, properties, and undertakings (the "**SISP Approval Order**").
4. On March 29, 2023, this Honourable Court granted orders approving, among other things, an extension of the Stay Period until April 21, 2023 (the "**Ancillary Order**") and approving the sale transaction (the "**Transaction**") contemplated by the stalking horse purchase agreement (the "**Approval and Vesting Order**").

5. Capitalized terms not defined in this Fourth Report of the Monitor (the “**Fourth Report**”) are as defined in the ARIIO, the First Report of the Monitor dated January 26, 2023 (the “**First Report**”), the Second Report of the Monitor dated February 8, 2023 (the “**Second Report**”), or the Third Report of the Monitor dated March 27, 2023 (the “**Third Report**”).
6. Unless otherwise stated, monetary amounts contained herein are expressed in Canadian dollars.

PURPOSE

7. The Monitor files this Fourth Report in connection with Tehama’s motion, to be heard by this Honourable Court on April 20, 2023 (the “**April 20 Hearing**”), for an Order (the “**Discharge Order**”) which would, among other things:
 - (i) approve the activities of the Monitor and the fees and disbursements of the Monitor and its legal counsel as described in this Fourth Report;
 - (ii) terminate the CCAA Proceedings upon the filing of a certificate by the Monitor (the “**Monitor’s Discharge Certificate**”); and
 - (iii) terminate the Charges upon the filing of the Monitor’s Discharge Certificate (the “**CCAA Termination Time**”).
8. This Fourth Report provides information to this Honourable Court regarding the following:
 - (a) the activities of the Monitor since the Third Report, including the closing of the Transaction pursuant to the Approval and Vesting Order;
 - (b) the Applicant’s actual cash flow for the 12-week period ended April 14, 2023, as compared with the revised cash flow forecast discussed in the Third Report (the “**Previous Cash Flow Forecast**”), a copy of which is attached as **Appendix “A”**;
 - (c) details of the fees and disbursements of the Monitor and its legal counsel, Goodmans LLP (“**Goodmans**”), as further discussed in paragraphs 15 through 18 of this Fourth Report; and
 - (d) The Monitor’s recommendations regarding the relief sought by the Applicant at the

April 20 Hearing.

TERMS OF REFERENCE

9. In preparing this Fourth Report, the Monitor has been provided with, and has relied upon, certain unaudited financial information, books, records, and financial information prepared by the Applicant and has had discussions with and received information from the Applicant's management ("**Management**") (collectively, the "**Information**").
10. 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 such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the CPA Canada Handbook (the "**CPA Handbook**") and, accordingly, the Monitor express no opinion or other form of assurance contemplated under GAAS in respect of the Information.
11. Future oriented financial information referred to in this Fourth Report was prepared based on the Applicant'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.

ACTIVITIES OF THE MONITOR

12. The Monitor has engaged in the following activities since the date of the Third Report:
 - (a) conducted meetings and discussions with Management and the Applicant's legal counsel regarding Tehama's business and financial affairs, including its cash flow forecast, financing requirements, operational restructuring activities, and other matters relating generally to the CCAA Proceedings;
 - (b) reviewed with Management the Applicant's ongoing cash flow, and weekly variances from forecast;
 - (c) corresponded and held discussions with a number of the Applicant's creditors;

- (d) prepared for and attended the March 29, 2023 hearing to approve the Transaction;
- (e) executed the Monitor’s Certificate, attached here to as **Appendix “A”**, to close the Transaction pursuant to the Approval and Vesting Order; and
- (f) prepared this Fourth Report.

ACTUAL RECEIPTS AND DISBURSEMENTS COMPARED TO FORECAST

13. Tehama’s actual cash receipts and disbursements for the 12-week period ended April 14, 2023 (the “**Reporting Period**”), as compared with the Previous Cash Flow Forecast attached hereto as **Appendix “B”**, are summarized below:

**Cash Flow Variance Analysis Summary
For the Period January 20, 2023 to April 14, 2023**

CAD\$	Projected	Actual	Variance	
			(\$)	(%)
Total Revenues	613,121	617,974	4,853	1%
Total Expenses	(818,760)	(891,398)	(72,638)	-9%
Net operating expenses	(205,638)	(273,424)	(67,786)	-33%
Restructuring cost	(654,063)	(657,395)	(3,332)	1%
Loan advances	475,900	532,017	56,117	12%
Net cash flow	(383,802)	(398,802)	(15,000)	-4%
Opening cash balance	398,802	398,802		
Closing cash balance	15,000	-		
<i>Cumulative DIP</i>	<i>475,900</i>	<i>496,615</i>		

14. In the aggregate, Tehama experienced an approximately \$15,000 negative net cash flow variance during the Reporting Period. A summary of the variances are set out below:
- (a) Revenues exceeded forecast by approximately \$4,900, primarily due to certain insurance refunds and the collection of February 2023 sublease rents which were not contemplated in the forecast (collectively \$19,900), offset by an anticipated Harmonized Sales Tax (“**HST**”) refund that was not received (\$15,000);
 - (b) Operating expenses exceeded forecast by approximately \$73,000, primarily due to certain vendor payments not contemplated in the forecast;
 - (c) The restructuring costs, which is entirely comprised of professional fees, contemplated in the Previous Cash Flow Forecast were paid upon the closing of the Transaction. The restructuring costs exceeded forecast by approximately \$3,300;
 - (d) Loan advance exceeded forecast by approximately \$56,000, as a result of the

forecast HST refunds not being received and higher than anticipated operating costs.

FEES AND DISBURSEMENTS OF THE MONITOR

15. The Ancillary Order approved the fees and disbursements of the Monitor and its legal counsel from January 20, 2023 to the anticipated termination of these CCAA Proceedings and the discharge of the Monitor, as previously outlined in paragraphs 37 through 42 of the Third Report.
16. Below is a summary of the final fees and disbursements (together, the “**Professional Fees**”) to conclude these CCAA Proceedings which were approved by the Ancillary Order:

IN THE MATTER OF THE CCAA OF TEHAMA INC.
SUMMARY OF PROFESSIONAL FEES
AS AT APRIL 14, 2023
\$CAD

Invoice	Period	Fees and Disbursements	GST/HST	Total
Deloitte Restructuring Inc.				
<i>Financial advisory services Pre-CCAA</i>				
8003270611	December 21, 2023 to January 20, 2023	64,066	8,329	72,395
Court-appointed Monitor's fees				
8003304003	January 21, 2023 to February 4, 2023	67,925	8,830	76,755
8003304001	January 21, 2023 to February 4, 2023	3,606	180	3,787
8003488160	February 5, 2023 to March 3, 2023	48,210	6,267	54,477
DRAFT	March 4, 2023 to April 21, 2023	45,000	5,850	50,850
Final Monitor's Fees		164,741	21,128	185,869
<i>Less retainer to be applied</i>				<i>(25,000)</i>
Total Monitor's Fees (net)		164,741	21,128	160,869
Goodmans LLP				
790771	January 16, 2023 to January 31, 2023	53,978	7,017	60,995
792239	February 1, 2023 to February 28, 2023	27,630	3,592	31,221
DRAFT	March 1, 2023 to April 21, 2023	25,000	3,250	28,250
Final Legal Fees		106,608	13,859	120,467
<i>Less retainer to be applied</i>				<i>(25,000)</i>
Total Legal Fees (net)		106,608	13,859	95,467
Total Professional Fees		271,349	34,987	256,336

17. Upon the closing of the Transaction, funds totaling \$256,336 were advanced to the Monitor in trust to address the outstanding Professional Fees to conclude these CCAA Proceedings.
18. The fees and disbursements of the Monitor for the period from March 4, 2023 to the expected termination of these CCAA Proceedings, and those of its counsel for the period from March 1, 2023 to the expected termination of these CCAA Proceedings, are at or within the amounts described in the chart above and approved in the Ancillary Order.

CONCLUSION AND RECOMMENDATIONS

19. In the Monitor's opinion, Tehama has acted in good faith and with due diligence to conclude its restructuring.
20. The Monitor is of the opinion that it is appropriate for the CCAA Proceedings to be terminated through the Discharge Order for the following reasons:
 - (a) The Transaction has closed pursuant to the Approval and Vesting Order;
 - (b) There is no ongoing benefit of the CCAA Proceedings to the creditors as the Transaction provided no recovery to the unsecured creditors; and
 - (c) A bankruptcy filing for Tehama is anticipated as previously discussed in the Third Report.
21. For the reasons outlined herein, the Monitor respectfully recommends that this Honourable Court approve the relief being sought by the Applicant.

All of which is respectfully submitted this 14th day of April 2023.

DELOITTE RESTRUCTURING INC.
in its capacity as the Monitor
of the Applicant

Per:



Philip J Reynolds, LIT
Senior Vice President

APPENDIX “A”

**ONTARIO
SUPERIOR COURT OF JUSTICE
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AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF TEHAMA INC. (the "**Applicant**")

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Madam Justice Kimmel of the Ontario Superior Court of Justice (the "**Court**") dated January 20, 2023, Deloitte Restructuring Inc. was appointed as monitor (in such capacity, the "**Monitor**") of Tehama Inc. (the "**Vendor**");

B. Pursuant to an Order of the Court dated March 20, 2023, the Court approved the stalking horse purchase agreement dated February 7, 2023 (the "**Stalking Horse APA**") between the Vendor and 14667913 Canada Inc. (the "**Purchaser**") and provided for the vesting in the Purchaser all of the Vendor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Applicant and the Purchaser of a certificate confirming: (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets, (ii) that the conditions to closing as set out in the Stalking Horse APA have been satisfied or waived by the Vendor and the Purchaser, and (iii) the Transaction has been completed to the satisfaction of the Monitor.


C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Stalking Horse APA.

THE MONITOR CERTIFIES the following:

1. The Purchaser has delivered the Purchase Price and closing deliveries and the Vendor has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Stalking Horse APA;
2. The conditions to closing as set out in the Stalking Horse APA have been satisfied or waived by the Vendor and the Purchaser, respectively;
3. All amounts due and payable on account of fees and disbursements secured pursuant to the Administration Charge, as outlined in the revised cash flow forecast attached as Appendix “B” to the Monitor’s third report dated March 27, 2023, have been paid; and
4. The Transaction has been completed to the satisfaction of the Monitor.

THIS CERTIFICATE was delivered by the Monitor at 3:30 PM EST on March 31, 2023.

**DELOITTE RESTRUCTURING INC., solely
in its capacity as Monitor of Tehama Inc., and
not in any other capacity**

Per: 
Name: Ryan Adlington
Title: Senior Vice President

APPENDIX “B”

Tehama Inc.
Forecast vs. Actual Variance Analysis
For the 12-week period ended April 14, 2023
(Unaudited, CAD\$)

	Total		
	Projected	Actual	Variance
Revenue			
Receivables	598,121	595,624	(2,498)
Rent	-	11,725	11,725
Other revenues	15,000	10,626	(4,374)
Total Revenue	613,121	617,974	4,853
Payments			
Salaries and wages	(592,239)	(623,881)	(31,642)
Rent	(113,769)	(112,851)	918
Insurance	(2,412)	(2,412)	-
Vendor payments	(50,414)	(113,146)	(62,732)
Other operating expenses	(22,426)	(14,108)	8,319
CIBC settlement payments	(37,500)	(25,000)	12,500
Total Payments	(818,760)	(891,398)	(72,638)
Net Cash Flow From Operations	(205,638)	(273,424)	(67,786)
Professional fees	(654,063)	(657,395)	(3,332)
Loan Advances	475,900	532,017	56,117
Net Cash Flow	(383,802)	(398,802)	(15,000)
Opening Cash balance (deficit)	398,802	398,802	
Net Cash Flow	(383,802)	(398,802)	
Closing Cash balance (deficit)	15,000	-	
Cumulative DIP advances	475,900	496,615	