



Deloitte Restructuring Inc.

181 Bay Street, Brookfield Place
Suite 1400
Toronto, ON, M5J 2V1
Canada

Tel.: 416-601-6150
Fax: 416-601-6690
www.deloitte.ca

CANADA
PROVINCE OF ONTARIO
DISTRICT OF TORONTO
COURT. No.: CV-14-10609-00CL

SUPERIOR COURT
Commercial List

**IN THE MATTER OF THE PLAN
OF COMPROMISE AND
ARRANGEMENT OF:**

**METCALFE & MANSFIELD ALTERNATIVE
INVESTMENTS VII CORP., IN ITS CAPACITY AS
ISSUER TRUSTEE OF DEVONSHIRE TRUST**, having its
head office at 199 Bay Street, Suite 4850, Commerce Court West,
Toronto, Ontario, M5L 1G9

Applicant

– and –

DELOITTE RESTRUCTURING INC.
(Pierre Laporte, CPA, CA, CIRP, person in charge), having a
place of business at 181 Bay Street, Brookfield Place, Suite 1400,
Toronto, ON, M5J 2V1, Canada

Monitor

**SECOND REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR**

(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)

INTRODUCTION

1. On July 8, 2014, Metcalfe & Mansfield Alternative Investments VII Corp. in its capacity as issuer trustee (the “**Applicant**”) of Devonshire Trust (the “**Conduit**”, collectively with the Applicant, the “**CCAA Parties**”) filed and obtained protection from their respective creditors under the *Companies' Creditors Arrangement Act* (the “**CCAA**”) pursuant to an Order granted by the Superior Court of Ontario (the “**Initial Order**”).
2. The Initial Order provides, inter alia, for the following:
 - a. No proceedings or enforcement processes in any court or tribunal shall be commenced or continued against or in respect of the CCAA Parties, the Monitor

or the Property except with the written consent of the Applicant and the Monitor or with leave of this Court. All Proceedings currently under way against or in respect of the CCAA Parties or affecting the Property are stayed and suspended (the “**Stay**”) until August 7th, 2014.

- b. No person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the CCAA Parties, except with the written consent of the Applicant and the Monitor, or leave of this Court.
- c. All persons having agreements with the CCAA Parties shall continue to provide goods and services in the normal course of business.
- d. Deloitte Restructuring Inc. (the “Monitor”) is appointed as Monitor pursuant to the CCAA.

TERMS OF REFERENCE

4. Capitalized terms not otherwise defined have the meaning ascribed to them in the First Report, the Plan and the supporting affidavit of Mathieu Lafleur-Ayotte dated June 27, 2014, filed by the Applicant. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
5. In preparing this second Monitor’s report (“**Second Report**”), the Monitor has necessarily relied upon unaudited financial information and other information supplied, and representations made, by the CCAA Parties and their agents and advisors. Although the Monitor has reviewed the information, some of which was in draft format, the Monitor has not performed an audit or otherwise attempted to verify the accuracy or completeness of any such information. Accordingly, the Monitor does not express any opinion and does not provide any other form of assurance on or relating to the accuracy of any information contained in this Second Report or otherwise used to prepare this Second Report.
6. Forward looking financial information included in this Second Report is based on the CCAA Parties’ assumptions regarding future events, and actual results achieved will vary from this information and the variations may be material. The Monitor has not performed an examination or review of financial forecasts, projections or procedures in accordance with standards set by the Canadian Institute of Chartered Accountants.
7. A copy of this Second Report, the First Report, the Applicant’s application and supporting affidavit, the Plan, and the Orders granted to date as well as the Meeting Documents and further motions and reports of the Monitor are available on the Monitor’s website in English at <http://www.deloitte.com/ca/devonshire>. The Monitor has also established a toll free phone number as well as a dedicated email address that are referenced on the Monitor’s website so that parties may contact the Monitor if they have questions in respect of this CCAA proceeding. The Monitor’s toll free number is 1-855-990-7100 and dedicated email address is CAMontrealDevonshire@deloitte.ca

PURPOSE OF THE SECOND REPORT

8. This Second Report dated July 20, 2014 is provided to this Honourable Court by the Monitor to outline the progress of the CCAA Parties' restructuring and relating steps and confirm the support of the Monitor to the Applicant's Motion to extend the Stay Period.
9. This Second Report is structured as follows:
 - I- Review of Certain Transactions;
 - II- Claims Procedure and Reporting Duties performed by the Monitor;
 - III- Extension of the Stay Period;
 - IV- Activities of the Monitor; and
 - V- Monitor's Conclusion.

I. REVIEW OF CERTAIN TRANSACTIONS

8. The Monitor, following its appointment, has commenced its review of certain transactions preceding the commencement of this CCAA Proceeding and is still waiting for additional documents in order to complete its review. The Monitor anticipates that it will have completed its review before the Meeting of Creditors and will communicate its findings during the said Meeting of Creditors. The Monitor will also include its findings in in the next Monitor's report.

II. CLAIMS PROCEDURE & REPORTING DUTIES PERFORMED BY THE MONITOR

9. Pursuant to the Initial Order on July 10, 2014 the Monitor published the Notice of Proceedings in the *National Post* (national edition) and *La Presse* in accordance with the CCAA.
10. Within five (5) business days of the Initial Order being granted, the Monitor made available on its website all public information and documentation related to the CCAA Parties' restructuring process, including the Notice of Proceedings, a listing of the Beneficial Noteholders, and all Court documentation.
11. Within five (5) business days of the Claims Procedure and Meeting Order being granted, the Monitor has sent Meeting Documents to 17 identified beneficial Noteholders (July 11, 2014) and to an additional 3 beneficial Noteholders and to 7 Registered Holders (including the Issuing and Paying Agent, NBCN Inc., on July 15, 2014).
12. As of the date hereof, the Monitor has received the Required Documentation for 1 Noteholder Claim representing a total of \$ 10 million.
13. The Monitor has been diligently processing Noteholder Claims and Required Documentation in cooperation with the Applicant and respective counsel.

14. Pursuant the Claims Procedure and Meeting Order, Noteholder Claims must be received and proven by the Monitor by no later than two (2) years following the Plan Implementation Date. After this date, a beneficial Noteholder that has not provided all of the Required Documentation shall (a) be forever barred from making or enforcing a Noteholder Claim against the Applicant or against the Devonshire Trust and such Noteholder Claim will be forever extinguished, (b) be forever barred from making or enforcing such Noteholder Claim against any other person who can claim contribution or indemnity from the Applicant or against the Devonshire Trust, (c) not be entitled to receive any distribution in respect of such Noteholder claim; and (d) not be entitled to any further notice and shall not be entitled to participate in the CCAA Proceedings in respect of such claims.

III. EXTENSION OF STAY PERIOD

OVERVIEW

15. Pursuant to the Initial Order, the Stay was granted until August 7th 2014
16. The CCAA Parties notified the Monitor of their intention to request a first extension of the Stay to September 15, 2014 (the “**First Extension Period**”).
17. This short extension will allow, *inter alia*, the CCAA Parties, to hold the Meeting and is the Plan is approved, seek the Sanction Order, allow the expiry of appeal periods with respect to the Sanction Order, complete fund transfers and proceed with the Initial Distribution.
18. It is the Monitor’s opinion that the First Extension Period is necessary to ensure that the CCAA Parties continue their restructuring initiatives.
19. It is the Monitor’s view that the CCAA Parties have acted in good faith and with due diligence to date.

EXTENDED 3 WEEKS CASH FLOW FORECASTS

20. The cash flow forecast is attached to this Report as Appendix “A”. Because the cash flow forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, the Monitor expresses no opinion as to whether the projections in the cash flow forecast will be achieved. The Monitor expresses no opinion as to the performance or the non-performance of the CCAA Parties’ statutory obligations with regard to projected payments to be made in accordance with the cash flow forecast.
21. The cash flow forecast is for a period of 10 weeks from July 8 to September 15, 2014 and assumes that the Plan is approved and implemented before September 15, 2014; and is summarized in the table below:

10-week period ending September 15, 2014 (C\$)	
Cash inflows	
Receipts from sale of short-term investments	131,500,000
Interest receipt from sale of short-term investments	1,230,695
Settlement payment (a)	532,668,082
Unpaid amount under swaps (b)	1,061,916
Interest owed under swaps (c)	58,412,380
Interest on (a), (b) and (c)	3,313,291
Total cash inflows	728,186,364
Cash outflows	
Transfer to Monitor's trust accounts	729,626,111
Administrative costs	340,617
Professional fees	610,000
Other outflows	-
Total cash outflows	730,576,728
Opening balance	2,390,364
Variation in cash balance	(2,390,364)
Ending cash balance	-
Opening short-term investment balance	
150,732,000	
Sale of short-term investments	(131,500,000)
Transfer to Monitor's trust accounts	(19,232,000)
Ending short-term investments balance	-

22. Based on information received from the CCAA Parties, the opening cash balance reflects cash and short term investments held by the Conduits, as described in the table below:

Opening cash balance (C\$)	
Opening cash balance	
Cash	2,390,364
Short-term investments	150,732,000
	<u>153,122,364</u>

Cash Inflows

23. All of the Conduit's cash inflows, namely, approximately \$728.2M, are projected to occur in week 8 of the cash flow which coincides with the estimated Plan Implementation Date.
24. Cash inflows of approximately \$595.5M are to be received as part of the Settlement Agreement and relate to (a) the settlement payment under swaps, (b) the unpaid amount under swaps, (c) the interest owed under swaps and any interest on (a), (b) and (c) calculated from and including June 1, 2014 to but excluding the Funds Transfer Date (projected as September 2, 2014) at a rate per annum equal to the BOC Daily 1M BA Rate, reset each Business Day, plus 1%, calculated on an Actual/365 Fixed Basis and compounded daily.

25. It is expected that the Conduit will sell approximately \$131M of short-term investments in order to have sufficient liquidity to transfer to the Monitor's Trust accounts. Cash inflows of approximately \$132.7M relate to the sale of two (2) short-term investments as well as interest receipt collected as part of the sale of the said short-term investment.
26. None of the remaining short-term investments are maturing in the period presented.

Cash Outflows

27. It is projected that the Conduit will disburse a total of approximately \$749.7M during the period presented in the cash flow, of which, approximately \$730.5M is in cash and approximately \$19.2M is in short-term investments.
28. Out of the total disbursements of \$749.7M, it is projected that the Conduit will transfer to the Monitor's trust accounts a total of approximately \$729.6M in cash and approximately \$19.2M in short-term investments.
29. Once the Monitor receives these funds they will be segregated in the following manner:
 - a. \$678,931,389 for the Initial Distribution to Noteholders as provided for in the Plan. This distribution is to occur 3 business days after the Plan Implementation Date;
 - b. \$1,510,000 for the Costs Reserve;
 - c. \$59,693,854 for the Tax Reserve;
 - d. \$5,000,000 for the Indemnity Reserve, and;
 - e. \$3,722,868 in the Monitor's general trust account.
30. In addition to the funds transferred to the Monitor, approximately \$340,000 will be disbursed by the Conduit during the period presented in the cash flow as costs related to the daily administration of the CCAA Parties and approximately \$610,00 related to professional fees in conjunction with the restructuring, namely professional services rendered by the Monitor and its legal counsel and the CCAA Parties' legal advisor.

The Monitor's Report on the Cash Flow Forecast

31. Section 23(1)(b) of the CCAA states that the Monitor shall "review the company's cash-flow statement as to its reasonableness and file a report with the Court on the Monitor's findings."
32. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Practice 09-1 ("CAIRP SOP 09-1"), the Monitor hereby reports as follows:
 - a. The cash flow forecast has been prepared by the CCAA Parties for the purpose described in the notes to the cash flow forecast, using Probable and Hypothetical Assumptions. Readers are cautioned that the cash flow forecast may not be appropriate for other purposes.

- b. The Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by the CCAA Parties. Because Hypothetical Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the cash flow forecast. The Monitor also reviewed the support provided by the CCAA Parties for the Probable Assumptions, and the preparation and presentation of the cash flow forecast.
- c. Based on its review, nothing has come to the attention of the Monitor that causes it to believe, that in all material respects:
 - (i) the Hypothetical Assumptions are not consistent with the purpose of the cash flow forecast;
 - (ii) as at the date of this report, the Probable Assumptions developed by the CCAA Parties are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the cash flow forecast, given the Hypothetical Assumptions; or
 - (iii) The cash flow forecast does not reflect the Probable and Hypothetical Assumptions.

IV. MONITOR'S ACTIVITIES

- 33. Since the date of the First Report , the Monitor has been involved in numerous activities, including:
 - a. participating in numerous meetings, conference calls and discussions with the CCAA Parties and their advisors in connection with the Plan and cash flow forecast;
 - b. participating in numerous meetings, conference calls and discussions with the CCAA Parties and their advisors, and certain Noteholders and their advisors, in respect of the proposed forms of Initial Order, Claims Procedure and Meeting Order and Sanction Order;
 - c. engaging legal counsel, who has also participated in certain of the above-noted meetings and discussions;
 - d. attending the initial application;
 - e. communicating with Noteholders (as required by the Claims Procedure and Meeting Order);
 - f. mailing of Meeting Documents (as required by the Claims Procedure and Meeting Order);
 - g. publishing of the Notice of Proceedings in the required newspapers (as required by the Initial Order);

- h. starting review of certain transactions;
- i. reviewing and considering various documentation in connection with the CCAA Proceeding; and
- j. preparing this Second Report.

V. MONITOR'S CONCLUSIONS

- 34. It is the Monitor's view that the CCAA Parties have acted in good faith and with due diligence and in accordance with the Orders granted by this Honourable Court.
- 35. For the reasons set out in this Second Report, the Monitor believes that:
 - a. An extension of the Stay Period to September 15, 2014 should be granted to ensure that the CCAA Parties are able to implement certain essential restructuring initiatives.

The Monitor respectfully submits this Second Report to this Honourable Court.

DATED AT Montreal, this 20 day of July, 2014.



Pierre Laporte, CPA, CA, CIRP
President

DELOITTE RESTRUCTURING INC.
In its capacity as Court-Appointed Monitor

APPENDIX A

Devonshire Trust Cash Flow Forecast (\$C)

Devonshire Trust
Cash flow statement from July 8, 2014 to September 15, 2014

Number of weeks:	2nd Report										TOTAL
	1	2	3	4	5	6	7	8	9	10	
Beginning period:	8-Jul-14	15-Jul-14	22-Jul-14	29-Jul-14	5-Aug-14	12-Aug-14	19-Aug-14	26-Aug-14	2-Sep-14	9-Sep-14	
Ending period:	14-Jul-14	21-Jul-14	28-Jul-14	4-Aug-14	11-Aug-14	18-Aug-14	25-Aug-14	1-Sep-14	8-Sep-14	15-Sep-14	
Cash inflows											Forecast
Receipts from sale of short-term investments	-	-	-	-	-	-	-	-	131,500,000	-	131,500,000
Interest receipt from sale of short-term investments	-	-	-	-	-	-	-	-	1,230,695	-	1,230,695
Settlement payment (a)	-	-	-	-	-	-	-	-	532,668,082	-	532,668,082
Unpaid amount under swaps (b)	-	-	-	-	-	-	-	-	1,061,916	-	1,061,916
Interest owed under swaps (c)	-	-	-	-	-	-	-	-	58,412,380	-	58,412,380
Interest on (a), (b) and (c)	-	-	-	-	-	-	-	-	3,313,291	-	3,313,291
Other inflows	-	-	-	-	-	-	-	-	-	-	-
Total cash inflows	-	-	-	-	-	-	-	-	728,186,364	-	728,186,364
Cash outflows											
Transfer to Monitor's trust accounts	-	-	-	-	-	-	-	-	729,626,111	-	729,626,111
Administrative costs	66,123	53,831	53,831	66,123	66,123	12,293	12,293	10,000	-	-	340,617
Professional fees	100,000	75,000	75,000	100,000	75,000	70,000	75,000	40,000	-	-	610,000
Other outflows	-	-	-	-	-	-	-	-	-	-	-
Total cash outflows	166,123	128,831	128,831	166,123	141,123	82,293	87,293	50,000	729,626,111	-	730,576,728
Opening balance	2,390,364	2,224,241	2,095,410	1,966,579	1,800,456	1,659,333	1,577,040	1,489,747	1,439,747	-	2,390,364
Variation in cash balance	(166,123)	(128,831)	(128,831)	(166,123)	(141,123)	(82,293)	(87,293)	(50,000)	(1,439,747)	-	(2,390,364)
Ending cash balance	2,224,241	2,095,410	1,966,579	1,800,456	1,659,333	1,577,040	1,489,747	1,439,747	-	-	-
Short-term investments											
Opening short-term investment balance	150,732,000	150,732,000	150,732,000	150,732,000	150,732,000	150,732,000	150,732,000	150,732,000	150,732,000	-	150,732,000
Sale of short-term investments	-	-	-	-	-	-	-	-	(131,500,000)	-	(131,500,000)
Transfer to Monitor's trust accounts	-	-	-	-	-	-	-	-	(19,232,000)	-	(19,232,000)
Ending short-term investments balance	150,732,000	150,732,000	150,732,000	150,732,000	150,732,000	150,732,000	150,732,000	150,732,000	-	-	-
Ending cash and short-term investment balance	152,956,241	152,827,410	152,698,579	152,532,456	152,391,333	152,309,040	152,221,747	152,171,747	-	-	-

Notes:

1. The opening cash balance reflects the trust's cash and near-cash balances totaling \$2,390,364 as at June 1, 2014. The cash balance at July 8, 2014 will change due to cash variations occurring between June 1 and the July 8, 2014.
2. The short-term investment balance reflects the trust's short-term investments totaling \$150,732,000 as at June 1, 2014. These investments are held at BMO Harris Private Banking and are composed of several Guaranteed Investment Certificate ("GIC") for which interest is payable upon maturity. These GICs accrue interest between 1.4% and 1.97% annually.

3. Cash inflows in week 9 totaling approximately \$728.2M consists of amounts to be paid at PID by BNY to the Conduit as part of the Settlement Agreement and the sale of two 30 day cashable short term investments.
4. Transfer to Monitor's trust accounts will be composed of \$729.6M in cash and \$19.2M in short-term investments. These funds will be segregated in the following manner:
 - a. \$678,931,389 for the Initial Distribution to Noteholders as provided for in the Plan. This distribution is to occur 3 business days after the Plan Implementation Date;
 - b. \$1,510,000 for the Costs Reserve;
 - c. \$59,693,854 for the Tax Reserve;
 - d. \$5,000,000 for the Indemnity Reserve;and,
 - e. \$3,722,868 in the Monitor's general trust account.
5. Administrative costs are composed of various costs related to the daily administration of Devonshire. The first 5 weeks assume a larger volume of costs related to initial filing work. Administrative costs will continue to accrue following week 7 however will be paid with the funds placed aside in the Cost Reserve.
6. Professional fees are mainly composed of professional services rendered by the Monitor and its legal counsel and the Debtor's legal advisor. Forecasted amounts in week 1 and 4 assume a larger volume of services rendered related to the initial filing and the meeting of Noteholders. Professional fees will continue to accrue following week 7 however will be paid with the funds placed aside in the Cost Reserve.

NOTES TO THE CASH FLOW FORECAST

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of this CCAA proceeding. Consequently, readers are cautioned that they may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

CASH FLOW FORECAST

A statement indicating, on a monthly basis, the projected cash flow of Devonshire, based on probable and hypothetical assumptions that reflect Devonshire's planned course of action for the period covered.

HYPOTHETICAL ASSUMPTIONS

Assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in Devonshire's judgment, but are consistent with the purpose of the cash flow forecast.

PROBABLE ASSUMPTIONS

Assumptions that:

- (i) Reflect the most probable set of economic conditions and planned courses of action, Suitably Supported, that are consistent with the plans of Devonshire; and
- (ii) Provide a reasonable basis for the cash flow forecast.

SUITABLY SUPPORTED

Assumptions that are based on either one or more of the following factors:

- (i) The past performance of Devonshire;
- (ii) The performance of other industry/market participants engaged in similar activities as Devonshire;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced

by factors such as the significance of the assumption and the availability and quality of the supporting information.

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on the estimated cash position of the trust cash and near-cash balances as at June 1, 2014	X	
<u>Forecast cash receipts</u>			
Receipts from sale of short-term investments	Receipt of sale of \$131M 30 day cashable GIC	X	
Interest receipt from sale of short-term investments	Interest on \$131M 30 day cashable GIC at 1.4% per annum	X	
Settlement payment under swaps (a)	Amounts to be provided by BNY as indicated in the Settlement Agreement	X	
Unpaid amount under swaps (b)	Amounts to be provided by BNY as indicated in the Settlement Agreement	X	
Interest owed under swaps (c)	Amounts to be provided by BNY as indicated in the Settlement Agreement	X	
Interest on (a), (b) and (c)	Amounts to be provided by BNY as indicated in the Settlement Agreement calculated from and including June 1, 2014 to but excluding the Funds Transfer Date (projected as September 2, 2014) at a rate per annum equal to the BOC Daily 1M BA Rate, reset each Business Day, plus 1%, calculated on an Actual/365 Fixed Basis and compounded daily	X	
Other inflows	Other unexpected receipts	X	

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Forecast cash disbursements</u>			
Transfer to Monitor's trust accounts	Cash to be transferred to the Monitor's trust account	X	
Administrative costs	Represents costs for current administration, trustee fees and fees of 9205-3701 Québec Inc.	X	
Professional fees	Represents fees of Deloitte, Osler, Fasken, PwC, RCGT, Lavery and others	X	
Other outflows	Other unexpected expenditures and funds to be transferred to the Monitor's general trust account	X	
<u>Ending cash balance</u>	Based on forecasted cash transactions	X	
Opening short-term investment balance	Short-term investment balance reflects the trust's short-term investments as at June 1, 2014.	X	
Sale of short-term investments	Sale of \$131M 30 day cashable GIC	X	
Transfer to Monitor's trust accounts	Short-term investments to be transferred to the Monitor's trust accounts	X	
Ending short-term investments balance	Based on forecasted short-term investment transactions	X	
Ending cash and short-term investments balance	Based on forecasted cash and short-term investment	X	

Assumptions	Source	Probable Assumption	Hypothetical Assumption
	transactions		

