

**RICHTER**

Court File No.: CV-20-00636875-00CL

**2607380 ONTARIO INC.**

**THIRD REPORT OF RICHTER ADVISORY GROUP INC.,  
IN ITS CAPACITY AS MONITOR**

**NOVEMBER 19, 2020**

## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	PURPOSE OF THE THIRD REPORT .....	3
III.	DISCLAIMER AND TERMS OF REFERENCE .....	4
IV.	ACTIVITIES OF THE COMPANY .....	5
V.	ACTIVITIES OF THE MONITOR .....	6
VI.	UPDATE ON THE NUVO RENOVATIONS.....	7
VII.	UPDATE ON THE SALE AND INVESTOR SOLICITATION PROCESS.....	8
VIII.	THE THIRD DIP AMENDMENT .....	13
IX.	CASH FLOW VARIANCE ANALYSIS REPORTING.....	13
X.	EXTENSION OF THE CCAA STAY .....	15
XI.	MONITOR'S RECOMMENDATIONS.....	17

## APPENDICES

**APPENDIX "A"** – Amended and Restated Initial Order

**APPENDIX "B"** – Pre-Filing Report of the Proposed Monitor dated February 24, 2020 (without appendices)

**APPENDIX "C"** – First Report of the Monitor dated March 5, 2020 (without appendices)

**APPENDIX "D"** – Second Report of the Monitor dated July 8, 2020 (without appendices)

**APPENDIX "E"** – Notice of the Sale and Investment Solicitation Process

**APPENDIX "F"** – Extended Cash Flow Forecast and Management's Report Thereon

**APPENDIX "G"** – Monitor's Report on the Extended Cash Flow Forecast

**APPENDIX "H"** – Third DIP Amendment dated November 18, 2020

**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  
2607380 ONTARIO INC.**

**THIRD REPORT OF RICHTER ADVISORY GROUP INC.  
IN ITS CAPACITY AS MONITOR**

**NOVEMBER 19, 2020**

## I. INTRODUCTION

1. On February 25, 2020 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Initial Order**”) granting 2607380 Ontario Inc. (“**260**” or the “**Company**”) protection pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, C. C-36, as amended (the “**CCAA**”). Pursuant to the Initial Order, Richter Advisory Group Inc. (“**Richter**”) was appointed as Monitor of the Company (the “**Monitor**”).
2. The Initial Order, *inter alia*:
  - (i) granted a stay of proceedings in favour of the Company until March 6, 2020 (the “**Initial Stay Period**”);
  - (ii) granted a stay of proceedings during the Initial Stay Period in favour of (i) Nuvo Network Inc. (“**Nuvo Network**”), an affiliate of the Company, (ii) the directors and officers of the Company and (iii) Mr. Shawn Saulnier and Ms. Bridget Saulnier (collectively, the “**Saulniers**”) in connection with any guarantees they have made in support of any of the commitments or debt obligations of the Company (collectively, the “**Saulnier Guarantees**”). Collectively, such stay of proceedings, together with the stay of proceedings in favour of the Company, is referred to herein as the “**CCAA Stay**”;
  - (iii) enhanced the Monitor’s powers over the Company’s disbursements, obliging the Company to obtain prior approval of the Monitor for disbursements above certain dollar thresholds (\$1,000 per transaction or \$5,000 in aggregate, on a daily basis) (the “**Monitor’s Enhanced Powers**”);
  - (iv) approved an indemnity and charge in favour of 260’s directors and officers in the amount of \$50,000 (the “**Directors’ Charge**”) in respect of the actions of the directors and officers and liabilities incurred thereby from and after the Filing Date;
  - (v) approved a charge in respect of the fees and costs of the Monitor, its counsel and counsel to the Company in the amount of \$250,000 (the “**Initial Administration Charge**”); and
  - (vi) ordered that Meridian Credit Union Limited (“**Meridian**”), the Company’s primary secured lender, provide emergency financing in the amount of \$220,000, to either the Monitor or its counsel, in order to provide the Company with sufficient funds to pay certain professional fees and to meet 260’s operational requirements until the date of the comeback motion returnable March 6, 2020.

3. On March 6, 2020, the Court issued the Amended and Restated Initial Order (the “**Amended and Restated Initial Order**”), which incorporated certain amendments to the Initial Order, *inter alia*:
- (i) extending the CCAA Stay until October 24, 2020;
  - (ii) ordering that the Company obtain the Monitor’s consent before entering into any new contracts or leases (a) with an aggregate value or liability in excess of \$1,000 and/or (b) a term in excess of one month;
  - (iii) further advancing the Monitor’s powers, thereby authorizing it to, among other things, assist 260 in preparing cash flow forecasts (with information provided by the Company), monitoring and overseeing the renovations (the “**Nuvo Renovations**”) of the Company’s property located at 1295 North Service Road, Burlington, Ontario (the “**Nuvo Property**”), including consulting with the DIP Lender (as defined below) in connection therewith, on behalf of the Company, and assisting the Company and Nuvo Network in complying with the Meridian DIP Facility Agreement (as defined herein), including preparing materials in anticipation of a sale and investor solicitation process;
  - (iv) increasing the Initial Administration Charge to \$300,000 (the “**Amended Administration Charge**”); and
  - (v) approving a non-revolving credit facility up to a maximum amount of \$7.18 million (the “**Meridian DIP Facility**”) pursuant to a credit facility agreement between the Company and Meridian (in such capacity, the “**DIP Lender**”) dated March 4, 2020 (the “**Meridian DIP Facility Agreement**”) and a charge in favour of the DIP Lender up to the maximum amount of the aggregate of any and all advances made by the DIP Lender thereunder.

A copy of the Amended and Restated Initial Order is attached hereto as **Appendix “A”**. The proceedings commenced by 260 under the CCAA are herein referred to as the “**CCAA Proceedings**”.

4. On July 10, 2020, the Court issued an order (the “**SISP Order**”), which, *inter alia*:
- (i) granted an extension of the CCAA Stay until November 30, 2020 (the “**July 2020 Stay Extension**”);
  - (ii) approved the retention of Halo Advisory (“**Halo**”) as financial advisor and Mortgage Alliance, as exclusive mortgage agent (“**MA**”, and together with Halo, the “**Refinancing Advisor**”), to assist in and carry out the process set out in the sale and investment solicitation process (the “**SISP**”), to solicit interest in providing financing to the Company (the “**Refinancing Process**”);

- (iii) approved the retention of CBRE Limited (“**CBRE**” and collectively with the Refinancing Advisor, the “**Brokers**”) to act as listing agent in the process set out in the SISP to solicit interest in the acquisition of the Nuvo Property (the “**Sale Process**”);
- (iv) approved the terms of the SISP, which, among other things, provided for the Refinancing Process and the Sale Process to be run concurrently; and
- (v) approved the sealing of the confidential appendices to the Monitor’s Second Report (as hereinafter defined).

A copy of the SISP Order, which includes the SISP as an exhibit, is included as Exhibit “C” to the November 2020 Saulnier Affidavit (as hereinafter defined).

5. This report is the Monitor’s third report to Court (the “**Third Report**”). Richter, in its capacity as Proposed Monitor, filed the Pre-Filing Report dated February 24, 2020 (the “**Pre-Filing Report**”) with the Court in support of, *inter alia*, the Company’s application for the Initial Order. The Monitor’s first report dated March 5, 2020 (the “**First Report**”) was filed with the Court to, among other things, provide an update on the activities of the Company and the Monitor since the issuance of the Initial Order and support the Company’s request for the Court to approve the amendments provided for in the Amended and Restated Initial Order, including the extension of the Stay Period up to and including October 24, 2020. The Monitor’s second report dated July 8, 2020 (the “**Second Report**” and collectively with the Pre-Filing Report and the First Report, the “**Prior Reports**”) was filed with the Court to, among other things, provide an update on the activities of the Company and the Monitor since the date of the First Report and support the Company’s request for the Court to grant the SISP Order. A copy of the Pre-Filing Report, the First Report and the Second Report, without appendices, are attached hereto as **Appendix “B”, Appendix “C” and Appendix “D”**, respectively. In addition, the Prior Reports (with appendices) and copies of Court and other material documents pertaining to the CCAA Proceedings are available on the Monitor’s website at <https://www.richter.ca/insolvencycase/2607380-ontario-inc/> (the “**Monitor’s Website**”).

## II. PURPOSE OF THE THIRD REPORT

6. The purpose of this Third Report is to provide information to the Court pertaining to:
  - (i) the activities of the Company and the Monitor since the date of the Second Report;
  - (ii) an update regarding the Nuvo Renovations;
  - (iii) an update on the SISP and the proposed termination thereof;

- (iv) an overview of the third amendment to the Meridian DIP Facility Agreement dated November 19, 2020 (the “**Third DIP Amendment**”);
- (v) the Company’s reported receipts and disbursements for the period from July 5, 2020 to November 14, 2020, including a comparison of reported to forecasted results;
- (vi) the Company’s request that the Court grant an order (the “**SISP Termination and Stay Extension Order**”), *inter alia*,
  - (a) terminating the SISP and enabling the Company, the Monitor and the Brokers to continue to solicit sale or refinancing proposals with respect to the Nuvo Property and to take such steps and execute such documents as may be necessary or incidental to such sale or financing efforts provided, however, that any binding sale or financing transaction is to be subject to the approval of the Court;
  - (b) approving the Pre-Filing Report, the First Report, the Second Report and the Third Report, and the activities of the Monitor set out therein; and
  - (c) extending the CCAA Stay up to and including January 29, 2021; and
- (vii) the Monitor’s conclusions and recommendations.

### III. DISCLAIMER AND TERMS OF REFERENCE

7. In preparing this Third Report, the Monitor has relied upon certain unaudited, draft, and/or internal financial information of the Company, the Company’s books and records and discussions with various parties, including 260’s advisors, employees and certain of its directors (collectively, the “**Information**”). In accordance with industry practice, except as otherwise described in the Third Report, Richter 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 Generally Accepted Auditing Standards (“**GAAS**”) pursuant to the *Chartered Professional Accountants of Canada Handbook* (the “**Handbook**”). In addition, the Monitor has not conducted an examination or review of any financial forecast and projections in a manner that would comply with GAAS or the procedures described in the Handbook. Accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

8. Future orientated financial information contained in the Extended Cash Flow Forecast (as hereinafter defined) is based on the Company's estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Extended Cash Flow Forecast will be achieved.
9. Unless otherwise stated, all monetary amounts referred to herein are expressed in Canadian dollars.
10. Capitalized terms not otherwise defined herein are as defined in the SISP and the affidavit of Mr. Shawn Saulnier sworn November 18, 2020 (the "**November 2020 Saulnier Affidavit**"). The Third Report should be read in conjunction with the November 2020 Saulnier Affidavit, as certain information contained in the November 2020 Saulnier Affidavit has not been included herein in order to avoid unnecessary duplication.

#### **IV. ACTIVITIES OF THE COMPANY**

11. As outlined in the November 2020 Saulnier Affidavit, since the date of the Second Report, the activities of the Company, with the support of its legal advisors, have included:
  - (i) managing relationships with key stakeholders, including creditors, tenants and secured lenders;
  - (ii) continuing to liaise with its general contractor, Maple Reinders Inc. ("**Maple**"), with respect to the Nuvo Renovations;
  - (iii) responding to the COVID-19 pandemic situation by implementing protective measures to reduce the risk of COVID-19 transmission on the Nuvo Property;
  - (iv) administering the leases at the Nuvo Property;
  - (v) conducting an extensive marketing campaign to solicit interest for new tenants of the Nuvo Property;
  - (vi) working, in consultation with the Monitor, to manage the Company's cash flows and making payments in accordance with the Amended and Restated Initial Order;
  - (vii) working with its counsel, the Monitor, CBRE, and the Refinancing Advisor to carry out the SISP, including identifying and introducing interested parties / prospective bidders, preparing / compiling materials to be included in the respective data rooms, meeting with interested parties and attending virtual meetings and site tours;
  - (viii) corresponding with the DIP Lender and its legal counsel regarding the progress of the SISP; and



- (ix) with the assistance of the Monitor, preparing a forecast (the “**Extended Cash Flow Forecast**”) of the Company’s receipts and disbursements for the period November 15, 2020 to January 29, 2021 (the “**Forecast Period**”).

## **V. ACTIVITIES OF THE MONITOR**

12. Since the date of the Monitor’s Second Report, the Monitor’s activities have included:

- (i) attending at Court in connection with the SISP Order;
- (ii) attending at the Company’s premises and meeting with the Company’s management to discuss the Company’s operations, the Nuvo Renovations, the SISP and other matters pertaining to the CCAA Proceedings;
- (iii) corresponding and communicating with Maple in connection with the Nuvo Renovations;
- (iv) monitoring of the Company’s cash flows and reviewing analyses on variances to the Company’s cash flow forecast, and reporting these variances to Meridian in accordance with the Meridian DIP Facility Agreement;
- (v) corresponding with the Company and its legal counsel regarding all matters in the CCAA Proceedings, including the Nuvo Renovations, the SISP, the Extended Cash Flow Forecast and 260’s operations generally;
- (vi) corresponding with and overseeing the Refinancing Advisor in respect of the Refinancing Process;
- (vii) corresponding with and overseeing CBRE in connection with the Sale Process;
- (viii) corresponding with the DIP Lender and its legal counsel regarding the progress of the SISP and other matters pertaining to the CCAA Proceedings;
- (ix) corresponding with Bennett Jones LLP, the Monitor’s legal counsel;
- (x) responding to calls and enquiries from creditors and other stakeholders in connection with the CCAA Proceedings;
- (xi) arranging for notice of the SISP (the “**SISP Notice**”) to be published in the August 20, 2020 edition of Globe and Mail (National Edition) in accordance with the SISP Order. A copy of the SISP Notice is attached hereto as **Appendix “E”**;

- (xii) working with the Company on a daily basis to assist in the managing of 260's operations and addressing the key financial issues arising as a result of the ongoing COVID-19 pandemic;
- (xiii) corresponding with Canada Revenue Agency ("**CRA**") in connection with certain outstanding GST/HST refunds (the "**GST/HST Refunds**") and a potential CRA audit in connection with the GST/HST Refunds.
- (xiv) maintaining the Monitor's Website where copies of the orders granted and other relevant documents in respect of the CCAA Proceedings have been made available;
- (xv) preparing this Third Report; and
- (xvi) dealing with other matters not specifically set out above pertaining to the administration of the CCAA Proceedings.

## **VI. UPDATE ON THE NUVO RENOVATIONS**

13. As noted in the Second Report, a primary focus of the CCAA Proceedings was to enable the Company to complete the Nuvo Renovations. Maple had been retained by the Company as general contractor to assist with the Nuvo Renovations. As further noted in the Second Report, following the issuance of the Amended and Restated Initial Order, the Company, with the assistance of the Monitor, completed the documentation necessary and issued required payments, as approved by the Court and in accordance with the Meridian DIP Facility, to ensure Maple would recommence the Nuvo Renovations. On or about March 16, 2020, Maple remobilized to the Nuvo Property to restart the Nuvo Renovations.
14. Since mid-March 2020, Maple has managed, in consultation with the Company, the Nuvo Renovations. However, due to unforeseen circumstances outside of the Company's and / or Maple's control brought on by the worsening COVID-19 situation (as further discussed in the November 2020 Saulnier Affidavit), substantial completion of the Nuvo Renovations was slightly delayed beyond the initial anticipated date (mid-September 2020). As noted in the November 2020 Saulnier Affidavit, the Nuvo Renovations are now substantially complete. On October 30, 2020, Maple issued a Certificate of Substantial Performance with respect to the Nuvo Property, a copy of which is attached as Exhibit "D" to the November 2020 Saulnier Affidavit. Furthermore, as noted in the November 2020 Saulnier Affidavit, On October 30, 2020, the architecture firm overseeing the Nuvo Renovations wrote to the City of Burlington to confirm that, subject to the approval of the municipal building inspector, the Nuvo Property is fit and ready for occupancy.

## **VII. UPDATE ON THE SALE AND INVESTOR SOLICITATION PROCESS**

15. On July 10, 2020, the Court approved the SISP pursuant to the SISP Order. The SISP consists of two components, to be run in parallel: (i) the Refinancing Process and (ii) the Sale Process.
16. The purpose of the SISP was to maximize the value obtained for the Nuvo Property, taking into consideration the interests of the Company's creditors and other stakeholders. The SISP was designed to be a broad and flexible process to canvass bids for a sale and/or a refinancing proposal to repay existing indebtedness of the Company.

### **The Refinancing Process**

17. As noted in the Second Report, in order to determine third party interest in providing financing the Company, the Company, with the assistance of the Refinancing Advisor and under the supervision of the Monitor, carried out the Refinancing Process. An overview of the Refinancing Process is as follows:
  - (i) The Refinancing Process informally commenced following the date of the Amended and Restated Initial Order, in accordance with the Meridian DIP Facility Agreement;
  - (ii) In May 2020, the Company, with the support of the Monitor and the DIP Lender, retained (a) Halo as its financial advisor to perform pre-marketing tasks for the Refinancing Process and (b) MA, a licensed mortgage broker, to carry out the Refinancing Process. Halo and MA are controlled by and operate under the supervision of the same individuals;
  - (iii) The Refinancing Process, as well as the retainer of MA and Halo, was approved by the Court pursuant to the SISP Order, which, among other things, provided for the Refinancing Process to be continued and carried out by the Refinancing Advisor, under the supervision of the Monitor, concurrently with the Sale Process;
  - (iv) The SISP and the Meridian DIP Facility Agreement provide that the Company is permitted to continue the Refinancing Process up to the date that a definitive agreement of purchase and sale is executed with any other party pursuant to the Sale Process. If, in the Monitor's view, the Refinancing Process identifies a transaction that is able to be completed in advance of the date that a definitive agreement of purchase and sale is signed, the Monitor is able to pursue such a transaction and terminate the Sale Process;
  - (v) The Refinancing Advisor, in consultation with the Company and the Monitor, prepared an investment profile / teaser summarizing the opportunity, and a form of non-disclosure agreement ("**NDA**") which was distributed to 60 prospective parties comprised of banks, mortgage lenders, private equity firms and alternative lenders;

- (vi) The Refinancing Advisor, in consultation with the Company and the Monitor, also prepared a confidential information memorandum (the “**Refinancing Process CIM**”) describing the opportunity in further detail, and prepared an electronic data room containing various confidential information concerning the Company and the Nuvo Property. The Refinancing Process CIM and access to the data room was provided to any interested party that submitted an executed NDA;
  - (vii) Of the 60 prospective parties contacted, 15 executed an NDA and performed diligence on the opportunity; and
  - (viii) As of the date of this Third Report, the Company, with the assistance of its legal counsel and Refinancing Advisor, are in negotiations with prospective lenders (the “**Prospective Lenders**”) that have expressed interest in completing a refinancing transaction.
18. The Meridian DIP Facility Agreement (as amended) contemplates that either a sale transaction pursuant to the Sale Process or a refinancing transaction pursuant to the Refinancing Process must close on or before November 30, 2020 (the “**Outside Date**”).
19. As there is little prospect of closing a transaction with any of the Prospective Lenders prior to the Outside Date, the Company sought, with the Monitor’s support, an extension of the Outside Date provided for in the Meridian DIP Facility Agreement (as amended) to January 29, 2021, to coincide with the expiration of the Stay Extension (as defined below), if granted. In consideration of the foregoing, the DIP Lender and the Company have agreed to enter into a further amendment to the Meridian DIP Facility Agreement (as discussed below) to accommodate the extension of the Outside Date from November 30, 2020 to January 29, 2021.
20. The Monitor understands that the Company, with the assistance of the Refinancing Advisor and the Monitor, intends to use the time provided from the Stay Extension, if granted, to continue negotiations with the Prospective Lenders with a view to finalizing the terms of a refinancing transaction. It is the Monitor’s understanding that if an agreement is reached with one of the Prospective Lenders, the Company will return to Court to seek approval of a refinancing transaction before the expiry of the Stay Extension, if granted.

## The Sale Process

21. An overview of the Sales Process is as follows:

- (i) The Sale Process was developed in consultation with CBRE. CBRE was selected as listing agent for the Sale Process after soliciting proposals from several reputable, well-known commercial property brokers in the Greater Toronto Area (the “**GTA**”). The Company determined that the proposal from CBRE was superior to the other realtors that submitted proposals, and the Monitor was supportive of the Company’s retention of CBRE due to its experience selling the Nuvo Property (CBRE was the listing agent when the Nuvo Property was sold to the Company in 2018), similar properties and commercial real estate properties subject to insolvency proceedings. In addition, CBRE presented a commission structure that was consistent with the market and superior to the other proposals submitted;
- (ii) The Sale Process was structured as a two-phase process;
- (iii) Phase 1 of the Sale Process commenced immediately following the date of the SISP Order. CBRE, in consultation with the Company and the Monitor:
  - (a) prepared a list of potential bidders comprising more than 5,600 potential interested parties (collectively, the “**Bidder List**”), made up of domestic and foreign financial and strategic buyers, including more than 200 studio operators and ancillary businesses;
  - (b) prepared a marketing summary (the “**Flyer**”) describing the opportunity to acquire the Nuvo Property and a form of NDA to be shared with potential bidders. On August 5, 2020, CBRE sent the Flyer and NDA to all parties on the Bidder List;
  - (c) commissioned a comprehensive virtual tour of the Nuvo Property, which was distributed electronically to the entire Bidder List;
  - (d) listed the Nuvo Property on MLS®;
  - (e) published an advertisement in the Globe and Mail regarding the Sale Process on August 25, 2020 and August 27, 2020 (in addition to the SISP Notice published by the Monitor); and
  - (f) prepared a confidential information memorandum (the “**Sale Process CIM**”) describing the opportunity in further detail, and prepared an electronic data room containing various confidential information concerning the Company and the Nuvo Property. The Sale Process CIM and access to the data room was provided to any potential bidders that submitted an executed NDA;

- (iv) Interested parties were provided the opportunity to attend at the Nuvo Property and to meet with the Company's executives;
- (v) The deadline for interested parties to submit a non-binding letter of intent ("**LOI**") was September 30, 2020 (the "**Initial Phase 1 Bid Deadline**"). However, in light of the fact that the Nuvo Renovations were still in progress and the general negative impact that COVID-19 has had on the commercial real estate market, CBRE recommended to the Monitor that the Initial Phase 1 Bid Deadline be extended. Accordingly, the Monitor, in consultation with CBRE and the Company, extended the Initial Phase 1 Bid Deadline to October 31, 2020 (the "**Extended Phase 1 Bid Deadline**"), in accordance with section 16 of the SISP. The Monitor also consulted with Meridian regarding the Extended Phase 1 Bid Deadline. Meridian did not object to the extension and was amenable to waive compliance with the deadlines, other than the Outside Date, contemplated under the Meridian DIP Facility Agreement (as amended); and
- (vi) The Sale Process established criteria for an LOI to be considered a Qualified LOI. If one or more Qualified LOIs were received and the Monitor, in consultation with CBRE and the Company, determined there is a reasonable prospect of obtaining a Final Bid, the Sale Process would continue into the second phase. However, if the Monitor, in consultation with the CBRE and the Company, determined that (i) no Qualified LOI has been received or (ii) there is no reasonable prospect of obtaining a Final Bid, then the Monitor, in consultation with the CBRE and the Company, may: (a) designate one or more LOIs as a Qualified LOI and the Sale Process shall continue into Phase 2; (b) proceed to Phase 2 of the Sale Process without a Qualified LOI; or (c) apply to Court for advice and directions regarding the continuation or termination of the Sale Process.

## **Results of the Sale Process**

22. The results of the Sale Process are summarized as follows:

- (i) 24 parties executed an NDA and performed diligence, including 10 site tours conducted with representatives of CBRE and the Company;
- (ii) as of the Extended Phase 1 Bid Deadline, one party submitted a non-binding LOI;
- (iii) the non-binding LOI received was for a value substantially less than the amounts owing by the Company to Meridian as the senior secured lender and was not acceptable to Meridian and would not result in any proceeds being available for any of the other secured creditors; and

- (iv) the Monitor and CBRE determined that the non-binding LOI received was not a Qualified LOI within the meaning of the SISP.
23. The Monitor is of the view that, notwithstanding the results, the Sale Process conducted by CBRE was commercially reasonable, including the timelines, breadth of CBRE's canvassing of the market, the information made available to interested parties, including the information in the data room and the availability of management for meetings and site tours.
24. Based on feedback from prospective purchasers and CBRE, the results of the Sale Process (i.e. only one non-binding LOI for an amount substantially less than the Company's obligations owing to its senior secured lender) were principally influenced by the impacts of COVID-19 on the commercial real estate market in the GTA, which, among other things, is in a state of unprecedented uncertainty, with no clear end in sight. Market conditions have declined since the commencement of these CCAA Proceedings and that decline has accelerated during the pendency of the SISP. Notwithstanding the significant capital improvements made to the Nuvo Property, it is difficult to complete a sale transaction at a reasonable value for the Nuvo Property in this market, as evidenced by the limited interest in a transaction to acquire the Nuvo Property from the Sale Process.
25. In consideration of the foregoing, following the Extended Phase 1 Bid Deadline, the Monitor, in consultation with the Company and CBRE, informed CBRE to temporarily suspend its marketing of the Nuvo Property on the basis that there was no reasonable prospect of obtaining a Final Bid. The purpose of temporarily suspending the Sale Process was to provide the Company, CBRE and the Monitor, time to assess the appropriate next steps in respect of the Sale Process. In light of the fact that no acceptable bid emerged despite CBRE reaching out to over 5,600 prospective purchasers and listing the property for over two months, the Company is of the view that that the formal Sale Process should be terminated and efforts should be focused on pursuing discussions with existing parties to see if a refinancing or sale transaction acceptable to Meridian and the Court can be developed. The Monitor concurs with that view.

### **Termination of the SISP**

26. The proposed SISP Termination and Stay Extension Order provides for, among other things, the SISP to be terminated. However, to allow for the continuation of any discussions and enable a refinancing or sale transaction to occur should one develop, the Monitor, the Brokers and their respective advisors may continue to have discussions in respect of and advance any proposals with respect to the Nuvo Property as they may deem appropriate, and to take such steps and execute such documentation as may be necessary or incidental to closing any such sale or refinancing transaction, subject to the approval of the Court.

27. The Monitor understands the DIP lender supports the process being considered. Accordingly, the Monitor supports the Company's request to terminate the SISP and to seek the proposed SISP Termination and Stay Extension Order, as such relief presents the best option in the circumstance to maximize the value obtained for the Nuvo Property, taking into consideration the interests of the Company's creditors and other stakeholders.

## **VIII. THE THIRD DIP AMENDMENT**

28. As noted in the Second Report, the Meridian DIP Facility Agreement contains certain milestone dates in connection with the SISP. As a result of the negative impacts of COVID-19 on the Company's business, the Nuvo Renovations and the commercial real estate market in the GTA generally, the Company, in consultation with the Monitor, negotiated the First DIP Amendment and the Second DIP Amendment (each as defined and discussed in the Second Report) to, among other things, extend certain milestones originally contemplated in the Meridian DP Facility Agreement. Copies of the Meridian DIP Facility Agreement, the First DIP Amendment and the Second DIP Amendment are included in the November 2020 Saulnier Affidavit as Exhibits "E", "F" and "G", respectively.
29. The Monitor has been in consultation with the DIP Lender to update them in respect of the proposed process and timelines in the SISP and the Meridian DIP Facility Agreement (as amended). Given the suspension of the Sale Process component of the SISP on October 31, 2020, the requested termination of the SISP, and the ongoing negotiations with the Prospective Lenders regarding a potential refinancing, it was ultimately agreed that a further amendment of the Meridian DIP Facility Agreement would be entered into to reflect the ability of the Company, with the assistance of the Monitor and the Brokers, to continue to have discussions in respect of and advance any proposals with respect to the Nuvo Property, with a view to completing a transaction on or before January 29, 2021. The Third DIP Amendment, a copy of which is attached hereto as **Appendix "H"**, provides for the following amended timelines with respect to a sale or refinancing transaction:
- (i) on or before January 15, 2021, the Company must provide to the DIP Lender either (a) a firm agreement of purchase and sale with a closing date on or before January 29, 2021, or (b) a firm commitment to refinance all obligations owing by the Company to Meridian, with a closing date on or before January 29, 2021; and
  - (ii) close a sale or refinancing transaction by no later than January 29, 2021.

## **IX. CASH FLOW VARIANCE ANALYSIS REPORTING**

30. As noted in the Monitor's Second Report, 260, with the assistance of the Monitor, prepared a cash flow forecast for the period July 5, 2020 to November 30, 2020 (the "**July 2020 Cash Flow Forecast**"), which was filed with the Court in support of, *inter alia*, the Company's request for the July 2020 Stay Extension.



31. The Company has continued to provide the Monitor with its co-operation and access to its books and records as requested by the Monitor. The Monitor has implemented various procedures for monitoring the Company's receipts and disbursements on a weekly basis. The Monitor has also prepared forecasted to actual variance analyses with respect to the Company's weekly receipts and disbursements as compared to the July 2020 Cash Flow Forecast.
32. A comparison of the Company's actual cash receipts and disbursements as compared to the July 2020 Cash Flow Forecast for the 19-week period from July 5, 2020 to November 14, 2020 (the "**Comparison Period**"), is summarized as follows:

<b>2607380 Ontario Inc.</b> <b>Variance Analysis of the July 2020 Cash Flow Forecast</b> <b>For the period from July 5, 2020 to November 14, 2020</b> <b>(In 000's CAD; unaudited)</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b><u>Receipts</u></b>			
Collection of Office, Studio & Event Income	862	1,200	(338)
HST Receivable & Other Receipts	38	629	(591)
<b>Total Receipts</b>	<b>900</b>	<b>1,829</b>	<b>(929)</b>
<b><u>Disbursements</u></b>			
Operating Expenses	(628)	(606)	(22)
Personnel Expenses	(353)	(343)	(10)
Professional Fees	(549)	(763)	214
Construction Costs	(1,505)	(2,551)	1,046
DIP Lender Costs	(8)	(19)	11
<b>Total Disbursements</b>	<b>(3,043)</b>	<b>(4,282)</b>	<b>1,239</b>
<b>Net Cash Flow</b>	<b>(2,143)</b>	<b>(2,453)</b>	<b>310</b>
<b>Opening Cash Balance</b>	<b>356</b>	<b>327</b>	<b>29</b>
Net Cash Flow	(2,143)	(2,453)	310
<b>DIP Drawdown</b>	<b>2,000</b>	<b>2,450</b>	<b>450</b>
<b>Ending Cash Balance</b>	<b>213</b>	<b>324</b>	<b>(111)</b>

33. As reflected in the summary table above, the Company reported a net cash outflow of approximately \$2.1 million over the Comparison Period, and the Company had a cash balance of approximately \$0.2 million, as at November 14, 2020. The Company has a favourable cash flow variance of approximately \$0.3 million with respect to the July 2020 Cash Flow Forecast during the Comparison Period.

34. The favourable cash flow variance of approximately \$0.3 million pertains principally to the following:
- (i) the Company, with the assistance of the Monitor, and Maple agreed to a payment plan that provided for final payment to Maple in respect of the Nuvo Renovations on the occurrence of the Substantial Completion Date. As previously discussed in this Third Report, there was a delay in connection with the Substantial Completion Date, which, accordingly, will result in a delay with respect of the final payment to Maple;
  - (ii) a favourable timing variance associated with lower than forecasted professional fees. This favourable variance was partially offset by timing differences associated with the collection of the GST/HST Refunds (as discussed below) and higher than forecasted operating expenses and personnel expenses, which are expected to reverse in the near-term; and
  - (iii) unfavourable permanent differences attributable to the collection of lower than projected rental income, studio income and event income due to the COVID-19 pandemic.
35. The unfavourable variance of approximately \$0.6 million in connection with 'HST Receivable & Other Receipts' primarily represents timing differences in connection with the collection of the GST/HST Refunds as a result of the following:
- (i) the issuance, by CRA, on October 6, 2020, of a notice of assessment for GST/HST to the Company covering the period up to August 31, 2020 (the "**NOA**"). The NOA outlines that a GST/HST refund in the amount of approximately \$0.3 million is owing to the Company, which is currently being withheld pending a review by CRA;
  - (ii) the delay in the Substantial Completion Date of the Nuvo Renovations, as noted above, will result in a delay of the final payment to Maple and accordingly, a delay in the subsequent collection of the related HST input tax credits ("**ITCs**"); and
  - (iii) lower than forecasted professional fees during the Comparison Period, which consequently, has resulted in lower than anticipated ITCs as of the date of this Third Report.

## **X. EXTENSION OF THE CCAA STAY**

36. The current CCAA Stay expires on November 30, 2020. The Company is seeking an extension of the CCAA Stay to January 29, 2021 (the "**Stay Extension**").

37. As the July 2020 Cash Flow Forecast only runs until November 30, 2020, the Company, with the assistance of the Monitor, has prepared the Extended Cash Flow Forecast, setting out the Company's anticipated receipts and disbursements during the Forecast Period. A copy of the Extended Cash Flow Forecast, together with Management's Report on the Extended Cash Flow Forecast, is attached hereto as **Appendix "F"** and is summarized below:

<b>2607380 Ontario Inc.</b> <b>Extended Cash Flow Forecast</b> <b>For the Period November 15, 2020 - January 29, 2021</b> <b>(In 000's CAD; unaudited)</b>	
<b><u>Receipts</u></b>	
Collection of Office, Studio & Event Income	423
HST Receivable & Other Receipts	432
<b>Total Receipts</b>	<b>855</b>
<b><u>Disbursements</u></b>	
Operating Expenses	285
Personnel Expenses	210
Professional Fees	305
Construction Costs	974
DIP Lender Costs	6
<b>Total Disbursements</b>	<b>1,780</b>
<b>Net Cash Flow</b>	<b>(926)</b>
Opening Cash Balance	213
<b>DIP Drawdown</b>	<b>800</b>
<b>Ending Cash Balance</b>	<b>87</b>

38. The Monitor's Report on the Extended Cash Flow Forecast is attached hereto as **Appendix "G"**.
39. The Monitor is of the view that the Stay Extension is appropriate in the circumstances for the following reasons:
- (i) the Company has acted and continues to act in good faith and with due diligence;
  - (ii) the Stay Extension will afford the Company, with the assistance of the Monitor and the Brokers, the time needed to continue any discussions with existing parties and enable a refinancing or sale transaction to occur should one develop, with a view to closing a transaction prior to the expiry of the Stay Extension;
  - (iii) the Stay Extension should not materially prejudice any creditor, as 260 is projected to have sufficient funds to pay post-filing services and supplies, as contemplated in the Extended Cash Flow Forecast; and

- (iv) Meridian, being the Company's first secured senior lender and the DIP Lender in these CCAA Proceedings, supports the Stay Extension.

## **XI. MONITOR'S RECOMMENDATIONS**

40. For the reasons set out in this Third Report, the Monitor is of the view that the relief requested by the Company is both appropriate and reasonable. As such, the Monitor respectfully recommends that this Honourable Court grant the SISP Termination and Stay Extension Order.

All of which is respectfully submitted this 19<sup>th</sup> day of November 2020.

**RICHTER ADVISORY GROUP INC.  
IN ITS CAPACITY AS MONITOR OF  
2607380 ONTARIO INC.  
AND NOT IN ITS PERSONAL CAPACITY**

Per:



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**Paul van Eyk,  
CPA, CA-IFA, CIRP, LIT, Fellow of INSOL**



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**Adam Zeldin  
CPA, CA, CIRP, LIT**

## **Appendix “A”**

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE  
JUSTICE CONWAY

)  
)  
)

FRIDAY, THE 6th  
DAY OF MARCH, 2020



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 2607380 ONTARIO INC. (the "Applicant")

AMENDED AND RESTATED INITIAL ORDER  
(Amending Initial Order dated February 25, 2020)

THIS MOTION, made by the Applicant pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an order amending and restating the Initial Order (the "Initial Order") issued on February 25, 2020 (the "Initial Filing Date") and extending the stay of proceedings provided for therein was heard this day at 330 University Ave, Toronto, Ontario.

ON READING the affidavit of Shawn Saulnier sworn February 24, 2020 (the "Saulnier Initial Affidavit"), the affidavit of Shawn Saulnier sworn March 4, 2020 (the "Saulnier Comeback Affidavit") and the Exhibits thereto, the pre-filing report of Richter Advisory Group Inc., in its capacity as proposed monitor (the "Monitor") to the Applicant, dated February 24, 2020, the First Report of the Monitor dated March 5, 2020 and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicant and counsel for the Monitor, the DIP Lender and those other parties listed on the counsel slip, with counsel for in attendance and ~~not opposing~~, and on being advised that those parties listed in the affidavits of service filed were given notice of this motion;

BC / supporting the Application /

CCC / BC

### INITIAL ORDER AND INITIAL FILING DATE

1. **THIS COURT ORDERS** that the Initial Order, reflecting the Initial Filing Date, shall be amended and restated as provided for herein.

### SERVICE

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

### APPLICATION

3. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies.

### PLAN OF ARRANGEMENT

4. **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

### POSSESSION OF PROPERTY AND OPERATIONS

5. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to the provisions of this Order and further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. **THIS COURT ORDERS** that the Applicant shall be entitled to continue to use the central cash management system currently in place as described in the Saulnier Initial Affidavit



or replace it with another substantially similar central cash management system (the “Cash Management System”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. **THIS COURT ORDERS** that the Applicant shall advise and obtain the Monitor’s consent in respect of

- (a) any proposed disbursements after the Initial Filing Date to be made where (i) the amount of the disbursement is in excess of \$1,000 for a singular disbursement or (ii) the aggregate daily disbursements will exceed \$5,000; and
- (b) any contracts, including leases, with (i) an aggregate value or liability in excess of \$1,000; and/or (ii) a term in excess of one month, to be entered into by the Applicant or Nuvo Network Inc.

8. **THIS COURT ORDERS** that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the Initial Filing Date:

- (a) all outstanding and future wages, salaries, employee benefits, vacation pay and expenses payable on or after the Initial Filing Date, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.



9. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after the Initial Filing Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers' insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicant following the Initial Filing Date.

10. **THIS COURT ORDERS** that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the Initial Filing Date, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the Initial Filing Date, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, property tax arrears relating to the Real Property (as defined below), assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and

which are attributable to or in respect of the carrying on of the Business by the Applicant.

11. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of the Initial Filing Date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **RESTRUCTURING**

12. **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) terminate the employment of such of their employees or temporarily lay off such of their employees as the Applicant deems appropriate; and
- (b) continue negotiations with stakeholders in an effort to pursue restructuring options for the Applicant including without limitation all avenues of refinancing of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing;

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of its business (the "**Restructuring**"). For greater certainty, any steps taken in connection with a sales and investor solicitation process involving all or part of the Applicants' shares, the Property and/or the Business ("**SISP**") shall be in the sole control of the Monitor pursuant to its powers set out in this Order and any further Order of this Court.

## **NO PROCEEDINGS AGAINST THE APPLICANT, NUVO NETWORK INC. OR THE SAULNIERS**

13. **THIS COURT ORDERS** that until and including October 24, 2020, or such later date as this Court may subsequently order (the "**Stay Period**"), no proceeding or enforcement process in or out of any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property,



except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

14. **THIS COURT ORDERS** that during the Stay Period, except with the written consent of the Applicant and the Monitor, or with leave of this Court, no Proceeding shall be commenced or continued against or in respect of the non-applicant Nuvo Network Inc. or affecting any of its current and future assets, businesses, undertakings and properties of every nature and kind whatsoever and wherever situate including all proceeds thereof (the “**Nuvo Property**”), and any and all Proceedings currently under way against or in respect of the Nuvo Network Inc. or affecting the Nuvo Property are hereby stayed and suspended pending further order of this Court.

15. **THIS COURT ORDERS** that during the Stay Period, except with the written consent of the Applicant and the Monitor, or with leave of this Court, no Proceeding shall be commenced or continued against or in respect of Shawn Saulnier or Bridget Saulnier (the “**Saulniers**”) or any of their current and future assets, businesses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the “**Saulnier Property**”), arising upon or as a result of any default under the terms of any document entered into in connection with any of the Saulniers’ guarantees of any of the commitments or loans of the Applicant (collectively, the “**Saulnier Default Events**”). Without limitation, the operation of any provision of a contract or agreement between the Saulniers and any other Person (as hereinafter defined) that purports to effect or cause a termination or cessation of any rights of the Saulniers, or to accelerate, terminate, discontinue, alter, interfere with, repudiate, cancel, suspend, amend or modify such contract or agreement, in each case as a result of one or more Saulnier Default Events, is hereby stayed and restrained during the Stay Period.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

16. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the

Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

17. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any Person against or in respect of Nuvo Network Inc. (or affecting the Nuvo Property) or the Saulniers (or affecting the Saulnier Property) as a result of a Saulnier Default Event are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower Nuvo Network Inc. or the Saulniers to carry on any business which Nuvo Network Inc. or the Saulniers are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

18. **THIS COURT ORDERS** that during the Stay Period, except with the written consent of the Applicant and the Monitor, or leave of this Court, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by (i) the Applicant, (ii) Nuvo Network Inc. or (iii) any other party as a result of a Saulnier Default Event.

#### **CONTINUATION OF SERVICES**

19. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further



Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the Initial Filing Date are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

20. **THIS COURT ORDERS** that, notwithstanding anything else in this Order or the Initial Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the Initial Filing Date, nor shall any Person be under any obligation on or after the Initial Filing Date to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order or the Initial Order shall derogate from the rights conferred and obligations imposed by the CCAA.

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

21. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the Initial Filing Date and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

22. **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the Initial Filing Date, except to the extent that, with respect to any officer or director, the

obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

23. **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$50,000 as security for the indemnity provided in paragraph 22 of this Order. The Directors' Charge shall have the priority set out in paragraphs 42 and 44 herein.

24. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 22 of this Order.

#### **APPOINTMENT OF MONITOR**

25. **THIS COURT ORDERS** that that Richter Advisory Group Inc. is, as of the Initial Filing Date, appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant, including monitoring the renovation of the buildings, to permit the Applicant to apply for occupancy permits and lease up status, on the lands municipally known as 1295 North Service Road, Burlington, Ontario (the "**Renovation Project**"), with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

26. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements, including to the extent deemed appropriate by the Monitor as it relates to Nuvo Network Inc. to the extent it utilizes



the Cash Management System with the Applicant, in order to review and consider the cash requirements and reasonableness of the cash flow forecast prepared by the Applicant, and the continued use of the Cash Management System;

- (b) approve or deny any proposed disbursements by the Applicant pursuant to paragraph 7 above;
- (c) have full and complete access to the books, records, data, including data in electronic form, and other financial documents of the Applicant and Nuvo Network Inc. to the extent that is necessary to adequately assess the Applicant's business and financial affairs and prospects for a restructuring or transaction of any kind, to report on cash flow forecasts prepared by the Applicant, or to perform its duties arising under this or any further Order of this Court and Nuvo Network Inc. shall cause its respective employees, contractors, agents, advisors, directors and/or officers, as may be necessary, available to the Monitor for such purposes;
- (d) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Renovation Project, and such other matters as may be relevant to the proceedings herein;
- (e) assist the Applicant, to the extent required by the Applicant, in its dissemination of to the DIP Lender and its counsel on a weekly basis of financial and other information as agreed between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (f) assist the Applicant in its preparation of the Applicant's cash flow statements;
- (g) prepare, based upon information provided by the Applicant, the Applicants' cash flow statement and reporting required by the DIP Lender, which information shall be reviewed by the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;

- (h) advise the Applicant in its development of the Plan and any amendments to the Plan;
- (i) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (j) Monitor and oversee the Renovation Project, including the powers to enter into any discussions or agreements with contractors, incur any obligations in the ordinary course of business, all on behalf of the Applicant, and consult with the DIP Lender in connection therewith;
- (k) engage consultants, appraisers, agents, sales agents, contractors and other trade workers, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Monitor's powers and duties, including without limitation those conferred by this Order;
- (l) purchase or lease, on behalf of the Applicant, such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Applicant or any part or parts thereof;
- (m) settle, extend or compromise any indebtedness owing to the Applicant;
- (n) assist the Applicant and Nuvo Network Inc. in complying with the terms of the DIP Agreement (as defined below) including, without limitation, preparing materials in anticipation of a SISP order, to be approved by the Court;
- (o) report to, meet with and discuss with such affected Persons as the Monitor deems appropriate on all matters relating to the Property and the Renovation Project, and to share information, subject to such terms as to confidentiality as the Monitor deems advisable;
- (p) register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;



- (q) apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Monitor, in the name of the Applicant;
- (r) assist the Applicant and its counsel to rectify errors in existing corporate documents and contracts;
- (s) be at liberty to engage such persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (t) perform such other duties as are required by this Order or by this Court from time to time.

27. **THIS COURT ORDERS** that the Applicant shall make best reasonable efforts to the extent possible to cause Nuvo Network Inc. (including its respective employees, contractors, agents, advisors, directors and/or officers) to co-operate fully with the Monitor in relation to its information requests and its powers and duties set forth herein, and for so long as the stay of proceedings in favour of Nuvo Network Inc. shall remain in place.

28. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

29. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the

Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

30. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicant and the DIP Lender with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

31. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order or the Initial Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

32. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings, incurred both before and after the making of this Order in respect of these proceedings in connection with the Applicant. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amounts of \$50,000 each, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.



33. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

34. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$300,000 as security for their professional fees and disbursements incurred at their standard rates and charges of the Monitor and such counsel, both before and after the making of the Initial Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 42 and 44 hereof.

#### **DIP FINANCING**

35. **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from Meridian Credit Union Limited (the "**DIP Lender**") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$7.18 million, unless permitted by further Order of this Court.

36. **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the DIP Credit Facility Agreement between the Applicant and the DIP Lender dated as of March 4, 2020 (the "**DIP Agreement**"), filed.

37. **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the DIP Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

38. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property including, without limiting the foregoing, the real property identified in Schedule "A" hereto (the "**Real Property**") which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 42 and 44 hereof.

39. **THIS COURT ORDERS** that upon the registration in the Land Titles Division of the Real Property of the DIP Lender's Charge in the form prescribed by the *Land Titles Act* and/or the *Land Registration Reform Act*, the Land Registrar is hereby directed to register the DIP Lender's Charge on title of the Real Property.

40. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon five business days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the DIP Agreement, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the DIP Agreement, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.



41. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

42. **THIS COURT ORDERS** that the priorities of the Administration Charge, the DIP Lender's Charge and the Directors' Charge, as among them, shall be as follows:

First - Administration Charge (to the maximum amount of \$300,000);

Second - DIP Lender's Charge ; and

Third- Directors' Charge (to the maximum amount of \$50,000).

43. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge, the DIP Lender's Charge and the Directors' Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

44. **THIS COURT ORDERS** that each of the Administration Charge, the DIP Lender's Charge and the Directors' Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

45. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Administration Charge, the DIP Lender's Charge and the Directors' Charge unless the Applicant also obtains the prior written consent of the Monitor and the beneficiaries of the Administration Charge, the DIP Lender's Charge and the Directors' Charge.

46. **THIS COURT ORDERS** that the Administration Charge, the DIP Lender's Charge and the Directors' Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

47. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.

#### **CRITICAL SUPPLIERS**

48. **THIS COURT ORDERS** that the Applicant is hereby authorized to pay the aggregate maximum amount of \$2,375,000 to Maple Reinders Constructors Ltd. ("**Maple Reinders**") and Barrie Glass & Mirror Ltd. ("**Barrie Glass**"), to pay critical supplier amounts outstanding as at the date of the Initial Order or deposits therefor, including amounts required to vacate the



construction lien registered on the Renovation Project by Maple Reinders for \$1,867,943.00 as Instrument No. HR1667791 and the construction lien registered on the Renovation Project by Barrie Glass for \$89,543.93 as Instrument No. HR1672639, and to dismiss any all related claims in respect of such construction liens.

49. **THIS COURT ORDERS AND DECLARES** that each of Maple Reinders and Barrie Glass is a critical supplier of the Applicant as contemplated by Section 11.4 of the CCAA (each, a "Critical Supplier").

50. **THIS COURT ORDERS** that each Critical Supplier shall continue to supply the Applicant with goods and/or services in accordance with the terms and conditions of their existing agreement or arrangements. No Critical Supplier may require the payment of a further deposit or the posting of any additional security in connection with the supply of goods and/or services to the Applicant after the date of this Order.

#### **SERVICE AND NOTICE**

51. **THIS COURT ORDERS** that the Monitor shall (i) without delay from the Initial Filing Date, publish in the Globe & Mail (national edition) a notice containing the information prescribed under the CCAA in respect of the Initial Order, (ii) within five days after the Initial Filing Date, (A) make the Initial Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

52. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of

documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL <<https://www.richter.ca/insolvencycase/2607380-ontario-inc/>>.

53. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

54. **THIS COURT ORDERS** that the Applicant and the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

#### **SEALING**

55. **THIS COURT ORDERS** that the April 2019 Valuation, as described in the Saulnier Initial Affidavit, is hereby sealed and shall not form part of the public record until further order of the Court.

#### **GENERAL**

56. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their respective powers and duties hereunder.



57. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

58. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

59. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

60. **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

61. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

MAR 06 2020

PER / PAR:



**SCHEDULE "A"**  
**Real Property**

1. 1295 North Service Road, Burlington, Ontario (PIN 07127-0265 (LT)) Legal Description:  
PT LT 10 , RCP PL 99 , PART 3 & 7 , 20R6963 , S/T IN 619045; BURLINGTON

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 2607380 ONTARIO INC.

Court File No.: CV-20-00636875-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
Proceeding commenced at Toronto

AMENDED AND RESTATED INITIAL  
ORDER

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**Lawyers for the Applicant**

## **Appendix “B”**

**RICHTER**

Court File No.: \_\_\_\_\_

**2607380 ONTARIO INC.**

**REPORT OF RICHTER ADVISORY GROUP INC.,  
IN ITS CAPACITY AS PROPOSED MONITOR**

**FEBRUARY 24, 2020**

## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	PURPOSE OF REPORT .....	1
III.	DISCLAIMER AND TERMS OF REFERENCE .....	2
IV.	RICHTER'S QUALIFICATIONS TO ACT AS MONITOR .....	2
V.	EXECUTIVE SUMMARY .....	3
VI.	OBJECTIVES OF CCAA PROCEEDINGS .....	4
VII.	GENERAL BACKGROUND TO THE PROPOSED CCAA PROCEEDINGS .....	4
VIII.	DECISION TO COMMENCE CCAA PROCEEDINGS .....	14
IX.	OVERVIEW OF THE CASH FLOW FORECAST .....	15
X.	DIP LENDER SELECTION PROCESS .....	17
XI.	DIP LENDER AGREEMENT .....	18
XII.	PAYMENT OF CERTAIN PRE-FILING AMOUNTS .....	21
XIII.	PROPOSED CHARGES .....	21
XIV.	EXTEND STAY OF PROCEEDINGS TO NUVO NETWORK AND THE SAULNIERS .....	23
XV.	MONITOR'S POWERS .....	23
XVI.	THE COMEBACK MOTION .....	24
XVII.	PROPOSED MONITOR'S CONCLUSIONS AND RECOMMENDATION .....	24

## APPENDICES

**APPENDIX "A"** – Richter's consent to act as Monitor

**APPENDIX "B"** – Cash Flow Forecast for the period February 24, 2020 to May 24, 2020

Court File No.: \_\_\_\_\_

**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  
2607380 ONTARIO INC.**

**REPORT OF RICHTER ADVISORY GROUP INC.  
IN ITS CAPACITY AS PROPOSED MONITOR**

**FEBRUARY 24, 2020**

## I. INTRODUCTION

1. Richter Advisory Group Inc. (“**Richter**” or the “**Proposed Monitor**”) understands that 2607380 Ontario Inc. (“**Nuvo**” or the “**Applicant**”) will make an application before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) returnable on February 25, 2020 (the “**Filing Date**”), seeking an initial order (the “**Proposed Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, C. C-36, as amended (the “**CCAA**”) to obtain a stay of proceedings in favour of the Applicant until an anticipated date of March 5, 2020 (the “**Stay Period**”) and to seek other related relief with a view to allowing Nuvo an opportunity to restructure its business and affairs. The Applicant’s CCAA proceedings are referred to herein as the “**CCAA Proceedings**”.
2. The Proposed Initial Order contemplates that Richter be appointed as Monitor of the Applicant in the CCAA Proceedings (in such capacity, the “**Monitor**”).
3. Unless otherwise stated, all monetary amounts referred to herein are expressed in Canadian dollars.

## II. PURPOSE OF REPORT

4. This report (the “**Report**”) has been prepared by Richter, in its capacity as Proposed Monitor of the Applicant in the CCAA Proceedings. Richter has reviewed the court materials to be filed by the Applicant in support of its application. The purpose of the Report of the Proposed Monitor is to provide information to the Court regarding the following:
  - (i) Richter’s qualifications to act as Monitor;
  - (ii) a summary of certain background information on the Applicant, including its corporate history, business operations, financial position and creditors;
  - (iii) the Applicant’s decision to commence the CCAA Proceedings and to seek a stay of proceedings against Nuvo, Nuvo Network Inc. (“**Nuvo Network**”), an affiliate of the Applicant, and Shawn Saulnier and Bridget Saulnier (together, the “**Saulniers**”), in connection with any guarantees they have made in support of any of the commitments or debt obligations of the Applicant (collectively, the “**Saulnier Guarantees**”);
  - (iv) the Applicant’s 13-week cash flow forecast (the “**Cash Flow Forecast**”) for the period from February 24, 2020 to May 24, 2020 (the “**Forecast Period**”);
  - (v) a summary of the Applicant’s process to solicit debtor-in-possession (“**DIP**”) financing;
  - (vi) the Applicant’s request that it be authorized and empowered to obtain interim financing, including the terms of a DIP non-revolving credit facility pursuant to a DIP Facility Agreement dated February 24, 2020 (the “**DIP Facility Agreement**”). The DIP Facility Agreement provides for a DIP credit facility of up to a



- maximum amount of \$7,180,000 (the “**DIP Facility**”), which is to have an interim borrowing limit of \$700,000 (the “**Interim DIP Facility**”) until the return date of the Comeback Motion (as defined below);
- (vii) an overview of the Applicants intention to request relief in its Comeback Motion (as defined below) in respect of arrangements regarding certain pre-filing construction costs;
  - (viii) the charges proposed in the Initial Order;
  - (ix) an overview of the Monitor’s additional proposed powers;
  - (x) an update on the Applicant’s intention to return to the Court for a motion (the “**Comeback Motion**”) seeking various other relief; and
  - (xi) the Proposed Monitor’s conclusions and recommendations.

### III. DISCLAIMER AND TERMS OF REFERENCE

- 5. Capitalized terms not otherwise defined herein are as defined in the Applicant’s application materials, including the affidavit of Mr. Shawn Saulnier sworn February 24, 2020 (the “**Saulnier Affidavit**”) filed in support of Nuvo’s application for relief under the CCAA. This Report should be read in conjunction with the Saulnier Affidavit, as certain information contained in the Saulnier Affidavit has not been included herein in order to avoid unnecessary duplication.
- 6. In preparing this Report, the Proposed Monitor has relied upon certain unaudited, draft, and/or internal financial information of the Applicant, the Applicant’s books and records and discussions with various parties, including Nuvo’s advisors, employees and certain of its directors (collectively, the “**Information**”). In accordance with industry practice, except as otherwise described in the Report, Richter has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed 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 Generally Accepted Auditing Standards (“**GAAS**”) pursuant to the *Chartered Professional Accountants of Canada Handbook* (the “**Handbook**”). In addition, the Proposed Monitor has not conducted an examination or review of any financial forecast and projections in a manner that would comply with GAAS or the procedures described in the Handbook. Accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

### IV. RICHTER’S QUALIFICATIONS TO ACT AS MONITOR

- 7. Richter was engaged by Nuvo in January 2020 to provide consulting services and to assist Nuvo in developing and reviewing various strategic options. Accordingly, Richter is familiar with Nuvo’s business and financial affairs and is in a position to immediately assist the Applicant in its CCAA Proceedings.

8. Richter is a licensed insolvency trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). Richter is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA and, in particular, neither Richter nor any of its representatives has been at any time in the two preceding years;
- (i) a director, an officer or an employee of the Applicant;
  - (ii) related to the Applicant or to any director or officer of the Applicant; or
  - (iii) the auditor, accountant or legal counsel, or a partner or employee of the auditor, accountant or legal counsel of the Applicant.
9. Richter has consented to act as Monitor, should the Court grant the Applicant's request to commence the CCAA Proceedings. A copy of Richter's consent to act as Monitor is attached as **Appendix “A”**.

## **V. EXECUTIVE SUMMARY**

10. The Applicant is a commercial real estate development and leasing company located at 1295 North Service Road, Burlington, Ontario (the “**Nuvo Property**”). The Applicant is indebted to mortgagees in the aggregate amount of approximately \$24.7 million, before certain liens, interest, costs and fees, which continue to accrue.
11. The Applicant does not have sufficient liquidity to continue to fund its operations. As at the date of this Report, the aggregate of the Applicant's combined bank account balances shows a cash deficit of approximately \$18,000, and as such, Nuvo cannot pay its obligations as they come due.
12. A portion of the Nuvo Property is currently under construction. Upon completion of construction, the Nuvo Property is estimated to have equity value as per the most recent appraisal dated April 25, 2019 (the “**April 2019 Appraisal**”).
13. Certain of the Applicant's mortgages are now in default. The Proposed Monitor understands that this is due to previously expected funds not being made available to the Applicant. This lack of funding has significantly hindered Nuvo's ability to complete construction on the Nuvo Property, which in turn has delayed the opportunity to maximize rental income.
14. To improve Nuvo's current liquidity position, complete the construction of the Nuvo Property, and maximize the value for all stakeholders, the Applicant requires protection under the CCAA.

15. As noted in the Saulnier Affidavit, after completing construction on the Nuvo Property the Applicant intends to conduct a court-supervised sale and investment solicitation process (“**SISP**”) in respect of the Nuvo Property at a later date to canvas refinancing and/or sales opportunities, if approved by the Court.
16. The Initial Order contemplates that the Proposed Monitor, its counsel and the Applicant’s counsel would be provided a super-priority first-ranking charge over the Nuvo Property (the “**Administration Charge**”).
17. The Applicant, with the support of Richter, has also arranged for the DIP Facility and Interim DIP Facility to fund the CCAA Proceedings. The DIP Facility and Interim DIP Facility each contemplate having a super-priority charge on the Nuvo Property for advances made to the Applicant during the CCAA Proceedings, subordinate only to the Administration Charge (the “**DIP Charge**”). The Interim DIP Facility is critical to enable the Applicant to meet its immediate urgent cashflow needs pending the Comeback Motion.
18. The Proposed Monitor understands that it is the Applicant’s intention to return to the Court for the Comeback Motion within 10 days of the Filing Date. Until the return date of the Comeback Motion, the DIP Facility has been limited to the Interim DIP Facility. An increase from the Interim DIP Facility to the DIP Facility is to be sought at the Comeback Motion.

## **VI. OBJECTIVES OF CCAA PROCEEDINGS**

19. The primary objectives of the CCAA Proceedings are to: (i) ensure the ongoing operations of Nuvo; (ii) ensure Nuvo has the necessary working capital to continue operations and fund the costs to complete the remaining construction at the Nuvo Property (the “**Funding Requirement**”); and (iii) complete a refinancing or transaction arising from a future SISP. The approval of a SISP, subject to the granting of the Initial Order, will be sought by the Applicant at a later date upon the successful completion of the remaining construction on the Nuvo Property.

## **VII. GENERAL BACKGROUND TO THE PROPOSED CCAA PROCEEDINGS**

20. Information with respect to the Applicant’s business, operations and causes of insolvency are detailed extensively in the Saulnier Affidavit. The information contained herein represents only a summary of the background to the information contained in the Saulnier Affidavit.
21. The Applicant is incorporated under the *Business Corporations Act* (Ontario). It is in the business of development and operation of a multi-purpose commercial building which leases space to studio productions, small and large-scale conferences, business meeting and co-working flexible office space arrangements.
22. Mr. Saulnier is the sole director and 100% shareholder of Nuvo.

## **Nuvo**

23. Nuvo owns the Nuvo Property and manages its leases and studio and event rental spaces.
24. Nuvo currently employs nine (9) full-time employees (the **“Nuvo Employees”**) and engages eight (8) independent contractors in connection with the management and operation of the Nuvo Property. The Nuvo Employees are not unionized and Nuvo does not sponsor any pension or other post employment benefits plans for the Nuvo Employees.

## **Nuvo Network Inc.**

25. Nuvo Network was incorporated for the purpose of being the operating entity for the Applicant. It has no assets, employees or operations. The intention was to migrate the Nuvo Employees and all of Nuvo’s leases to this entity. However, this had not yet occurred as of the Filing Date.
26. The Proposed Monitor understands that as of the date of this Report, certain of the leases pertaining to the Nuvo Property are in the name of Nuvo Network as the landlord (the **“Nuvo Network Leases”**). As outlined in the Saulnier Affidavit, the Proposed Monitor understands that all rental income from the Nuvo Network Leases (the **“Nuvo Network Income”**) flows to Nuvo.
27. During the course of the CCAA Proceedings, it is the Proposed Monitor’s understanding that the Nuvo Network Income will continue to flow to Nuvo. Accordingly, the Cash Flow Forecast reflects this ongoing stream and for the use of the Nuvo Network Income to be used for the benefit of the Applicant in the CCAA Proceedings.
28. Nuvo Network’s principal liability is a pledge of its shares as collateral security in connection with a loan made to an affiliate (the **“Nuvo Network Security”**). Nuvo is seeking to extend the stay of proceedings to Nuvo Network to avoid steps being taken against Nuvo Network in respect of the Nuvo Network Security, which could trigger an insolvency event in Nuvo Network and could interfere with or undermine Nuvo’s restructuring efforts by depriving the Applicant of the Nuvo Network Income.

## **The Nuvo Property**

29. The Applicant’s primary asset is the Nuvo Property. As discussed above, it is owned by Nuvo and comprises real property situated on approximately 4.9 acres of land in a commercial office neighbourhood of Burlington, Ontario, and an approximately 140,000 square foot building, designed for commercial office space, production facilities and event spaces.

30. The Nuvo Property was purchased in March 2018 for \$19 million (the “**Nuvo Acquisition**”) from Crossroads Christian Communications Inc. (“**CCCI**”), a media production company and current tenant at the Nuvo Property. As discussed on more detail below, CCCI is also a secured lender of the Applicant.
31. At the time of the Nuvo Acquisition, the Nuvo Property was underutilized, with only 99,0000 square feet of leasable space. Nuvo acquired the Nuvo Property with the intention to renovate the building immediately and transform it from a single purpose building to a multi-use, multi-tenant rental and business operation, complete with offices, meeting rooms, co-working spaces, a banquet hall, multiple event spaces, a stage for music events, several production studios and on-site kitchen and restaurant.
32. On November 1, 2017, Nuvo entered into an agreement with Maple Reinders Inc. (“**Maple Reinders**”), to act as general contractor in respect of the proposed renovations of the Nuvo Property (the “**Nuvo Renovations**”). Subsequently, Maple engaged certain subcontractors (the “**Subcontractors**”) on behalf of the Applicant, to carry out work on the Nuvo Renovations. The Applicant began the first of two phases of the Nuvo Renovations in the first half of 2018. The Proposed Monitor further understands that, as of the Filing Date, a substantial portion of the first phase of renovations is complete, however, in addition to approximately half of the second phase, partial work on the first phase remains outstanding.
33. The Proposed Monitor understands from Maple Reinders that as of January 27, 2020, the remaining estimated cost of completion in connection with the Nuvo Renovations (the “**Cost to Complete**”) is approximately \$4.1 million (including approximately \$2.1 million of construction cost arrears owing to Maple). The remaining construction to complete the Nuvo Renovations is expected to take approximately five (5) to six (6) months.
34. The Proposed Monitor understands that, as of the Filing Date, the Nuvo Property contains 86 rental spaces available for lease, along with four (4) common area meeting rooms. According to the Saulnier Affidavit, as of the Filing Date, 85% of the office spaces, 57% of the studio spaces and 23% of the event rental spaces are leased. The Proposed Monitor understands that, as of the Filing Date, rentable spaces representing approximately 49,618 square feet are under construction.
35. The Proposed Monitor understands that, based on the April 2019 Appraisal and the financial information provided to the Proposed Monitor by the Applicant to date, upon completion of the Nuvo Renovations, there is equity value in the Nuvo Property. According to the Saulnier Affidavit, the April 2019 Appraisal, which assumes that the Nuvo Renovations are complete, valued the Nuvo Property at an amount that exceeds Nuvo’s obligations to its lenders. The Proposed Monitor has not conducted an appraisal of the property nor requested an update of the third-party appraisals as at the date of this Report. A copy of the April 2019 Appraisal will be filed with the Court under seal

in order to protect the integrity of any SISP process that may be undertaken in respect of the Nuvo Property at a later date.

### Historical Financial Results

36. Attached as Exhibit "B" and "C" in the Saulnier Affidavit are copies of Nuvo's fiscal 2019 unaudited balance sheet and income statement, respectively. Set out below is a summary of Nuvo's unaudited income statement for the fiscal period ending December 31, 2019:

<b>2607380 Ontario Inc.</b>	
<b>Historical Financial Results</b>	
<b>For the Fiscal Year Ended 31 December 2019</b>	
<b>(in \$000's, unaudited)</b>	
<b>Total Revenue</b>	
Rental Income	2,579
Other Income	200
<b>Total Income</b>	<u>2,779</u>
Operating Expenses	<u>(3,066)</u>
<b>Net Operating Profit / (Loss)</b>	<b>(287)</b>
Finance Costs	<u>(1,547)</u>
<b>Net Profit / (Loss)</b>	<b><u>(1,834)</u></b>
<i>Source: Information provided by the Applicant</i>	

37. As detailed above, Nuvo experienced a net loss during fiscal 2019 of approximately \$1.8 million, due, in large part, to the ongoing construction, which inhibited Nuvo from leasing a significant portion of the Nuvo Property. The Proposed Monitor understands that the losses experienced during fiscal 2019 have created a liquidity crisis for the Applicant. Consequently, the Applicant has defaulted on certain of its obligations to secured lenders, including missing scheduled interest payments.

38. Set out below is Nuvo's unaudited balance sheet as at December 31, 2019:

<b>2607380 Ontario Inc.</b> <b>Balance Sheet</b> <b>As of December 31, 2019</b> <b>(in \$000's, unaudited)</b>			
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash & Cash Equivalents	(496)	Accounts Payable	2,515
Accounts Receivable (Net)	17	Accrued Expenses	224
Prepaid Expenses & Other Current Assets	30	Other Current Liabilities	172
<b>Total Current Assets</b>	<b>(449)</b>	<b>Total Current Liabilities</b>	<b>2,911</b>
<b>Non-Current Assets</b>		<b>Long-Term Liabilities</b>	
Property, Plant & Equipment (Net)	25,643	Long-Term Debt	24,494
Other Long-Term Assets	302	Intercompany Loans	985
Other Intangible Assets (Net)	-	Other Long-Term Liabilities	(610)
<b>Total Non-Current Assets</b>	<b>25,945</b>	<b>Total Long-Term Liabilities</b>	<b>24,869</b>
		<b>Total Shareholders' Equity</b>	<b>(2,284)</b>
<b>Total Assets</b>	<b>25,496</b>	<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>25,496</b>
<i>Source: Information provided by the Applicant</i>			

39. As presented above, Nuvo had total assets of approximately \$25.5 million at book value, as at December 31, 2019. The majority of Nuvo's assets comprise the Nuvo Property. Nuvo's total liabilities as at December 31, 2019 were approximately \$27.8 million at book value, the majority of which relates to obligations owing to its secured lenders. As at December 31, 2019, the book value of Nuvo's total liabilities exceeded the book value of its total assets.
40. Given that Nuvo Network was set up to be an operating company upon completion of the Nuvo Property and currently has no assets, operations or employees of its own, the Proposed Monitor has not separately reported Nuvo Network's financial position or results herein.



41. As at January 31, 2020, Nuvo had secured liabilities totalling approximately \$26.8 million to: Meridian Credit Union (“**Meridian**”), CCCI, Bridging Finance Inc. (“**Bridging**”), Maple Reinders and Barrie Glass & Mirror Ltd. (“**Barrie**”), summarized as follows:

2607380 Ontario Inc. Estimated Secured Debt on Nuvo Property (in \$000's; unaudited)			
	Principal	Interest Accrued	Total
<b>Secured Lenders</b>			
Meridian Credit Union	17,141	200	<b>17,341</b>
Christian Crossroads Communications Inc.	4,500	-	<b>4,500</b>
Bridging Finance Inc.	2,577	251	<b>2,828</b>
<b>Total Secured Lender Debt</b>	<b>24,218</b>	<b>451</b>	<b>24,669</b>
<b>Construction Liens</b>			
Maple Reinders Inc.	1,868		<b>1,868</b>
Barrie Glass & Mirror Ltd.	90		<b>90</b>
<b>Total Lien Amount</b>	<b>1,958</b>		<b>1,958</b>
<b>Total Secured Debt on Property</b>	<b>26,176</b>	<b>451</b>	<b>26,627</b>
<i>Note: Not included in the Total Lien Amount is interest owing to Maple Reinders Inc. of approximately \$154,000.</i>			

42. The above information has been provided by the Applicant and the Proposed Monitor has not yet had an opportunity to review the security. The Proposed Monitor has instructed its independent legal counsel, Bennett Jones LLP (“**Bennett Jones**”) to review the security of Meridian, CCCI, Bridging, Maple and Barrie. The Monitor intends to report to the Court the results of Bennett Jones’ security review after it has been completed.

## Meridian

43. As set out in the Saulnier Affidavit, Nuvo and Meridian entered into a credit agreement dated March 13, 2018 (the “**Meridian Credit Agreement**”) for the purpose of funding the Nuvo Acquisition and partial renovation of the Nuvo Property (the “**Original Meridian Loan**”), and eventually, upon the completion of construction on the Nuvo Property, to obtain long-term take-out financing for the Nuvo Property, with more economical terms (the “**Take-Out Financing Meridian Loan**”). A copy of the Meridian Credit Agreement is attached as Exhibit “D” to the Saulnier Affidavit.
44. To secure its obligations under the Meridian Credit Agreement, Nuvo granted various security to Meridian, including (i) a first-ranking collateral mortgage against the Nuvo Property, up to a maximum amount of \$23 million (the “**Meridian Charge**”), (ii) guarantees, both personally from Mr. Saulnier and from entities controlled by Mr. Saulnier, (iii) a general assignment of rents with respect to the Nuvo Property and (iv) a general security agreement in all of Nuvo’s present and after-acquired personal property.

45. The Proposed Monitor understands that, as a result of certain defaults under the Meridian Credit Facility, Meridian and Nuvo entered into a forbearance agreement, as amended, dated June 14, 2019 (the “**First Meridian Amendment and Forbearance Agreement**”), pursuant to which Meridian agreed to forbear from exercising its rights under the Meridian Credit Facility until August 31, 2019 (the “**Forbearance Period**”). The First Meridian Amendment and Forbearance Agreement amended the Meridian Credit Agreement by removing the Take-Out Financing Loan and adding a new facility (the “**New Facility**”) in the amount of \$2.5 million to finance a portion of the Cost to Complete. Pursuant to the First Meridian Amendment and Forbearance Agreement, all amounts owing under the Original Meridian Loan and the New Facility, were to become repayable in full on or before July 16, 2020 (the “**Repayment Date**”). A copy of the First Meridian Amendment and Forbearance Agreement is included as Exhibit “H” to the Saulnier Affidavit.
46. In addition to the above, the First Meridian Amendment and Forbearance Agreement imposed certain conditions on Nuvo, including (i) the engagement of an independent party to monitor and report on construction costs and activity, (ii) the preparation of a detailed construction budget and cash flow statement setting out the construction costs for the Nuvo Property, (iii) increased frequency of financial reporting to Meridian, and (iv) a covenant not to further encumber the Nuvo Property without Meridian’s prior consent.
47. In an effort to complete the Nuvo Renovations, the Proposed Monitor understands that, at or around summer 2019, Nuvo sought additional financing to fund the Cost to Complete. As detailed in the Saulnier Affidavit, Nuvo approached twelve (12) parties that expressed an interest in potentially providing construction financing to Nuvo. Ultimately, the Applicant entered into a term sheet with one (1) party (the “**Interested Party**”). The proposed terms put forward by the Interested Party would have provided sufficient financing to fund the Cost to Complete of the Nuvo Renovations and also paid the remaining balance owing towards the Bridging Facility (as hereinafter defined) (the “**Proposed Refinancing**”). The Interested Party requested a third-ranking collateral charge on the Nuvo Property, behind the Meridian Charge and the CCCI Charge (as hereinafter defined). Meridian declined to consent to the Proposed Refinancing, so the financing from the Interested Party did not proceed.
48. On August 14, 2019, following further discussions regarding the terms under which Meridian would advance funds to Nuvo to finance a portion of the Cost to Complete, the parties agreed to amend the First Meridian Amendment and Forbearance Agreement (the “**Second Meridian Amendment and Forbearance Agreement**”), extending the Forbearance Period to October 31, 2019. The Proposed Monitor understands that the terms of the Second Meridian Amendment and Forbearance Agreement were substantially the same as the First Meridian Amendment and Forbearance Agreement, however, the Repayment Date was changed to July 31, 2020 (from July 16, 2020) and Nuvo was required to confirm that an equity injection of approximately \$0.7 million would be made to cover the remaining portion of the Cost to Complete, which, at that time, were estimated at approximately

\$3.2 million. A copy of the Second Meridian Amendment and Forbearance Agreement is included as Exhibit “I” to the Saulnier Affidavit.

49. The Proposed Monitor understands that no additional construction financing has been advanced by Meridian to Nuvo since executing the Second Meridian Amendment and Forbearance Agreement.
50. In January 2020, Nuvo, with the assistance of its counsel, Stikeman Elliott LLP (“**Stikeman**”) and Richter, in its capacity as consultant to Nuvo, sought to reach an agreement with Meridian to provide the Applicant with the Funding Requirement to complete the Nuvo Renovations.
51. The Applicant, with the assistance of Richter, prepared, for the benefit of Nuvo and Meridian, a cash flow forecast (the “**Forecast**”) for the period January 18, 2020 to December 31, 2020, setting out an estimate of the Funding Requirement. The Forecast was prepared on the basis that Nuvo did not enter CCAA proceedings. On January 22, 2020, Richter, on behalf of Nuvo, delivered the Forecast to Meridian’s counsel, Gowling WLG (Canada) LLP (“**Gowlings**”).
52. On February 4, 2020, following a review of the Forecast and discussions with the Applicant, Meridian and their respective legal counsel, Gowlings issued correspondence (via e-mail) to Stikeman and Richter outlining Meridian’s non-binding preliminary draft further forbearance terms and provisions (the “**Proposed Meridian Terms**”), subject to ongoing review by Meridian’s credit committee. The Proposed Meridian Terms were updated subsequently, however, at no time did Meridian confirm that credit committee approval was obtained or that the Proposed Meridian Terms, which were a precondition to the requested additional financing, were a complete list of terms.
53. The Proposed Monitor understands the Applicant is of the view that the Proposed Meridian Terms, as had been presented to date, were in any event, commercially unfeasible and inadequate to meet the Funding Requirement of Nuvo and did not provide the Applicant with sufficient liquidity to meet its obligations as they became due and complete the construction of the Nuvo Property. In addition, Nuvo was not provided with any certainty that any additional financing was in fact being provided by Meridian, or on a timely basis.
54. The Proposed Monitor understands that, as at January 31, 2020, Meridian is owed approximately \$17.3 million from Nuvo pursuant to the Meridian Credit Agreement.

## **CCCI**

55. The Proposed Monitor understands that CCCI holds a second-ranking registration charge (the “**CCCI Charge**”) on the Nuvo Property for a principal amount of \$4.5 million (the “**CCCI Loan**”). The CCCI Charge was granted on

January 23, 2018, in the form of a vendor take-back mortgage and does not bear interest until January 2022. The CCCI Loan is repayable, in full, in January 2023.

## **Bridging**

56. The Proposed Monitor understands that, on March 20, 2018, Nuvo entered into a commitment letter with Bridging for a loan to provide additional financing for the Nuvo Acquisition, up to a maximum principal amount of \$2.5 million (the “**Bridging Facility**”). A copy of the Bridging Facility is included as Exhibit “K” to the Saulnier Affidavit. As discussed in the Saulnier Affidavit, the Proposed Monitor further understands that Nuvo approached Bridging for additional Nuvo Acquisition financing, as, prior to the closing of the Nuvo Acquisition, Meridian reduced the level of financing it was willing to provide.
57. To secure the obligations under the Bridging Facility, Nuvo granted Bridging various security, including (i) a third ranking charge on the Nuvo Property (the “**Bridging Charge**”) (ii) a general security interest in all the present and after acquired property of Nuvo, and (iii) guarantees of Mr. Saulnier personally, as well as from certain entities controlled by Mr. Saulnier.
58. The Proposed Monitor understands that, since July 2019, no payments have been made by Nuvo to Bridging as contemplated under the Bridging Facility. Accordingly, Nuvo is currently in default of its obligations to Bridging.
59. As outlined in the Saulnier Affidavit, the Proposed Monitor understands that Bridging is owed approximately \$2.8 million in connection with the Bridging Facility as at the date of this Report.

## **Standstill Agreement**

60. The Proposed Monitor understands that, in connection with the Nuvo Acquisition, Meridian, CCCI and Bridging executed a standstill agreement, which was amended on August 16, 2019 pursuant to an Amended and Restated Priority, Postponement and Standstill Agreement (the “**Standstill Agreement**”), setting out the relative priorities of their security over the Nuvo Property, which is summarized as follows:

<b>Rank</b>	<b>Charge</b>
<b>First</b>	The Meridian Charge, up to the amount of \$20,735,000 (the “ <b>Meridian Limited Indebtedness</b> ”); and the CCCI Charge, over all amounts in excess of the Meridian Limited Indebtedness.
<b>Second</b>	The Meridian Charge, any amounts in excess of the Meridian Limited Indebtedness.
<b>Subordinate</b>	The Bridging Charge.

61. A copy of the Standstill Agreement is included as Exhibit “N” to the Saulnier Affidavit.
62. In addition to the above, and as set out in the Saulnier Affidavit, the Standstill Agreement sets out certain conditions/restrictions on CCCI and Bridging with respect to enforcing on their security against the Nuvo Property.

### **Construction Liens**

63. The Proposed Monitor understands, as noted in the Saulnier Affidavit, that there are two (2) liens registered against the Nuvo Property. The Proposed Monitor has not yet had an opportunity to review these liens and has instructed Bennett Jones to do so, as part of its review of the security registered against the Applicant’s property. The liens are summarized as follows:

- (i) Maple registered a construction lien on November 25, 2019, in the amount of \$1,867,942.79 (the “**Maple Lien**”), relating to amounts owing for construction work carried out on the Nuvo Property; and
- (ii) Barrie, a subcontractor of Maple, registered a construction lien on December 16, 2019, in the amount of \$89,543.93 (the “**Barrie Lien**”) for arrears of payment for glasswork on the Nuvo Property.

### **Unperfected Security Interest**

64. The Proposed Monitor understands that, pursuant to a July 18, 2019 Letter of Commitment (the “**Letter of Commitment**”) , Celernus Investment Partners Inc. (“**Celernus**”) provided a loan in the amount of \$2.5 million (as amended, the “**Celernus Loan**”) to Nuvo, Mr. Saulnier and his wife Bridget Saulnier, and two other entities controlled by Mr. Saulnier, as joint borrowers (collectively, the “**Celernus Borrowers**”). The amount of the Celernus Loan was increased to \$2.75 million with the inclusion of an interest reserve on or around July 23, 2019. The Proposed Monitor understands that Nuvo obtained the Celernus Loan in order to meet the equity injection terms of the Second Meridian Amendment and Forbearance Agreement. The Celernus Loan carries annual interest at 15% and had a maturity date of February 1, 2020. The Proposed Monitor understands that no interest or principal repayments relating to the Celernus Loan have been made as at the date of this Report. According to the Applicant’s records, as of January 31, 2020, \$2.75 million is owing on the Celernus Loan.
65. Pursuant to the Saulnier Affidavit, the Celernus Loan was guaranteed, in full, by each of the Celernus Borrowers. The Celernus Loan holds charges over a number of properties and entities controlled by Mr. Saulnier. The Proposed Monitor understands however, that although a charge against the Nuvo Property in respect of the Celernus Loan was contemplated on a best commercial effort basis, no such charge was ever registered. The Letter of Commitment in respect of the Celernus Loan is attached to the Saulnier Affidavit as Exhibit “O”.



## Unsecured Creditors

66. In addition to the amounts owing by Nuvo to Meridian, CCCI, Bridging, Maple, Barrie and Celernus, the Applicant estimates that it has accrued and unpaid unsecured obligations totaling approximately \$0.6 million (excluding intercompany and related party indebtedness). The Applicant is in the process of updating its books and records and, accordingly, the amount of these obligations may need to be updated in a future Monitor's report.

## VIII. DECISION TO COMMENCE CCAA PROCEEDINGS

67. The Applicant is facing a liquidity crisis. It is without the funds required to honour its obligations to its secured lenders, pay Maple to recommence construction or fund operations, including payroll or utilities and other basic needs associated with the Nuvo Property. In addition, given its liquidity situation, the Applicant has been unsuccessful in securing any new financing.
68. The relationships between Applicant and its creditors have become frustrated. The Proposed Monitor understands that Meridian and Bridging have threatened to take enforcement actions against Nuvo in order to protect their security, and other parties, including Celernus, have threatened litigation in order to recover on amounts owing from Nuvo.
69. In addition to the foregoing, as outlined in the Saulnier Affidavit, the Proposed Monitor understands that as at the Filing Date, amounts remain owing to Maple in respect of work performed by the Subcontractors in connection with the Nuvo Renovations. Accordingly, the Applicant is now in default of its obligations under its agreements with Maple in respect of the Subcontractors (the "**Subcontractor Agreements**"). The Proposed Monitor understands that as at the date of this Report, no Subcontractor Agreements have been cancelled. Notwithstanding the foregoing, any cancellation of the Subcontractor Agreements is likely to delay the expected completion date of the Nuvo Renovations and could result in the Cost to Complete increasing considerably.
70. The Proposed Monitor understands that, upon completion of construction of the Nuvo Property, the Applicant's liquidity situation and overall enterprise value is projected by Nuvo to improve significantly, based on the April 2019 Appraisal. In the circumstances, the Applicant is seeking protection under the CCAA to enable it the necessary breathing room to pursue its restructuring, including completing construction on the Nuvo Property, seeking new financing and running a SISF, if approved by the Court, for the purposes of maximizing value for all stakeholders.

## IX. OVERVIEW OF THE CASH FLOW FORECAST

71. The Applicant, in consultation of the Proposed Monitor, prepared the Cash Flow Forecast for the purpose of projecting the Applicant's estimated liquidity needs during the Forecast Period. A copy of the Cash Flow Forecast is attached as **Appendix "B"** to this Report and is summarized below:

<b>2607380 Ontario Inc.</b>	
<b>13-Week Cash Flow Forecast</b>	
<b>For the Period February 24, 2020 - May 24, 2020</b>	
<b>(in \$000's; unaudited)</b>	
<b>Receipts</b>	
Rental, Studio & Event Income	571
Other Income	45
<b>Total Receipts</b>	<b>616</b>
<b>Disbursements</b>	
Personnel Expenses	196
Professional Fees	639
Operating Expenses	539
Construction Costs	3,356
DIP Lender Interest & Costs	333
Meridian & Bridging Interest Costs	254
<b>Total Disbursements</b>	<b>5,317</b>
<b>Net Cash Flow</b>	<b>(4,701)</b>
Opening Cash (Deficit)	(18)
<b>DIP Drawdown</b>	<b>4,850</b>
<b>Ending Cash (Deficit)</b>	<b>131</b>

72. As at February 24, 2020, the aggregate of the Applicant's combined bank account balances shows a cash deficit of approximately \$18,000. The Cash Flow Forecast projects that the Applicant will experience a net cash outflow of approximately \$4.7 million (before any DIP drawdown) over the Forecast Period, comprised of:
- (i) cash receipts of approximately \$0.6 million, primarily related to the collection of rent from existing leases; and
  - (ii) cash disbursements of approximately \$5.3 million, primarily related to construction costs, interest and fees in connection with the DIP Facility, personnel costs, operating expenses and debt service to Meridian and Bridging, as well as the payment of certain pre-filing expenses (as discussed below) and the costs of the CCAA Proceedings.

73. The Cash Flow Forecast projects outflows of approximately \$3.4 million during the Forecast Period in connection with the Nuvo Renovation. The remaining balance of approximately \$0.7 million in respect of the Cost to Complete is anticipated to be incurred outside the Forecast Period.
74. The Cash Flow Forecast projects borrowings under the:
- (i) Interim DIP Facility in the amount of \$700,000 to fund any costs incurred, or to be incurred, in connection with these proceedings until the return date of the Comeback Motion, at which time it is intended that the approval of the full amount of the DIP Facility will be sought; and
  - (ii) DIP Facility of \$4.2 million for the remainder of the Forecast Period.
75. As evidenced by the Cash Flow Forecast, without access to interim financing, the Applicant lacks sufficient liquidity to maintain operations. The Interim DIP Facility and DIP Facility is expected to provide the Applicant with sufficient funding until the return date of the Comeback Motion and during the remainder of the Forecast Period, respectively, to ensure continued operations during the CCAA Proceedings.
76. The Cash Flow Forecast has been prepared by the Applicant on a conservative basis using probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast. The Cash Flow Forecast reflects the Applicant's estimates of receipts and disbursements on a weekly basis over the Forecast Period.
77. The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the monitor's findings. The Canadian Association of Insolvency and Restructuring Professionals' standards of professional practice include a standard for monitors fulfilling their statutory responsibilities under the CCAA in respect of a monitor's report on the Cash Flow Forecast.
78. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to it by certain key members of management and employees of the Applicant. Since the probable and hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by the Applicant for the probable and hypothetical assumptions and the preparation and presentation of the Cash Flow Forecast.

79. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:
- (i) the probable and hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
  - (ii) as at the date of this report, the probable and hypothetical assumptions 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 probable and hypothetical assumptions; or
  - (iii) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
80. Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the probable and hypothetical assumptions occur, and the variation could be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of the financial information presented in the Cash Flow Forecast or relied upon by the Proposed Monitor in preparing this report.
81. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate or relied upon for any other purpose.

## **X. DIP LENDER SELECTION PROCESS**

82. The Applicant's continuing losses and lack of access to planned financing have significantly eroded its liquidity, leaving it without funds to operate or restructure. As noted above, based on the Cash Flow Forecast, the Applicant will require immediate interim financing to continue operations and implement its restructuring initiatives.
83. As shown in the Cash Flow Forecast, it is estimated that, commencing immediately and for the duration of the Forecast Period, the Applicant will require additional financial support in the amount of approximately \$4.9 million. Accordingly, the ability to borrow additional funds, in the form of a Court-approved debtor-in-possession facility, secured by the DIP Charge, is vital to providing the stability to, and the necessary cash flow for, Nuvo's business, so that its value can be preserved while the Applicant pursues its restructuring plan.
84. The Proposed Monitor consulted with the Applicant on its marketing process to seek DIP financing. The Applicant marketed the DIP financing externally and to other potential lenders.

85. The Applicant had previously engaged the services of a Toronto based merchant bank providing advisory services to the Canadian real estate industry to assist in its search for refinancing for the Applicants and other ventures. During the course of the Applicant's canvas for DIP financing, its investment banker also pursued potential options.
86. In total, non-disclosure agreements ("**NDAs**") were issued to six (6) parties whom expressed an interest in providing DIP financing to the Applicant during the CCAA Proceedings (the "**Initial Interested Parties**"). The Applicant received five (5) executed NDAs from the Initial Interested Parties.
87. Three (3) of the Initial Interested Parties submitted conditional term sheets to provide DIP financing to the Applicant during the CCAA Proceedings (the "**Conditional Term Sheets**"). In its assessment of the Conditional Term Sheets, the Applicant considered the term sheet submitted by the DIP Lender (as hereinafter defined) to be the most advantageous proposal of those offered, as it provided sufficient liquidity and time to complete the construction on the Nuvo Property and implement a planned SISP. An initial term sheet was signed by the Applicants and the DIP Lender on February 14, 2020, subject to due diligence by the DIP Lender.
88. The Proposed Monitor is of the view that the Applicant has made commercially reasonable attempts, in short order, to solicit DIP term sheets from at least six lenders, including, but not limited to, the Initial Interested Parties. Attempting to solicit additional DIP term sheets from even more lenders would have required a great deal of time and expense and there was no material commercial advantage to pursuing other financing options, nor does the Applicant have the time to pursue other options. The Applicant has further advised the Proposed Monitor that, in its view, the DIP Facility represents the most viable alternative to the Applicant to ensure the continuation of the Applicant's operations at this time and in the circumstances.

## **XI. DIP LENDER AGREEMENT**

89. Following extensive negotiations, Maynbridge Capital Inc., as lender (the "**DIP Lender**"), and the Applicant agreed upon the terms of the DIP Facility Agreement. A copy of the DIP Facility Agreement is attached as Exhibit "W" to the Saulnier Affidavit.

90. The principal terms of the DIP Facility Agreement include (the following is not an exhaustive list):

Basic Provisions	Description
<b>Availability</b>	\$7.18 million
<b>Borrower</b>	2607380 Ontario Inc.
<b>Interest Rate</b>	9.5% per annum, calculated daily and payable monthly in arrears on the last business day.
<b>Fees</b>	Commitment Fee - 3.0%, payable up front. Standby Fee - 2.0% per annum, on the unutilized portion of the DIP Facility. Break Fee - 3.0%, payable if the Borrower obtains court approval for financing in lieu of the DIP Facility.
<b>Maturity Date</b>	The maturity of the Credit Facility shall be the earliest of:  (a) October 25, 2020, being eight (8) months from the date of the Initial Order; (b) March 6, 2020, in the event the Court does not issue an order approving the DIP Facility; (c) the date the stay of proceedings expires in the CCAA Proceeding without extension; (d) the date on which the stay under the Initial Order is lifted, in whole or in part, without prior written consent of the DIP Lender; (e) the date on which the Applicant becomes subject to a proceeding under the BIA (bankruptcy, receivership, NOI, proposal etc.), in each case, without the prior written consent of the DIP Lender; or (f) the date on which the DIP Lender demands repayment of the DIP Facility after an Event of Default.
<b>Security</b>	A general security agreement and assignment of rents, secured by the DIP Charge.
<b>Conditions</b>	Various conditions typical of agreements of this kind, including, <i>inter alia</i> , the issuance of the Initial Order, the completion of definitive documentation and the granting of the DIP Charge.
<b>Event of Default</b>	A number of Events of Default, including:  (a) failure of the Borrower to obtain an order of the Court approving the DIP Facility; (b) any payment is made by the Borrower that is not contemplated by or within the approved cash flow budget without the Lender's prior written consent; and (c) The Nuvo Renovations are not completed by August 31, 2020.

91. Until the Comeback Motion is heard, the DIP Facility will be limited to the Interim DIP Facility. The Interim DIP Facility will be used to cover post-filing obligations for the initial 10-day period and provide deposits, where required, to certain of the Applicant's critical suppliers/service providers and to cover certain pre-filing professional fees and costs owing to Stikeman and the Proposed Monitor and its counsel. It is contemplated that the Comeback Motion will seek the Court's approval to allow Nuvo to access the entirety of the DIP Facility.



92. Taking into consideration the above, the Proposed Monitor is supportive of the DIP Facility Agreement for the following reasons:
- (i) the Applicant is facing an imminent liquidity crisis and Nuvo is without the cash needed to continue operations and implement its restructuring plan – short term funding is needed urgently. The Proposed Monitor understands that the Applicant will be unable to pay continued operating costs owing to suppliers as they become due absent the DIP Facility;
  - (ii) if the DIP Facility is not available, the Applicant's operations will be difficult to manage, the construction needed to finish the Nuvo Property will not be available and the Applicant will have virtually no prospect of completing its development and restructuring plan;
  - (iii) further delay attempting to source alternative interim financing is not justified in the circumstances. As outlined in the Saulnier Affidavit, after repeated attempts to secure this financing from Meridian, poor financial performance and a highly levered balance sheet make it unlikely that the Applicant would be able to secure alternative interim financing and, even if it could, the funding would likely be insufficient and/or expensive or not received in a timely manner; and
  - (iv) the Proposed Monitor has compared the principal financial terms of the DIP Facility, together with the existing secured debt obligations, to a number of other recent DIP financing packages in other CCAA proceedings, with respect to pricing, loan availability and certain security considerations. Based on this comparison, the Proposed Monitor is of the view that, in the circumstances, the terms of the DIP Facility appear to be commercially reasonable.
93. In light of the foregoing, it is the Proposed Monitor's view that further time spent attempting to source alternative DIP financing would (i) not be in the interest of the Applicant and/or its stakeholders; (ii) not result in the finalization of DIP financing on more favourable terms; and (iii) would severely, and potentially fatally, compromise the ability of the Applicant to continue operations, complete its construction and complete its restructuring plan.
94. The Proposed Monitor further believes that in the circumstances, the DIP Facility is in the best interests of the Applicant's stakeholders and will enhance the prospects of maximizing the value of the Nuvo Property. The DIP Facility is projected to be sufficient to fund the costs of these proceedings, including the planned SISP. The Proposed Monitor believes the DIP Facility will afford the Applicant the opportunity to finish construction and allow for a SISP which should maximize value for the secured lenders and other creditors. The proposed DIP Facility allows for the payment of interest accruing on all secured debts post-filing, a payment Nuvo currently cannot afford given liquidity restrictions.

## **XII. PAYMENT OF CERTAIN PRE-FILING AMOUNTS**

95. As noted in the Saulnier Affidavit, the completion of the ongoing construction with respect to the Nuvo Property is fundamental to restructure Nuvo into an enterprise that can operate profitably in the future.
96. In recognition of the above, the Proposed Monitor understands that the Applicant intends to seek relief, as part of the Comeback Motion:
- (i) to pay certain constructions costs incurred prior to the commencement of the CCAA Proceedings, subject to the prior approval of the Monitor or the Court; and/or
  - (ii) for a charge in favour of Maple and Barrie (the “**Critical Supplier Charge**”) to secure the payment of certain pre-filing amounts owed to them.
97. The Proposed Monitor intends to report to the Court on its recommendation regarding the foregoing relief sought by the Applicants at the return date of the Comeback Motion.

## **XIII. PROPOSED CHARGES**

98. The Proposed Initial Order provides for a number of charges (collectively, the “**Charges**”), on the current and future assets, undertakings and properties of the Applicant, including all proceeds thereof. It is contemplated that the priorities of the Charges sought by the Applicant will be as follows and rank in the following order:
- (i) the Administration Charge;
  - (ii) the DIP Charge; and
  - (iii) the Directors’ Charge (as defined below):

### **Administration Charge**

99. The Proposed Initial Order provides for an Administration Charge in the amount of \$500,000 charging the assets of the Applicant to secure the fees and disbursements incurred in connection with services rendered to the Applicant both before and after the commencement of the CCAA proceedings by the following entities: the Monitor, the Monitor’s legal counsel, and legal counsel to the Applicant.
100. As noted earlier in this Report, the Applicant’s liquidity has been extremely limited, and its professionals have accrued significant fees that remain outstanding. Furthermore, due to liquidity constraints, the Applicant’s professional advisors do not have the benefit of retainers as would ordinarily be the case.

101. The quantum of the Administration Charge sought by the Applicant was determined in consultation with the Proposed Monitor and meets the terms of the DIP Facility Agreement noted earlier in this Report. The creation of the Administration Charge is typical in CCAA proceedings as is the proposed priority of the Administration Charge as set out in the form of Initial Order filed with the Court.
102. The Initial Order sought by the Applicant provides that the Administration Charge will rank in priority to the security interests of the DIP Lender, which the Proposed Monitor understands has consented to the Administration Charge.

### **DIP Charge**

103. The Applicant requires further funding immediately to continue operations and pursue its restructuring during the CCAA proceedings, as evidenced by the Cash Flow Forecast.
104. As noted above, it is a condition of the DIP Facility Agreement that the DIP Lender receives the benefit of the DIP Charge to the maximum amount of the aggregate of any and all advances made by the DIP Lenders to the Applicant under the DIP Facility Agreement.
105. The DIP Facility Agreement provides the Applicant with access to the financing required to undertake its restructuring activities, including the SISP, and complete its CCAA Proceedings. The Proposed Monitor recommends that the Court approve the DIP Facility Agreement, to be accessed by the Applicant, up to a maximum of the Interim DIP Facility and, as such, the Proposed Monitor also supports the granting of the DIP Charge.

### **Directors' Charge**

106. The Proposed Initial Order provides for a charge in the maximum aggregate amount of \$50,000 charging the assets of the Applicant to indemnify its directors and officers for liabilities incurred by the Applicant that result in post-filing claims against the directors and officers (the **"Directors' Charge"**), as the Applicant does not have directors' and officers' liability insurance in place.
107. The amount of the Directors' Charge was estimated by taking into consideration employee payroll and related expenses (including source deductions), other employment related liabilities that may be a statutory liability for directors and officers, vacation pay and sales tax.
108. The Proposed Monitor has been informed (as also noted in the Saulnier Affidavit) that due to the potential for personal liability, the directors and officers of the Applicant are unwilling to continue their services and

involvement in the CCAA proceedings without the protection of the Directors' Charge. As the Applicant will require the participation and experience of the Applicant's directors and officers to facilitate the successful completion of the CCAA Proceedings, including participating in the SISF, the Proposed Monitor believes that the Directors' Charge (both the amount and priority ranking) is required and reasonable in the circumstances.

109. The Proposed Monitor believes that the Charges and priorities thereof are required and reasonable in the circumstances of the CCAA proceedings in order to preserve Nuvo's going concern operations and maintain its enterprise value and, accordingly, supports the granting and the proposed priorities of the Charges.

#### **XIV. EXTEND STAY OF PROCEEDINGS TO NUVO NETWORK AND THE SAULNIERS**

110. The Proposed Monitor understands that once the Nuvo Renovations are complete, it is the Applicant's intention to transition the Nuvo Employees and the leases held under Nuvo, to Nuvo Network, and that the operation of the Applicant and Nuvo businesses will become interdependent.
111. The Saulnier Guarantees cover certain of the Applicant's obligations and some of those obligations are now in default. The Saulniers' personal net worth is significantly tied to the outcome of the CCAA Proceedings. Without the ability to realize their equity in Nuvo, the Saulniers will have difficulty satisfying the Saulnier Guarantees. Further, allowing creditors to enforce on the Saulnier Guarantees during the CCAA Proceedings could defeat the purpose of the stay sought in the CCAA Proceedings if creditors are permitted to usurp the CCAA stay against Nuvo and Nuvo Network and pursue the Saulniers in respect of personal guarantees given to support the Applicant's business. As noted in the Saulnier Affidavit, this would be detrimental to the CCAA Proceedings as it would cause the Saulniers to expend time and resources defending against those guarantee claims and lose focus on the contemplated restructuring process. The Saulniers need to dedicate their time and resources to Nuvo if Nuvo's restructuring is to be successful; proceedings against the Saulniers personally will likely prove to be costly and unnecessary distractions from the ultimate goal of restructuring Nuvo.
112. As a result of the risks identified above, the Proposed Monitor is of the view that extending the stay of proceedings to Nuvo Network and the Saulniers is appropriate in these circumstances, if the Court sees fit to grant the requested relief.

#### **XV. MONITOR'S POWERS**

113. Paragraph 5 of the Proposed Initial Order affords the Monitor with powers beyond those typically provided to a monitor in a CCAA proceeding; these additional powers pertain to certain disbursements made by the Applicant and require for the Monitor to approve the following disbursements:

- (i) any single disbursement that exceeds \$1,000;
- (ii) any and all disbursements that exceed \$5,000 in aggregate in the course of one (1) calendar day.

114. The Applicant has consented to this relief in order to promote transparency and increase confidence in the process.

## **XVI. THE COMEBACK MOTION**

115. Should the Court grant the Initial Order, the Proposed Monitor understands that the Applicant intends to schedule a hearing for March 5, 2020 (the “**Comeback Hearing**”) to, among other things, seek the Court’s approval of certain components of its restructuring plan, as contemplated in the Comeback Motion, which includes:

- (i) expansion of the Initial Order to include more fulsome restructuring provisions found in proceedings of similar nature;
- (ii) extend the Stay Period; and
- (iii) approval of the Critical Supplier Charge.

116. Subsequent to the granting of the Initial Order and in anticipation of the Comeback Hearing, Richter (in its capacity as Monitor), will be preparing a report in connection with the above-noted matters as well as any other relief sought by Nuvo in the Comeback Motion.

## **XVII. PROPOSED MONITOR’S CONCLUSIONS AND RECOMMENDATION**

117. For the reasons set out in this report, the Proposed Monitor is of the view that the relief requested by the Applicant is both appropriate and reasonable. The Proposed Monitor is also of the view that granting the relief requested will provide the Applicant the best opportunity to complete the construction of the Nuvo Property and undergo a refinancing or going concern sale or other restructuring under the CCAA thereby preserving value for the benefit of the Applicant’s stakeholders. As such, the Proposed Monitor supports Nuvo’s application for CCAA protection and respectfully recommends that the Court make an Order granting the relief sought by the Applicant.

All of which is respectfully submitted this 24<sup>th</sup> day of February, 2020.

**RICHTER ADVISORY GROUP INC.  
IN ITS CAPACITY AS PROPOSED MONITOR OF  
2607380 ONTARIO INC.  
AND NOT IN ITS PERSONAL CAPACITY**

Per:



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**Paul van Eyk,  
CPA, CA-IFA, CIRP, LIT, Fellow of INSOL**



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**Adam Zeldin  
CPA, CA, CIRP**



## **Appendix “C”**

**RICHTER**

Court File No.: CV-20-00636875-00CL

**2607380 ONTARIO INC.**

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.,  
IN ITS CAPACITY AS MONITOR**

**MARCH 5, 2020**

## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	PURPOSE OF THE FIRST REPORT .....	2
III.	DISCLAIMER AND TERMS OF REFERENCE .....	3
IV.	ACTIVITIES OF THE COMPANY .....	4
V.	ACTIVITIES OF THE MONITOR .....	4
VI.	UPDATE ON THE NUVO RENOVATIONS.....	5
VII.	NUVO NETWORK LEASES .....	7
VIII.	REVISED CASH FLOW FORECAST .....	7
IX.	DIP LENDING AGREEMENT .....	10
X.	PROPOSED AMENDMENTS TO THE INITIAL ORDER .....	13
XI.	MONITOR'S RECOMMENDATIONS.....	16

## APPENDICES

**APPENDIX "A"** – Initial Order dated February 25, 2020

**APPENDIX "B"** – Pre-Filing Report of the Monitor dated February 24, 2020 (without appendices)

**APPENDIX "C"** – Notices Published in The Globe and Mail (National Edition)

**APPENDIX "D"** – Revised Cash Flow Forecast for the period March 4, 2020 to October 24, 2020, and  
Management's Report on the Revised Cash Flow Forecast

**APPENDIX "E"** – Monitor's Report on the Revised Cash Flow Forecast

**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  
2607380 ONTARIO INC.**

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.  
IN ITS CAPACITY AS MONITOR**

**MARCH 5, 2020**

## I. INTRODUCTION

1. On February 25, 2020 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Initial Order**”) granting 2607380 Ontario Inc. (“**260**” or the “**Company**”) protection pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, C. C-36, as amended (the “**CCAA**”). Pursuant to the Initial Order, Richter Advisory Group Inc. (“**Richter**”) was appointed as the Company’s Monitor (the “**Monitor**”).
2. The Initial Order, *inter alia*:
  - (i) granted a stay of proceedings in favour of the Company until March 6, 2020 (the “**Stay Period**”);
  - (ii) granted a stay of proceedings during the Stay Period in favour of (i) Nuvo Network Inc. (“**Nuvo Network**”), an affiliate of the Company, (ii) the directors and officers of the Company and (iii) Mr. Shawn Saulnier and Ms. Bridget Saulnier (collectively, the “**Saulniers**”) in connection with any guarantees they have made in support of any of the commitments or debt obligations of the Company (collectively, the “**Saulnier Guarantees**”). Collectively, such stay of proceedings, together with the stay of proceedings in favour of the Company, is referred to herein as the “**CCAA Stay**”;
  - (iii) enhanced the Monitor’s powers with respect to the Company requiring prior approval of the Monitor for disbursements above certain dollar thresholds (\$1,000 per transaction or \$5,000 in aggregate, on a daily basis);
  - (iv) approved an indemnity and charge in favour of 260’s directors and officers in the amount of \$50,000 (the “**Directors’ Charge**”) in respect of the actions of the directors and officers and liabilities incurred thereby from and after the Filing Date;
  - (v) approved a charge in respect of the fees and costs of the Monitor, its counsel and counsel to the Company in the amount of \$250,000 (the “**Administration Charge**”); and
  - (vi) ordered that Meridian Credit Union Limited (“**Meridian**”), the Company’s primary secured lender, provide emergency financing in the amount of \$220,000 (the “**Interim Financing**”), to either the Monitor or its counsel, in order to provide the Company with sufficient funds to pay certain professional fees and to meet 260’s operational requirements until the date of the comeback motion to be heard on March 6, 2020 (the “**Comeback Motion**”).

A copy of Initial Order is attached hereto as **Appendix “A”**. The proceedings commenced by 260 under the CCAA are herein referred to as the “**CCAA Proceedings**”.

3. Richter, in its capacity as proposed monitor of 260, filed a report with the Court dated February 24, 2020 (the **"Pre-Filing Report"**) in support of the Company's application for the Initial Order. Information included in the Pre-Filing Report, including, *inter alia*, background about the Company, including its causes of insolvency, financial position and creditors, has not been repeated herein. A copy of the Pre-Filing Report, without appendices, is attached hereto as **Appendix "B"**.
4. The principal purpose of the CCAA Proceedings is for 260 to complete the renovations of its building located at 1295 North Service Road , Burlington, ON (the **"Nuvo Property"**) and, if approved by this Court, seek a strategic investor or buyer for the Nuvo Property through a court-supervised sale and investment solicitation process (**"SISP"**) for the benefit of the Company's creditors and other stakeholders, while also providing time for the Company to seek a refinancing of its secured debt.

## **II. PURPOSE OF THE FIRST REPORT**

5. The purpose of this First Report of the Monitor (the **"First Report"**) is to provide information to the Court pertaining to:
  - (i) the activities of the Company and the Monitor since the issuance of the Initial Order;
  - (ii) an update regarding the proposed renovations of the Nuvo Property (the **"Nuvo Renovations"**);
  - (iii) an update regarding certain leases in the name of Nuvo Network;
  - (iv) the Company's 34-week cash flow forecast (the **"Revised Cash Flow Forecast"**) for the period from March 4, 2020 to October 24, 2020 (the **"Forecast Period"**);
  - (v) the Company's request that it be authorized and empowered to obtain and borrow interim financing, including the terms of a debtor-in-possession (**"DIP"**) non-revolving credit facility pursuant to a DIP Facility Agreement dated March 4, 2020 (the **"Meridian DIP Facility Agreement "**) in the maximum principal amount of \$7.18 million (the **"Meridian DIP Facility"**);
  - (vi) the Company's request for certain amendments to the Initial Order as set out in the draft order included as part of the Company's motion record for the Comeback Motion (the **"Amended and Restated Initial Order"**), including:
    - (a) extending the Stay Period in respect of the CCAA Stay to October 24, 2020;



- (b) further enhancing the Monitor's powers, including with respect to assisting the Company with matters relating to the Nuvo Renovations;
  - (c) designating the Company's general contractor and a subcontractor as critical suppliers and authorizing the Company to pay certain pre-filing amounts owing to them to discharge the construction liens each of them has registered against the Nuvo Property and providing deposits, as deemed necessary by the Company and the Monitor, in connection with completing the Nuvo Renovations;
  - (d) increasing the Administration Charge from \$250,000 to \$300,000 (the "**Amended Administration Charge**") and ordering a charge (the "**DIP Charge**") in favour of Meridian as the DIP lender (in such capacity, the "**DIP Lender**"); and
  - (e) authorizing the Company to pay retainers to the Monitor, the Monitor's counsel and the Company's counsel in the amount of \$50,000 each (the "**Retainers**"); and
- (vii) the Monitor's conclusions and recommendations.

### III. DISCLAIMER AND TERMS OF REFERENCE

6. In preparing this First Report, the Monitor has relied upon certain unaudited, draft, and/or internal financial information of the Company, the Company's books and records and discussions with various parties, including 260's advisors, employees and certain of its directors (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in the Report, Richter 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 Generally Accepted Auditing Standards ("**GAAS**") pursuant to the *Chartered Professional Accountants of Canada Handbook* (the "**Handbook**"). In addition, the Monitor has not conducted an examination or review of any financial forecast and projections in a manner that would comply with GAAS or the procedures described in the Handbook. Accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
7. Future orientated financial information contained in the Revised Cash Flow Forecast is based on the Company's estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Revised Cash Flow Forecast will be achieved.
8. Unless otherwise stated, all monetary amounts referred to herein are expressed in Canadian dollars.

9. Capitalized terms not otherwise defined herein are as defined in the Pre-Filing Report and the Affidavit of Mr. Shawn Saulnier sworn March 4, 2020 (the “**March 4 Saulnier Affidavit**”) filed in support of the Comeback Motion. This First Report should be read in conjunction with the March 4 Saulnier Affidavit, as certain information contained in the March 4 Saulnier Affidavit has not been included herein in order to avoid unnecessary duplication.

#### **IV. ACTIVITIES OF THE COMPANY**

10. Since the Filing Date, the Company, with the assistance of the Monitor, has been managing its operations in the normal course and working to stabilize its business, assisted by the CCAA Stay. The Company's primary focus, in addition to managing relationships with key stakeholders and addressing operational issues arising in connection with the commencement of the CCAA Proceedings, has been to continue discussions with its senior lenders and its general contractor, Maple Reinders Inc. (“**Maple**”), to determine the best way forward to obtain financing to re-commence construction activity at the Nuvo Property and complete the Nuvo Renovations.
11. As outlined in the March 4 Saulnier Affidavit, the activities of the Company, with the support of their legal advisors, have included:
- (i) managing relationships with key stakeholders, including tenants, secured lenders and Maple;
  - (ii) administering the leases at the Nuvo Property in the ordinary course;
  - (iii) reviewing its leases to confirm the status of leases in the Company's and Nuvo Network's name, as is outlined in greater detail in the March 4 Saulnier Affidavit; and
  - (iv) preparing, in consultation with the Monitor, the Revised Cash Flow Forecast.

#### **V. ACTIVITIES OF THE MONITOR**

12. Since its appointment pursuant to the Initial Order, the Monitor's activities have included:
- (i) arranging for notice of the CCAA Proceedings to be published in the February 29, 2020 and March 4, 2020 editions of The Globe and Mail (National Edition) (collectively, the “**Globe Notices**”), in accordance with the Initial Order and the CCAA. Copies of the Globe Notices are attached hereto as **Appendix “C”**;
  - (ii) sending a notice, within five days of the issuance of the Initial Order, of the CCAA Proceedings to all known creditors of 260 with claims exceeding \$1,000, in accordance with the Initial Order and the CCAA. Notice was also sent to certain other persons, including creditors with claims less than \$1,000, applicable tax authorities and any other party that requested a copy;

- (iii) filing prescribed documents with the Office of the Superintendent of Bankruptcy pursuant to the CCAA;
- (iv) establishing and maintaining a website where all Court documents and other material documents pertaining to the CCAA Proceedings are available in electronic form;
- (v) implementing procedures for the monitoring of the Company's cash flows and for ongoing reporting of variances to the Company's cash flow forecast;
- (vi) corresponding with Maple, including attending at Maple's office to meet with certain key personnel, in connection with the Nuvo Renovations;
- (vii) corresponding with Meridian and its legal counsel, including attending a meeting at Meridian's office, in connection with the Meridian DIP Facility;
- (viii) corresponding extensively with the Company and its legal counsel regarding the Revised Cash Flow Forecast, cash management, the Nuvo Renovations and various other matters in connection with the CCAA Proceedings;
- (ix) corresponding with Bennett Jones LLP, the Monitor's legal counsel;
- (x) responding to calls and enquiries from creditors and other stakeholders in connection with the CCAA Proceedings;
- (xi) reviewing materials filed with the Court in respect of the CCAA Proceedings; and
- (xii) preparing this First Report.

## **VI. UPDATE ON THE NUVO RENOVATIONS**

13. As detailed in the Pre-Filing Report, the Monitor understands based upon information provided by the Company, including an appraisal filed with the Court under seal in connection with the application for the Initial Order, that upon completion of the Nuvo Renovations, the Company's liquidity and enterprise value is projected to improve significantly. Accordingly, it is crucial for the Company to complete the Nuvo Renovations so that it has the opportunity to restructure its business and financial affairs to maximize value for the benefit of 260 and its stakeholders. Further information with respect to the Nuvo Renovations can be found in the Pre-Filing Report and the affidavit of Mr. Shawn Saulnier sworn February 24, 2020 (the "**February 24 Saulnier Affidavit**"), filed in support of the Company's application for the Initial Order.

14. As set out in the Pre-Filing Report, the budgeted costs to complete the Nuvo Renovations was estimated at approximately \$4.1 million, which included approximately \$2.2 million of construction cost arrears owing to Maple and Barrie Glass & Co. ("**Barrie**"), a subcontractor (the "**Construction Cost Arrears**"). Both Maple and Barrie have registered liens against the Nuvo Property in the amount of approximately \$1.9 million and \$90,000, respectively (accrued interest of approximately \$190,000 is payable in respect of the Maple lien as at March 2, 2020, and further interest continues to accrue). The Nuvo Renovations were previously projected to be completed by August 31, 2020. However, following communications and correspondence with 260 and Maple since the Filing Date, including attending at the office of Maple to meet with key personnel, the Monitor now understands that the budget and timelines thereto required certain revisions.
15. Following the meeting with Maple and subsequent correspondence between 260, Maple and the Monitor, Maple presented the Monitor with an updated construction budget and schedule, which now estimates a total cost to complete the Nuvo Renovations of approximately \$4.5 million (including the Construction Cost Arrears) (the "**Costs to Complete**") and a completion date of mid to late September 2020.
16. The Monitor understands from Maple that the revisions in connection with the Cost to Complete compared to what was reported in the Pre-Filing Report relates primarily to (i) remobilizing of subcontractors, including additional costs associated with construction crews having to re-establish scaffolding, heavy machinery and equipment on site after previously dismantling it, (ii) increased labour and material costs in the ordinary course due to the passage of time and (iii) legal fees incurred by Maple and Barrie in connection with the Construction Cost Arrears.
17. In addition to discussing the construction budget and timeline with the Company, the Monitor has had discussions and correspondence directly with Maple to ensure that the Costs to Complete are as low as reasonably possible in the circumstances and that the construction timelines can be met. The Monitor has also discussed the construction budget and timeline with Meridian and understands that Meridian has also had direct discussions with Maple and is satisfied that the Costs to Complete and construction timeline are satisfactory. Based upon those discussions and meetings, the Monitor is satisfied that completing the Nuvo Renovation through Maple as the general contractor represents the best available option in the circumstances to complete the renovations in a timely and cost-effective manner. In addition, since Maple has been involved in the Nuvo Renovation project from the outset, the Monitor understands that its construction plan takes into account the existing tenants of the building, to try and minimize disruption to the building's multiple tenants and their respective businesses.

## VII. NUVO NETWORK LEASES

18. As discussed in the Pre-Filing Report, Nuvo Network was incorporated for the purpose of being the operating entity for the Company. It has no assets (other than certain leases as discussed below), employees or operations. The Company's intention was to migrate 260's employees and all of 260's leases to this entity. However, this had not yet occurred as of the Filing Date. As noted in the February 24 Saulnier Affidavit, at the time of the commencement of the CCAA Proceedings, certain of the Nuvo Property leases had been migrated to Nuvo Network as the landlord; however, the Monitor has been informed by the Company that all rental income earned from those leases continues to flow to 260.
19. Since the Filing Date, the Monitor understands that the Company has reviewed its books and records and those of Nuvo Network to determine the number of leases held by Nuvo Network as landlord, and the portion of 260's monthly rental revenue which is generated from leases held by Nuvo Network. As discussed in the March 4 Saulnier Affidavit, approximately \$22,100 of rental revenue was generated through leases held by Nuvo Network in January 2020, representing approximately 12% of the total revenue flowing to the Company in January 2020.
20. In addition, the Monitor has been informed by the Company that, Nuvo Network has entered into a short-term lease agreement to lease studio space with a party which creates programming for The Food Network (the "**Food Network Lease**"). As set out in the March 4 Saulnier Affidavit, the Food Network Lease is for a four month period from April 2020 to July 2020; in connection with the Food Network Lease, Nuvo Network was provided with a security deposit and funding for certain renovations which amounts were deposited into the Company's bank account.
21. The Monitor has been informed that Nuvo Network does not maintain its own bank accounts, and all rental revenue to date and going forward generated through the Nuvo Network leases have been, and will continue to be, deposited in the Company's bank account, including those revenues generated from the Food Network Lease. The Monitor is in the process of confirming all tenants and leases at the Nuvo Property and will provide an update to the Court in a subsequent report regarding its findings.
22. The Monitor understands that, based on discussions with the Company and its legal counsel, all future leases are to be established and maintained in the Company's name during the CCAA Proceedings.

## VIII. REVISED CASH FLOW FORECAST

23. In support of its application for the Initial Order, the Company filed with this Court a 13-week cash flow forecast (the "**Original Forecast**") setting out the projected receipts and disbursements of the Company from the Filing Date to May 24, 2020. The Original Forecast assumed that the CCAA Proceedings would be funded via the

Maynbridge DIP Facility. However, as discussed later in the First Report, the Maynbridge DIP Facility was ultimately not approved by the Court.

24. The Company is now seeking the Court's approval of the Meridian DIP Facility (as discussed below) as well as an extension of the Stay Period in respect of the CCAA Stay to October 24, 2020. In consideration of the foregoing, the Company, in consultation with the Monitor, prepared the Revised Cash Flow Forecast for the purpose of projecting the Company's estimated liquidity needs during the Forecast Period. A copy of the Revised Cash Flow Forecast, including the notes and assumptions thereto, together with Management's Report on the Revised Cash Flow Forecast is attached as **Appendix "D"** and is summarized below:

<b>2607380 Ontario Inc.</b> <b>Cash Flow Forecast</b> <b>For the Period March 4, 2020 to October 24, 2020</b> <b>(In \$000's; unaudited)</b>	
<b>Receipts</b>	
Rental, Studio & Event Income	2,037
Other Income	597
<b>Total Receipts</b>	<b>2,634</b>
<b>Disbursements</b>	
Personnel Expenses	706
Professional Fees	1,721
Operating Expenses	1,592
Construction Costs	4,511
DIP Lender Costs	394
<b>Total Disbursements</b>	<b>8,924</b>
<b>Net Cash Flow</b>	<b>(6,290)</b>
Opening Cash Balance	192
<b>DIP Drawdown</b>	<b>6,300</b>
<b>Ending Cash Balance</b>	<b>202</b>

25. As at March 4, 2020, the aggregate of the Applicant's combined bank account balances, including funds held in trust by the Monitor related to the Interim Financing, shows a cash surplus of approximately \$192,000. The Revised Cash Flow Forecast projects that the Company will experience a net cash outflow of approximately \$6.3 million (before any DIP drawdown) over the Forecast Period, comprised of:



- (i) cash receipts of approximately \$2.6 million, primarily related to the collection of rent from existing leases; and
  - (ii) cash disbursements of approximately \$8.9 million, primarily related to construction costs in connection with the Nuvo Renovations (including the Construction Cost Arrears (as discussed below)), operating expenses, personnel costs and costs in connection with the Meridian DIP Facility, as well as the costs of the CCAA Proceedings.
26. The Revised Cash Flow Forecast projects borrowings under the Meridian DIP Facility of \$6.3 million (net of the Reserve, as defined below) during the Forecast Period.
27. As evidenced by the Revised Cash Flow Forecast, without access to the Meridian DIP Facility, the Company lacks sufficient liquidity to maintain operations. The Meridian DIP Facility is expected to provide the Company with sufficient funding during the Forecast Period and to ensure 260's continued operations during the CCAA Proceedings.
28. The Revised Cash Flow Forecast has been prepared by the Company on a conservative basis using probable and hypothetical assumptions set out in the notes to the Revised Cash Flow Forecast. The Revised Cash Flow Forecast reflects the Company's estimates of receipts and disbursements on a weekly basis over the Forecast Period.
29. The Monitor has reviewed the Revised Cash Flow Forecast to the standard required of a Court-appointed monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the monitor's findings. The Canadian Association of Insolvency and Restructuring Professionals' standards of professional practice include a standard for monitors fulfilling their statutory responsibilities under the CCAA in respect of a monitor's report on the Revised Cash Flow Forecast.
30. Pursuant to this standard, the Monitor's review of the Revised Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to it by certain key members of management and employees of the Applicant. Since the probable and 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 Revised Cash Flow Forecast. The Monitor also reviewed the support provided by the Company for the probable and hypothetical assumptions and the preparation and presentation of the Revised Cash Flow Forecast.

31. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:
- (i) the probable and hypothetical assumptions are not consistent with the purpose of the Revised Cash Flow Forecast;
  - (ii) as at the date of this First Report, the probable and hypothetical assumptions are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Revised Cash Flow Forecast, given the probable and hypothetical assumptions; or
  - (iii) the Revised Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
32. Since the Revised Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the probable and hypothetical assumptions occur, and the variation could be material. Accordingly, the Monitor expresses no assurance as to whether the Revised Cash Flow Forecast will be achieved. In addition, the Monitor expresses no opinion or other form of assurance with respect to the accuracy of the financial information presented in the Revised Cash Flow Forecast or relied upon by the Monitor in preparing this report.
33. The Revised Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate or relied upon for any other purpose. The Monitor's Report on the Revised Cash Flow Forecast is attached hereto as **Appendix "E"**.

## **IX. DIP LENDING AGREEMENT**

34. As set out in the Pre-Filing Report, the Company, in consultation with its financial and legal advisors, carried out a marketing process to solicit DIP financing (the "**DIP Solicitation Process**"). Further details of the DIP Solicitation Process, including the results thereof, are provided for in the Pre-Filing Report and not repeated herein. Ultimately, the DIP Solicitation Process resulted in an agreement between the Company and Maynbridge (the "**Maynbridge DIP Facility Agreement**"), whereby Maynbridge would provide the Company with DIP financing in the amount of approximately \$7.18 million (the "**Maynbridge DIP Facility**"). Approval of the Maynbridge DIP Facility Agreement was sought by the Company as part of the Initial Order.
35. However, at the Initial Order hearing held on February 25, 2020 (the "**Initial Hearing**"), Meridian and Bridging Finance Inc., one of the Company's other secured lenders, objected to the Maynbridge DIP Facility Agreement, including the proposed priority charge (the "**Maynbridge DIP Charge**") over the assets of the Company as security in support of advances to be made thereunder.

36. As an alternative to the Maynbridge DIP Facility Agreement, and given the imminent liquidity crisis facing the Company, Meridian agreed to provide the Interim Financing, on an interim basis, in order to fund the Company until the date of the Comeback Motion.
37. As part of the Initial Order, the Court ordered the Interim Financing from Meridian. Pursuant to the Initial Order, Meridian advanced the Interim Financing to the Monitor, in trust.
38. The Monitor understands that Meridian continues to object to another lender priming its existing charge over the Company's assets and, accordingly, since the date of the Initial Hearing, Meridian reached out to the Monitor with proposed terms for DIP financing to be provided by Meridian to fund the CCAA Proceedings. Following negotiations between Meridian, the Company, the Monitor and their respective advisors, Meridian, as DIP Lender and the Company agreed upon the terms of the Meridian DIP Facility Agreement. A copy of the Meridian DIP Facility Agreement is attached as Exhibit "B" to the March 4 Saulnier Affidavit.
39. The principal terms of the Meridian DIP Facility Agreement include (the following is not an exhaustive list):

Basic Provisions	Description
<b>Availability</b>	\$7.18 million
<b>Borrower</b>	2607380 Ontario Inc.
<b>Guarantor</b>	Nuvo Network Inc.
<b>Reserve</b>	\$400,000, to fund the DIP Lender's interest, legal fees and disbursements during the Stay Period (the "Reserve").
<b>Interest Rate</b>	9.25%; Default Rate of additional 2%.
<b>Fees</b>	Commitment Fee of \$107,000; Monthly Availability Fee of \$2,000 per month.
<b>Maturity Date</b>	Earliest of (a) November 6, 2020, (b) March 6, 2020, in the event the Court does not issue an order approving the Meridian DIP Facility, (c) the date the Stay Period expires, without extension, (d) the date on which the stay under the Initial Order is lifted, in whole or in part, without prior written consent of the DIP Lender, (e) the conversion of the CCAA Proceedings to a proceeding under the BIA (NOI/Proposal, bankruptcy or receivership), and (f) occurrence of an Event of Default.
<b>Security</b>	The DIP Charge, a mortgage registered against the Nuvo Property, a guarantee from Nuvo Network, a GSA between the Guarantor and the DIP Lender and an assignment of the Guarantor's rents and leases in favour of the DIP Lender.
<b>Conditions</b>	Various conditions typical of agreements of this kind, including, <i>inter alia</i> , the issuance of the Amended and Restated Initial Order, the completion of definitive documentation and the granting of the DIP Charge.
<b>Event of Default</b>	A number of Events of Default, including (a) failure of the Borrower to obtain Court approval of the Amended and Restated Initial Order, (b) any payment is made by the Borrower that is not contemplated by or within the approved cash flow budget and (c) the Nuvo Renovations are not completed by September 30, 2020.

40. The Meridian DIP Facility is at a lower interest rate compared to the Maynbridge DIP Facility (9.25% vs. 9.50%) and has a lower overall cost of borrowing, including a lower commitment fee (\$107,000 vs \$210,000). Approving the Meridian DIP Facility Agreement will eliminate any prejudice to the Company's first-secured lender, as Meridian will not be subject to priming by the Maynbridge DIP Charge. Furthermore, the fact that Meridian is supporting the CCAA Proceedings by providing a DIP facility with covenants that facilitate the timely and cost effective completion of the Nuvo Renovations, the objectives of the Company's senior-most secured lender are aligned with the overall objectives of the CCAA Proceedings, which is to maximize value for all creditors and stakeholders of the Company.
41. Taking into consideration the above, the Monitor is supportive of the Meridian DIP Facility Agreement for the following reasons:
- (i) the Company is facing an imminent liquidity crisis and 260 is without the cash needed to continue operations and implement its restructuring plan – short term funding is needed urgently. The Monitor understands that the Company will be unable to pay operating costs owing to suppliers as they become due absent a DIP facility;
  - (ii) if a DIP facility is not available, the Company's operations will be difficult to manage, the funding needed to complete the Nuvo Renovations will not be available and the Company will have virtually no prospect of completing its development and restructuring plan;
  - (iii) as noted in the Pre-filing Report, the Company and the Monitor had canvassed the market and reached out to six (6) other potential lenders before agreeing to the Maynbridge DIP Facility, which was determined to be the best available DIP facility in the circumstances. Meridian has provided an even more competitive DIP facility with terms that are overall superior to those offered in the Maynbridge DIP Facility;
  - (iv) based on the Monitor's discussions with Meridian, the Monitor understands that Meridian, as the Company's highest-ranking secured creditor and by far the Company's largest creditor, would oppose any alternative DIP lender from priming it, as was the case with the Maynbridge DIP Facility;
  - (v) to minimize any prejudice to Maynbridge regarding the costs they incurred to negotiate the Maynbridge DIP Facility and Maynbridge DIP Facility Agreement, which formed the template for the Meridian DIP Facility, the DIP Lender has agreed to the funding of the balance of Maynbridge's expense reimbursement in the amount of approximately \$45,000 (excluding HST) to help cover out-of-pocket legal and other costs; and
  - (vi) the Proposed Monitor has compared the principal financial terms of the Meridian DIP Facility, together with the existing secured debt obligations, to a number of other recent DIP financing packages in other CCAA

proceedings, with respect to pricing, loan availability and certain security considerations. Based on this comparison, the Proposed Monitor is of the view that, in the circumstances, the terms of the Meridian DIP Facility appear to be commercially reasonable.

42. The Monitor believes that, in the circumstances, the approval of the Meridian DIP Facility is in the best interests of the Company in connection with financing its operations and completing the Nuvo Renovations and will enhance the prospects of maximizing the value of the Nuvo Property. The Proposed Monitor believes the Meridian DIP Facility will afford the Company the opportunity to finish construction and allow for a SISP to seek to maximize value for the Company's secured lenders and other creditors.

## **X. PROPOSED AMENDMENTS TO THE INITIAL ORDER**

43. As outlined in the March 4 Saulnier Affidavit, the Company is seeking certain amendments to the Initial Order, including extending the Stay Period, enhancing the Monitor's powers, designating Maple and Barrie as critical suppliers and authorizing the Company to pay certain pre-filing amounts owing to them, and amending and adding priority charges over the assets of the Company.

### **Extension of the Stay Period**

44. The Stay Period expires on March 6, 2020. The Company is seeking an extension of the Stay Period to October 24, 2020 in respect of the CCAA Stay.
45. The Monitor supports the Company's request for an extension of the CCAA Stay from March 6, 2020 to October 24, 2020 for the following reasons:
- (i) the Company is acting in good faith and with due diligence;
  - (ii) the extension will provide the Company with the opportunity to complete the Nuvo Renovations and provide the Company with sufficient time to seek out potential refinancing of its secured debt and, if approved by this Court, complete the SISP;
  - (iii) the granting of the extension should not materially prejudice any creditor of the Company as the Revised Cash Flow Forecast reflects that the Company is projected to have sufficient funding to continue to operate in the normal course through the proposed stay extension period;
  - (iv) Meridian, being the Company's first-secured senior lender and proposed DIP Lender in these CCAA Proceedings, supports the stay extension to October 24, 2020; and

- (v) if it is necessary for any interim reporting to the Court by the Monitor, and/or relief or directions by the Company or the Monitor, the parties can return to the Court in the interim period.

### **Monitor's Powers**

46. As discussed in the Pre-Filing Report, paragraph 5 of the Initial Order affords the Monitor with enhanced powers with respect to the Company's disbursements. Specifically, the Company is required to obtain the Monitor's consent prior to paying (i) any single disbursement that exceeds \$1,000, and (ii) any and all disbursements that exceed \$5,000 in aggregate in the course of one (1) calendar day.
47. Paragraph 5 of the Amended and Restated Initial Order proposes to enhance those powers by requiring the Company to obtain the Monitor's consent before entering into any new contracts or leases (i) with an aggregate value or liability in excess of \$1,000 and/or (ii) a term in excess of one month.
48. In addition to the foregoing, paragraph 26 of the Amended and Restated Initial Order affords the Monitor with additional enhanced powers beyond those typically provided to a monitor in a CCAA proceeding. These additional enhanced powers pertain to, *inter alia*, assisting in preparing cash flow forecasts (with information provided by the Company), monitoring and overseeing the Nuvo Renovations, including consulting with the DIP Lender in connection therewith, on behalf of the Company, and assisting the Company and Nuvo Network in complying with the Meridian DIP Facility Agreement, including preparing materials in anticipation of a SISF.
49. The Monitor understands that the Company has consented to this relief in order to promote transparency and increase confidence in the process. The DIP Lender is also fully supportive of the Monitor's enhanced powers. Given the foregoing, the Monitor is of the view that proposed enhanced powers are reasonable in the circumstances.

### **Payment of Certain Pre-Filing Amounts and Designation of Critical Suppliers**

50. As discussed in the February 24 Saulnier Affidavit, the ongoing delays in connection with the Nuvo Renovations have been damaging to the Company's operations and profitability. Recommencing and completing the ongoing construction of the Nuvo Property is fundamental to restructure 260 into an enterprise that can operate profitably in the future.
51. Based on discussions with Maple, the Monitor understands that, as a prerequisite to recommencing construction, the Construction Cost Arrears must be paid in full.

52. In recognition of the foregoing, the Amended and Restated Initial Order declares Maple and Barrie as critical suppliers and authorizes the Company to pay up to \$2.375 million in respect of critical supplier amounts, including to pay the Construction Cost Arrears, thereby discharging the construction liens registered by Maple and Barrie in connection therewith. All DIP funding, including the critical supplier payments, will be funded by the DIP Lender through the Monitor's trust account to ensure that the Monitor can oversee and monitor payments therefrom, in accordance with the Revised Cash Flow Forecast and the construction budgets and timelines.
53. The Monitor understands that the DIP Lender is fully supportive of the Company paying the Construction Cost Arrears to avoid further delay of the Nuvo Renovations and mitigate against erosion of the going-concern value of the business and its assets.
54. The Monitor agrees with the Company's view that any further delay in connection with the Nuvo Renovations could have an immediate and adverse impact on the business, operations and cash flow of the Company. Accordingly, the Monitor is of the view that payment of the Construction Cost Arrears is reasonable in the circumstances.

#### **Proposed Charges**

55. The Amended and Restated Initial Order provides for a number of priority charges (collectively, the "**Charges**"), on the current and future assets, undertakings and properties of the Company, including all proceeds thereof, that rank in the following order:
  - (i) First, the Amended Administration Charge;
  - (ii) Second, the DIP Charge; and
  - (iii) Third, the Directors' Charge.

#### **Amended Administration Charge**

56. The Amended and Restated Initial Order provides for the Amended Administration Charge, in the amount of \$300,000 (increased from \$250,000 as provided for in the Initial Order) charging the assets of the Company to secure the fees and disbursements incurred in connection with services rendered to the Company both before and after the commencement of the CCAA Proceedings by the following professionals: the Monitor, the Monitor's legal counsel, and legal counsel to the Company.
57. The Amended and Restated Initial Order sought by the Company provides that the Amended Administration Charge will rank in priority to the security interests of the DIP Lender, which the Monitor understands has

consented to the Amended Administration Charge. Furthermore, the Monitor understands that the amount of the Amended Administration Charge meets the terms of the Meridian DIP Facility Agreement.

58. In addition, the Monitor understands that the Company is seeking approval to pay retainers, in the amount of \$50,000 each, to the Company's counsel, the Monitor and the Monitor's counsel (the "**Retainers**"). As noted in the Pre-Filing Report, the Company's liquidity has been extremely limited, and its professionals have accrued significant fees that remain outstanding. Due to those liquidity constraints, the Company's professional advisors do not have the benefit of pre-existing retainers as would ordinarily be the case, and had been working on the basis that a \$500,000 Administration Charge would be sought under the Initial Order. In lieu of a \$500,000 Administration Charge, the Company, the Monitor and their respective counsel, have agreed to accept a reduced Administration Charge of \$300,000 and retainers of \$150,000 in aggregate. The Monitor understands that the DIP Lender is supportive of paying the Retainers.
59. In consideration of the foregoing, the Monitor is of the view that the proposed Amended Administration Charge and the quantum of the Retainers is reasonable in the circumstances.

#### **The DIP Charge**

60. The Company requires further funding immediately to continue operations and pursue its restructuring during the CCAA Proceedings, as evidenced by the Revised Cash Flow Forecast.
61. As noted above, it is a condition of the Meridian DIP Facility Agreement that the DIP Lender receives the benefit of the DIP Charge to the maximum amount of the aggregate of any and all advances made by the DIP Lenders to the Applicant under the Meridian DIP Facility Agreement.
62. The Meridian DIP Facility Agreement provides the Company with access to the financing required to undertake its restructuring activities, including the SISP, and complete its CCAA Proceedings. The Monitor recommends that the Court approve the Meridian DIP Facility Agreement, to be accessed by the Company, and, as such, the Monitor also supports the granting of the DIP Charge.

#### **XI. MONITOR'S RECOMMENDATIONS**

63. For the reasons set out in this First Report, the Monitor is of the view that the relief requested by the Company is both appropriate and reasonable. The Monitor is also of the view that granting the relief requested will provide the Company the best opportunity to complete the Nuvo Renovations and undergo a refinancing or going-concern sale or other restructuring under the CCAA, thereby preserving value for the benefit of the Company's stakeholders.



64. The Monitor notes that 260 is an operating company, with numerous tenants who themselves operate businesses that have employees, suppliers, customers and other stakeholders. Accordingly, the CCAA process is not only the best available option for 260 to seek to maximize value for its creditors and other stakeholders, but also provides a stable process to restructure its affairs while minimizing disruption and harm to its numerous tenants and their respective businesses, employees, creditors and stakeholders.
65. The Monitor is cognizant of the costs and benefits associated with the CCAA process in these circumstances and, as noted above, has: (i) worked both before and after the commencement of the CCAA Proceedings to canvass the market for DIP financing on the best terms in the circumstances; (ii) negotiated with Maple to ensure that the Costs to Complete the Nuvo Renovations are as low as possible in the circumstances and that construction can be completed in a timely manner with minimal disruption to the tenants and their businesses; (iii) negotiated with Meridian for DIP financing that will provide the Company with sufficient funds to carry out its operations and complete the Nuvo Renovations at a lower cost; (iv) worked with the Company to prepare the Revised Cash Flow Forecast that demonstrates the ability of the Company to meet its operational and renovation requirements through the requested extension of the Stay Period; and (v) is agreeing to enhanced powers under the Amended and Restated Initial Order to ensure that any costs, disbursements or obligations of the Company exceeding \$1,000 require prior approval of the Monitor, in order to keep costs in check. In light of all of the above, the Monitor is of the view that the CCAA Proceedings represent the most cost effective and efficient manner in which to achieve the Company's restructuring for the benefit of all of its creditors and other stakeholders, whilst minimizing disruption and prejudice to its business.
66. The Monitor has considerable experience in managing sale and investment processes involving real estate and real estate related businesses and is also in a position to immediately assist the Company in its refinancing efforts and developing a SISF for approval by the Court at a later date. Accordingly, the Monitor is of the view that the CCAA process also provides the Company's creditors the best reasonable prospect of repayment in the circumstances through a properly constructed process supervised by the Monitor and the Court, which will canvass the market for refinancing, investors or purchasers to maximize value for the Company's creditors and other stakeholders.
67. For the foregoing reasons, the Monitor respectfully recommends that this Court approve the relief sought in the Amended and Restated Initial Order.

All of which is respectfully submitted this 5<sup>th</sup> day of March 2020.

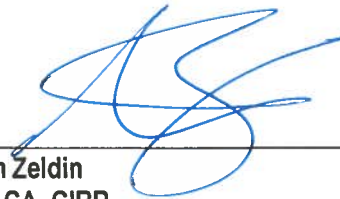
**RICHTER ADVISORY GROUP INC.  
IN ITS CAPACITY AS MONITOR OF  
2607380 ONTARIO INC.  
AND NOT IN ITS PERSONAL CAPACITY**

Per:



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**Paul van Eyk,  
CPA, CA-IFA, CIRP, LIT, Fellow of INSOL**



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**Adam Zeldin  
CPA, CA, CIRP**

## **Appendix “D”**

**RICHTER**

Court File No.: CV-20-00636875-00CL

**2607380 ONTARIO INC.**

**SECOND REPORT OF RICHTER ADVISORY GROUP INC.,  
IN ITS CAPACITY AS MONITOR**

**JULY 8, 2020**

## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	PURPOSE OF THE SECOND REPORT .....	2
III.	DISCLAIMER AND TERMS OF REFERENCE .....	3
IV.	ACTIVITIES OF THE COMPANY .....	4
V.	ACTIVITIES OF THE MONITOR .....	5
VI.	CASH FLOW VARIANCE ANALYSIS REPORTING.....	6
VII.	UPDATE ON THE NUVO RENOVATIONS.....	8
VIII.	SALE AND INVESTOR SOLICITATION PROCESS.....	8
IX.	EXTENSION OF THE CCAA STAY .....	18
X.	MONITOR'S RECOMMENDATIONS.....	19

## APPENDICES

**APPENDIX "A"** – Amended and Restated Initial Order

**APPENDIX "B"** – Sale and Investor Solicitation Process

**APPENDIX "C"** – Redacted Execution Copy of the Listing Agreement

**APPENDIX "D"** – Revised Cash Flow Forecast for the Period July 5, 2020 to November 30, 2020

**APPENDIX "E"** – Monitor's Report on the Revised Cash Flow Forecast

## CONFIDENTIAL APPENDICES

**CONFIDENTIAL APPENDIX "1"** – Proposal Summary

**CONFIDENTIAL APPENDIX "2"** – Unredacted Execution Copy of the Listing Agreement

**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  
2607380 ONTARIO INC.**

**SECOND REPORT OF RICHTER ADVISORY GROUP INC.  
IN ITS CAPACITY AS MONITOR**

**JULY 8, 2020**

## I. INTRODUCTION

1. On February 25, 2020 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Initial Order**”) granting 2607380 Ontario Inc. (“**260**” or the “**Company**”) protection pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, C. C-36, as amended (the “**CCAA**”). Pursuant to the Initial Order, Richter Advisory Group Inc. (“**Richter**”) was appointed as Monitor of the Company (the “**Monitor**”).
2. The Initial Order, *inter alia*:
  - (i) granted a stay of proceedings in favour of the Company until March 6, 2020 (the “**Initial Stay Period**”);
  - (ii) granted a stay of proceedings during the Initial Stay Period in favour of (i) Nuvo Network Inc. (“**Nuvo Network**”), an affiliate of the Company, (ii) the directors and officers of the Company and (iii) Mr. Shawn Saulnier and Ms. Bridget Saulnier (collectively, the “**Saulniers**”) in connection with any guarantees they have made in support of any of the commitments or debt obligations of the Company (collectively, the “**Saulnier Guarantees**”). Collectively, such stay of proceedings, together with the stay of proceedings in favour of the Company, is referred to herein as the “**CCAA Stay**”;
  - (iii) enhanced the Monitor’s powers over the Company’s disbursements, obliging the Company to obtain prior approval of the Monitor for disbursements above certain dollar thresholds (\$1,000 per transaction or \$5,000 in aggregate, on a daily basis) (the “**Monitor’s Enhanced Powers**”);
  - (iv) approved an indemnity and charge in favour of 260’s directors and officers in the amount of \$50,000 (the “**Directors’ Charge**”) in respect of the actions of the directors and officers and liabilities incurred thereby from and after the Filing Date;
  - (v) approved a charge in respect of the fees and costs of the Monitor, its counsel and counsel to the Company in the amount of \$250,000 (the “**Initial Administration Charge**”); and
  - (vi) ordered that Meridian Credit Union Limited (“**Meridian**”), the Company’s primary secured lender, provide emergency financing in the amount of \$220,000, to either the Monitor or its counsel, in order to provide the Company with sufficient funds to pay certain professional fees and to meet 260’s operational requirements until the date of the comeback motion returnable March 6, 2020.
3. On March 6, 2020, the Court issued the Amended and Restated Initial Order (the “**Amended and Restated Initial Order**”), which incorporated certain amendments to the Initial Order, *inter alia*:

- (i) extending the CCAA Stay until October 24, 2020;
- (ii) ordering that the Company obtain the Monitor's consent before entering into any new contracts or leases (i) with an aggregate value or liability in excess of \$1,000 and/or (ii) a term in excess of one month;
- (iii) further advancing the Monitor's powers, thereby authorizing it to, among other things, assist 260 in preparing cash flow forecasts (with information provided by the Company), monitoring and overseeing the renovations (the "**Nuvo Renovations**") of the Company's property located at 1295 North Service Road, Burlington, Ontario (the "**Nuvo Property**"), including consulting with the DIP Lender (as defined below) in connection therewith, on behalf of the Company, and assisting the Company and Nuvo Network in complying with the Meridian DIP Facility Agreement (as defined herein), including preparing materials in anticipation of a sale and investor solicitation process.
- (iv) increasing the Initial Administration Charge to \$300,000 (the "**Amended Administration Charge**"); and
- (v) approving a non-revolving credit facility up to a maximum amount of \$7.18 million (the "**Meridian DIP Facility**") pursuant to a credit facility agreement between the Company and Meridian (in such capacity, the "**DIP Lender**") dated March 4, 2020 (the "**Meridian DIP Facility Agreement**") and a charge in favour of the DIP Lender up to the maximum amount of the aggregate of any and all advances made by the DIP Lender thereunder.

A copy of the Amended and Restated Initial Order is attached hereto as **Appendix "A"**. The proceedings commenced by 260 under the CCAA are herein referred to as the "**CCAA Proceedings**".

4. Richter, in its capacities as Proposed Monitor and Monitor of 260, has previously filed two reports with this Court (the "**Prior Reports**"). The Prior Reports and copies of Court and other material documents pertaining to the CCAA Proceedings are available on the Monitor's website at <https://www.richter.ca/insolvencycase/2607380-ontario-inc/> (the "**Monitor's Website**").

## II. PURPOSE OF THE SECOND REPORT

5. The purpose of this report (the "**Second Report**") is to provide information to the Court pertaining to:
  - (i) the activities of the Company and the Monitor since March 5, 2020, the date of the Monitor's first report (the "**Monitor's First Report**");
  - (ii) the Company's reported receipts and disbursements for the period from March 4, 2020 to July 4, 2020, including a comparison of reported to forecasted results;



- (iii) an update regarding the Nuvo Renovations;
- (iv) the proposed sale and investor solicitation process, as set out in **Appendix "B"** to this Second Report (the **"SISP"**);
- (v) the Company's request that the Court grant orders:
  - (a) approving the SISP (the **"SISP Order"**), including the retention of (i) CBRE Limited (**"CBRE"**) to act as listing agent in the process set out in the SISP to solicit interest in the acquisition of the Nuvo Property (the **"Sale Process"**) prior to November 30, 2020 (the **"Outside Date"**) and (ii) Halo Advisory (**"Halo"**), as financial advisor, and Mortgage Alliance (**"MA"**), as exclusive mortgage agent, to assist in and carry out the process set out in the SISP to solicit interest in providing financing to the Company (the **"Refinancing Process"**); and
  - (b) sealing the confidential appendices to the Second Report until further order of this Court; and
  - (c) extending the CCAA Stay to November 30, 2020 (the **"Stay Extension Order"**); and
- (vi) the Monitor's conclusions and recommendations.

### III. DISCLAIMER AND TERMS OF REFERENCE

6. In preparing this Second Report, the Monitor has relied upon certain unaudited, draft, and/or internal financial information of the Company, the Company's books and records and discussions with various parties, including 260's advisors, employees and certain of its directors (collectively, the **"Information"**). In accordance with industry practice, except as otherwise described in the Report, Richter 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 Generally Accepted Auditing Standards (**"GAAS"**) pursuant to the *Chartered Professional Accountants of Canada Handbook* (the **"Handbook"**). In addition, the Monitor has not conducted an examination or review of any financial forecast and projections in a manner that would comply with GAAS or the procedures described in the Handbook. Accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
7. Future orientated financial information contained in the Revised Cash Flow Forecast (as hereinafter defined) is based on the Company's estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Revised Cash Flow Forecast will be achieved.

8. Unless otherwise stated, all monetary amounts referred to herein are expressed in Canadian dollars.
9. Capitalized terms not otherwise defined herein are as defined in the Prior Reports and the three affidavits of Mr. Shawn Saulnier sworn on February 24, 2020 (the “**February 24 Saulnier Affidavit**”), March 4, 2020 (the “**March 4 Saulnier Affidavit**”) and July 7, 2020 (the “**July 7 Saulnier Affidavit**”, and together with the February 24 Saulnier Affidavit and the March 4 Saulnier Affidavit, the “**Saulnier Affidavits**”).
10. The Second Report should be read in conjunction with the Prior Reports and the Saulnier Affidavits, as certain information contained in the Prior Reports and Saulnier Affidavits has not been included herein in order to avoid duplication.

#### **IV. ACTIVITIES OF THE COMPANY**

11. Since the Filing Date, the Company, with the assistance of the Monitor, has been managing its operations in the normal course and working to stabilize its business. The Company’s primary focus has been managing relationships with key stakeholders and addressing operational and financial issues arising in connection with the CCAA Proceedings and the current COVID-19 pandemic.
12. As outlined in the July 7 Saulnier Affidavit, the activities of the Company, with the support of its legal advisors, have included:
  - (i) managing relationships with key stakeholders, including creditors, tenants and secured lenders;
  - (ii) continuing to liaise with its general contractor, Maple Reinders Inc. (“**Maple**”), with respect to the ongoing Nuvo Renovations;
  - (iii) responding to the COVID-19 pandemic situation, including working to obtain the essential service designation for the Nuvo Renovations in order to enable Maple to continue its work to complete the Nuvo Renovations;
  - (iv) administering the leases at the Nuvo Property;
  - (v) working, in consultation with the Monitor, to manage the Company’s cash flows and making payments in accordance with the Amended and Restated Initial Order;
  - (vi) preparing materials, including a confidential information memorandum (“**CIM**”) and materials to be included in the data room in connection with the Refinancing Process;

- (vii) working with its counsel and the Monitor to identify and introduce potential refinancing sources in connection with the Refinancing Process;
- (viii) engaging (a) Halo as its financial advisor to perform pre-marketing tasks for the Refinancing Process and (b) MA, a licensed mortgage broker, to carry out the Refinancing Process;
- (ix) working with the Monitor to design the SISP;
- (x) corresponding with realtors in connection with the SISP, including reviewing listing agent proposals, attending virtual meetings and conducting tours of the Nuvo Property;
- (xi) engaging CBRE to carry out the Sale Process contemplated by the SISP;
- (xii) working with CBRE and the Monitor to prepare materials, including a CIM, and materials to be included in the data room in connection with the Sale Process;
- (xiii) corresponding with the DIP Lender and its legal counsel regarding the progress of the SISP; and
- (xiv) with the assistance of the Monitor, preparing a revised cash flow forecast (the “**Revised Cash Flow Forecast**”) for the period from July 5, 2020 to November 30, 2020 (the “**Forecast Period**”), in connection with the Company’s request for the Stay Extension Order.

## V. ACTIVITIES OF THE MONITOR

13. Since the date of the Monitor’s First Report, the Monitor’s activities have included:

- (i) attending at Court in connection with the Amended and Restated Initial Order;
- (ii) attending at the Company’s premises and meeting with the Company’s management to discuss the Company’s operations and the CCAA Proceedings;
- (iii) corresponding and communicating with Maple in connection with the Nuvo Renovations and various governmental guidelines and restrictions introduced due to the ongoing COVID-19 pandemic;
- (iv) monitoring of the Company’s cash flows and reviewing analyses on variances to the Company’s cash flow forecast, and reporting these variances to Meridian in accordance with the Meridian DIP Facility Agreement;
- (v) working with the Company to design the SISP;

- (vi) corresponding with the Company and its legal counsel regarding all matters in the CCAA proceedings, including the Nuvo Renovations, the SISP, the Revised Cash Flow Forecast and 260's operations generally;
- (vii) corresponding with Maple regarding the Nuvo Renovations;
- (viii) corresponding with MA and Halo with respect to the Refinancing Process;
- (ix) corresponding with the DIP Lender and its legal counsel regarding the progress of the SISP and other matters pertaining to the CCAA Proceedings;
- (x) corresponding with realtors in connection with the Sale Process, including reviewing listing agent proposals and attending virtual meetings;
- (xi) corresponding with CBRE with respect to the SISP, including in connection with preparing a CIM and materials to be included in the data room in connection with the Sale Process;
- (xii) corresponding with Bennett Jones LLP, the Monitor's legal counsel;
- (xiii) responding to calls and enquiries from creditors and other stakeholders in connection with the CCAA Proceedings;
- (xiv) maintaining the Monitor's Website where copies of the orders granted and other relevant documents in respect of the CCAA Proceedings have been made available;
- (xv) preparing this Second Report; and
- (xvi) dealing with other matters pertaining to the administration of the CCAA Proceedings.

## VI. CASH FLOW VARIANCE ANALYSIS REPORTING

14. As noted in the Monitor's First Report, 260, with the assistance of the Monitor prepared a cash flow forecast for the period March 4, 2020 to October 24, 2020 (the "**March 2020 Cash Flow Forecast**"), which was filed with the Court in support of, *inter alia*, the CCAA Stay.
15. The Company has continued to provide the Monitor with its co-operation and access to its books and records as requested by the Monitor. The Monitor has implemented various procedures for monitoring the Company's receipts and disbursements on a weekly basis. The Monitor has also prepared forecasted to actual variance analyses with respect to the Company's weekly receipts and disbursements as compared to the March 2020 Cash Flow Forecast.

16. A comparison of the Company's actual cash receipts and disbursements as compared to the March 2020 Cash Flow Forecast for the 18-week period from March 4, 2020 to July 4, 2020, is summarized as follows:

<b>2607380 Ontario Inc.</b> <b>Variance Analysis of the Cash Flow Forecast</b> <b>For the period from March 4, 2020 - July 4, 2020</b> <b>(in 000s CAD; unaudited)</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b><u>Receipts</u></b>			
Collection of Office, Studio & Event Income	758	1,080	(322)
HST Receivable & Other Receipts	83	429	(346)
<b>Total Receipts</b>	<b>841</b>	<b>1,509</b>	<b>(668)</b>
<b><u>Disbursements</u></b>			
Operating Expenses	(646)	(1,061)	415
Personnel Expenses	(336)	(391)	55
Professional Fees	(1,119)	(1,120)	1
Construction Costs	(1,995)	(4,225)	2,230
DIP Lender Costs	(532)	(388)	(144)
<b>Total Disbursements</b>	<b>(4,628)</b>	<b>(7,185)</b>	<b>2,557</b>
<b>Net Cash Flow</b>	<b>(3,787)</b>	<b>(5,676)</b>	<b>1,889</b>
<b>Opening Cash Balance</b>	<b>192</b>	<b>192</b>	<b>0</b>
Net Cash Flow	(3,787)	(5,676)	1,889
<b>DIP Drawdown</b>	<b>3,950</b>	<b>5,550</b>	<b>1,600</b>
<b>Ending Cash Balance</b>	<b>355</b>	<b>66</b>	<b>289</b>

17. As reflected in the summary table above, the Company reported a net cash outflow of approximately \$3.8 million over the 18-week period, and the Company had a cash balance of approximately \$0.4 million, as at July 4, 2020. The Company has a favourable cash flow variance of approximately \$1.9 million with respect to the March 2020 Cash Flow Forecast.
18. The favourable cash flow variance of approximately \$1.9 million pertains principally to the following:
- (i) the Monitor and Maple agreeing to a payment plan to remobilize the general contractor and its subcontractors that is more favourable than initially forecasted. This favourable variance is due to timing of payments and is expected to neutralize at the time of substantial completion of the Nuvo Renovations; and
  - (ii) favourable variances associated with (a) lower than projected disbursements attributable to critical vendor deposits (included in operating expenses), (b) lower than forecasted operating costs to date and (c) the receipt of financial assistance from the federal government following the onset of the COVID-19 pandemic.

These favourable variances were partially offset by the collection of lower than projected rental income, studio income and event income due to the COVID-19 pandemic and timing differences associated with the collection of sales tax refunds.

## **VII. UPDATE ON THE NUVO RENOVATIONS**

19. As noted in the July 7 Saulnier Affidavit, a primary focus of the CCAA Proceedings was to permit the Company to complete the Nuvo Renovations. Following the issuance of the Amended and Restated Initial Order, the Company, with the assistance of the Monitor, completed the documentation necessary and issued required payments, as approved by the Court and in accordance with the Meridian DIP Facility, to ensure Maple would recommence the Nuvo Renovations. On or about March 16, 2020, Maple remobilized to the Nuvo Property to restart the Nuvo Renovations.
20. As set out in the First Report, Maple presented the Monitor with a construction budget and schedule, which estimated a total cost to complete the Nuvo Renovations of approximately \$4.5 million (the “**Cost to Complete**”) and a completion date of mid to late September 2020. The Monitor understands from discussions with both Maple and the Company that the Nuvo Renovations remain substantially on time and on budget as at the date of this Second Report, notwithstanding certain delays resulting from the COVID-19 pandemic and its impacts on the Nuvo Renovations and the Company generally (as further discussed in the July 7 Saulnier Affidavit).

## **VIII. SALE AND INVESTOR SOLICITATION PROCESS**

21. The Company, in consultation with the Monitor, designed the SISP, a copy of which is attached hereto as **Appendix “B”**. The SISP consists of two components, which will run in parallel: (i) the Refinancing Process and (ii) the Sale Process.
22. The purpose of the proposed SISP is to maximize the value obtained for the Nuvo Property, taking into consideration the interests of the Company’s creditors and other stakeholders. The proposed SISP is designed to be a broad and flexible process to canvass bids for a sale and/or a refinancing proposal to repay existing indebtedness of the Company.
23. The terms of the Meridian DIP Agreement required the Company to, among other things, commence the SISP during the CCAA Stay and,
  - (i) hire a sales agent on or before April 30, 2020, or such later date as agreeable to the Monitor and the DIP Lender, and work with the sales agent to establish the steps for the SISP;

- (ii) obtain the SISP Order on or before May 8, 2020 or such later date as agreeable to the Monitor and DIP Lender;
  - (iii) provide a firm agreement of purchase and sale on or before October 15, 2020; and
  - (iv) close a transaction by no later than November 6, 2020.
24. However, the COVID-19 pandemic has dramatically impacted the commercial real estate market in the Greater Toronto Area and is a material outside event that the Company, the Monitor, or any other party could not have predicted at the start of the CCAA Proceedings. In connection with the foregoing, the Company, in consultation with the Monitor, negotiated an amendment to the Meridian DIP Facility Agreement to extend the deadline to obtain an order approving the SISP to June 8, 2020 (the “**First DIP Amendment**”). A copy of the First DIP Amendment is included as Exhibit “H” to the July 7 Saulnier Affidavit.
25. Following additional feedback from CBRE regarding the impacts of the COVID-19 pandemic on the commercial real estate market in the Greater Toronto Area, the Monitor, on behalf of the Company, sought, and the DIP Lender supported, an additional extension of the timelines of the proposed SISP as provided for in the Meridian DIP Facility Agreement. Accordingly, it was agreed that a further amendment would be entered into in respect of the SISP (the “**Second DIP Amendment**”), a copy of which is included as Exhibit “I” to the July 7 Saulnier Affidavit. As noted in the July 7 Saulnier Affidavit, the Second DIP Amendment provides for the following amended timelines:
- (i) hire a sales agent on or before July 15, 2020, or such later date as agreeable to the Monitor and the DIP Lender, and work with the sales agent to establish the steps for the SISP;
  - (ii) obtain the SISP Order on or before July 15, 2020, or such later date as agreeable to the Monitor and DIP Lender;
  - (iii) provide a firm agreement of purchase and sale on or before October 30, 2020; and
  - (iv) close a transaction by no later than the Outside Date (November 30, 2020).
26. In addition, the Monitor has provided summaries of the SISP process to counsel to Crossroads Christian Communications Inc. (“**CCCI**”), and Bridging Finance Inc. (“**Bridging**”), the Company’s other secured lenders and, as of the date of this Second Report, neither CCCI, Bridging, or their respective counsels, have expressed opposition to the proposed SISP.
27. As noted above, the SISP being sought for approval by the Court consists of two components: the Refinancing Process and the Sale Process. These are summarized below. Readers are cautioned to carefully read the SISP

as may be approved by the Court pursuant to the SISP Order and not to rely on a review of the summary of the SISP contained in the body of this Second Report.

### **The Refinancing Process**

28. Following the date of the Amended and Restated Initial Order and in accordance with the Meridian DIP Facility Agreement, in order to determine third parties' interest in providing financing to the Company, the Company, under the supervision of the Monitor, commenced the Refinancing Process.
29. In connection with the foregoing, in May 2020, the Company, with the support of the Monitor and the DIP Lender, engaged Halo and MA (collectively, the "**Refinancing Advisor**") to assist the Company with the Refinancing Process. The Monitor understands that Halo and MA are controlled by and operate under the supervision of the same individuals. Halo was retained by the Company to perform pre-marketing tasks for the Refinancing Process, while MA was retained to carry out the Refinancing Process, as it is a licensed mortgage broker.
30. The engagement with Halo provides for an application fee of \$5,000 and an additional remuneration of \$5,000 upon receipt of a discussion paper or letter of intent in connection with the Refinancing Process.
31. The key terms of MA's engagement include:
  - (i) the term of the engagement is for a period of 180 days (the "**Term**");
  - (ii) a brokerage fee of 0.5% of the quantum of the financing obtained, less \$10,000 (the "**Brokerage Fee**");
  - (iii) in the event that during the Term, the Company directly or indirectly accepts financing from a third party, then 260 shall be responsible for the payment of the Brokerage Fee to MA; and
  - (iv) in the event that the Company obtains financing from any lender initially approached by MA for the period that is 365 days following the expiry of the Term, the Brokerage Fee will be payable by 260 to MA.
32. Copies of the Halo engagement letter and the MA engagement letter are included as Exhibit "E" and "F", respectively, to the July 7 Saulnier Affidavit.
33. The Monitor is of the view that the terms of Halo's and MA's engagement appear reasonable in the circumstances and their engagement should enhance the prospect of maximizing realizations for the Company's stakeholders. Accordingly, the Monitor supports the Company's request for the Court to approve the engagement of Halo and MA.



34. The Refinancing Advisor, in consultation with the Monitor and the Company, has prepared marketing materials, including a teaser and a CIM, and developed a targeted list of prospective lenders for which to present the refinancing opportunity.
35. As of the date of this Second Report, the Company and MA have contacted several parties identified as prospective lenders to provide financing to the Company. Those parties include banks, mortgage lenders, private equity firms and alternative lenders. The Monitor understands that, based on discussions with the Refinancing Advisor, the Refinancing Process has resulted in a number of interested parties (the “**Interested Parties**”) executing non-disclosure agreements (“**NDAs**”). On receipt of the NDAs from the Interested Parties, the Interested Parties were provided the opportunity to access a confidential data room furnished with information pertaining to the Company, including the a CIM, its financial forecasts and other relevant information about the Company. The Monitor further understands based on discussions with the Refinancing Advisor, that the Interested Parties’ diligence is in progress.
36. Pursuant to the Meridian DIP Facility Agreement, the DIP Lender and the Company agreed that, notwithstanding the proposed Sale Process (as discussed in detail below), the Company is permitted to continue the Refinancing Process up to the date that a definitive agreement of purchase and sale is executed with any other party pursuant to the Sale Process. Accordingly, the Refinancing Process will run in parallel with the Sale Process, if approved by the Court. If, in the Monitor’s view, the Refinancing Process identifies a transaction that is able to be completed in advance of the date that a definitive agreement of purchase and sale is signed (contemplated to be on October 30, 2020), the Monitor is able to pursue such a transaction and terminate the Sale Process. As noted in the July 7 Saulnier Affidavit, the Company will seek Court approval of the refinancing transaction on or before the Outside Date.
37. In consideration of the foregoing, the Monitor understands that the Company, with the assistance of MA, will, during the Sale Process, continue to: (i) coordinate diligence with the Interested Parties, (ii) engage prospective lenders that have expressed interest in the refinancing opportunity but have not yet signed NDAs and (iii) canvass the market for other prospective lenders, in an effort to successfully refinance the Company’s secured debt.

### **The Sale Process**

38. In early May 2020, the Company, with the assistance of the Monitor, contacted several reputable, well-known commercial property brokers in the Greater Toronto Area that specialize in the sale of similar commercial properties, to request proposals to market and sell the Nuvo Property.

39. The Company received three proposals to market and sell the Nuvo Property (the “**Proposals**” and each, a “**Proposal**”). Each proposal consisted of a written and oral presentation, the broker's estimate of the anticipated time to market the Nuvo Property and the broker's proposed fee structure.
40. The Monitor prepared a summary of the Proposals (the “**Proposal Summary**”) and provided the Proposal Summary to the Company, its legal counsel and to the Company's secured creditors on a confidential basis. The Proposal Summary is provided to the Court as **Confidential Appendix “1”**. The rationale for seeking a sealing order for the Proposal Summary is provided below.

### **The Listing Agreement**

41. Following a review of the Proposals, the Company, in consultation with the Monitor determined that CBRE's Proposal was the best in the circumstances. Considerations included, among other things, (i) CBRE's experience selling the Nuvo Property (CBRE was the listing agent when the Nuvo Property was sold to the Company in 2018), similar properties, and commercial real estate properties subject to insolvency proceedings, (ii) the Company's firsthand experience working with the CBRE representative who will lead this mandate and (iii) CBRE's commission structure, which is consistent with market and superior (i.e. has a lower overall commission structure) to the other Proposals submitted. Meridian was also consulted in respect of the retention of CBRE, including the terms of its retention. In consideration of the foregoing, the Monitor, on behalf of the Company, contacted CBRE to advise that the Company would like to proceed with CBRE's proposal to market and sell the Nuvo Property and commenced discussions with CBRE to negotiate the terms of a listing agreement. As of the date of this Second Report, the Company, with the Monitor's consent, and CBRE have agreed to the terms of a listing agreement (the “**Listing Agreement**”), pursuant to which, subject to Court approval, CBRE will act as listing agent to market and sell the Nuvo Property. A redacted execution copy of the Listing Agreement is attached hereto as **Appendix “C”**. An unredacted execution copy of the Listing Agreement is attached hereto as **Confidential Appendix “2”**. The rationale for seeking a sealing order for the Listing Agreement is provided below.
42. The key terms of the Listing Agreement include:
- (i) a listing term that expires when the SISP concludes, with a 90-day holdover period;
  - (ii) a commission rate (subject to HST) of (a) 1.85% of the sale price for the Nuvo Property up to a certain dollar threshold, which threshold is subject to the Sealing Order (as hereinafter defined), if approved by the Court, plus (b) 1.65% of the portion of the sale price for the Nuvo Property that is greater than that threshold;

- (iii) additional commission of 1% of the sale price for the Nuvo Property in the event that there is a cooperating broker acting for a buyer, to be used towards the cooperating broker's fees;
  - (iv) a "break" fee, the quantum of which is subject to the Sealing Order, if approved by the Court, in the event that CBRE solicits qualified offers but the Company chooses not to sell the property but instead refinances or transfers to a related entity; and
  - (v) any sale is subject to the terms of the SISP and requires Court approval.
43. The Monitor supports the engagement of CBRE as listing agent to market and sell the Nuvo Property and the execution and implementation of the Listing Agreement, for the following reasons:
- (i) CBRE's team will be led by individuals who have experience selling the Nuvo Property, similar properties and commercial real estate properties subject to insolvency proceedings;
  - (ii) CBRE has relationships with many of the likely bidders for the Nuvo Property; and
  - (iii) its fee structure is consistent with the market and superior to the other proposals submitted.
44. Based on the foregoing, the Monitor recommends that the Court approve the Listing Agreement.

### **Sealing Order**

45. As the Proposal Summary and the Listing Agreement each include certain sensitive commercial and competitive information, the Monitor is of the view that it is appropriate for the Proposal Summary and the Listing Agreement to be filed with the Court on a confidential basis and sealed, by order of this Court (the "**Sealing Order**"), until further order of this Court. If the Proposal Summary and the Listing Agreement are not sealed, prospective lenders and bidders for the Nuvo Property will have access to information which could prejudice the SISP, including estimates of the Nuvo Property's valuations.
46. The Monitor is not aware of any party that would be prejudiced by the proposed Sealing Order, and therefore, the Monitor believes the proposed Sealing Order is appropriate in the circumstances.

### **Sale Process Summary**

47. Since mid-June, 2020, CBRE has worked with the Company and the Monitor to develop and prepare for the SISP, including setting a schedule / timeline, drafting marketing materials, formulating a list of prospective buyers and populating a data room.

48. The timelines and key attributes of the proposed Sale Process are as follows:

Stage	Description	Proposed Timing
Pre-Marketing, Notices and Solicitation of Interest	a) Assemble due diligence information; b) Setup online data room; c) Identification of potential bidders; d) Preparation of CIM and NDA; and e) Publication of notice of SISP in The Globe and Mail (National Edition) and posting on the Monitor's Website.	As soon as practicable after issuance of the SISP Order
Marketing	a) Commence marketing campaign; b) Listing on MLS; c) Provision of CIM and access to data room; and d) Provision of other due diligence, including access for site-visits.	Launch: August 4, 2020
Bids, Negotiations and Transaction Close	a) Solicitation of interest from Participating Bidders by the Phase 1 Bid Deadline; b) If applicable, commence Phase 2 of Sale Process to solicit final binding proposals by the Phase 2 Bid Deadline; c) Selection of the Successful Bidder; and d) Monitor to seek court approval of the Successful Bid and close of the transaction.	Phase 1 Bid Deadline: September 30, 2020  Phase 2 Bid Deadline: October 23, 2020  Outside Date: November 30, 2020

49. The Sale Process will proceed in two phases and be carried out by the Monitor, with assistance of CBRE. During Phase 1 of the Sale Process, which will commence as soon as possible after the SISP Order is granted, the Monitor and the Broker, in consultation with Company, will prepare a list of potential bidders capable of submitting a proposal for the purchase of the Nuvo Property (the "**Known Potential Bidders**"), which list may be periodically expanded as additional potential bidders and parties who wish to participate in the Sale Process are identified (the "**Potential Bidders**"). The Monitor and the Broker will circulate a teaser letter to Known Potential Bidders. All Potential Bidders that have executed an NDA (a "**Participating Bidder**"), pursuant to the Sale Process, will be provided with a copy of a CIM and access to an electronic data room containing financial and other due diligence information.
50. During Phase 1 of the Sale Process, CBRE will solicit non-binding indications of interest from Potential Bidders. Participating Bidders will have until the Phase 1 Bid Deadline of 5:00 PM (Eastern Time) on September 30, 2020 to submit non-binding letters of intent (each a "**LOI**"), in accordance with the terms of the SISP (the "**Phase 1 Bid Deadline**").
51. The Phase 1 Bid Deadline was determined in consultation with CBRE. CBRE has advised the Monitor and the Company that they are of the view that the Phase 1 Bid Deadline is appropriate and provides potential bidders with sufficient time to become aware of the Sale Process opportunity, complete sufficient due diligence and submit

a non-binding LOI. Should the Court grant the SISP Order, the Monitor understands that CBRE will commence a 'soft marketing' of the Nuvo Property immediately thereafter, making prospective buyers aware that the opportunity is coming to market.

52. An LOI will be considered a qualified LOI ("**Qualified LOI**") only if it meets the following criteria:
- (i) it is delivered to the Monitor and CBRE on or before the Phase 1 Bid Deadline;
  - (ii) it contains a description of the proposed purchaser or purchasers, each of which must be a Participating Bidder;
  - (iii) it includes the purchase price in Canadian dollars, including details of any liabilities to be assumed by the Participating Bidder, and details of the deposit to be provided;
  - (iv) it indicates the sources of capital/financing for the transaction and preliminary evidence of the sources of financing of the purchase price, the availability of such financing, steps necessary and associated timing to obtain such financing;
  - (v) it includes a description of the additional due diligence required to be conducted during Phase 2 of the Sale Process;
  - (vi) it describes all conditions to closing;
  - (vii) it indicates the anticipated timing of closing and any other material terms and conditions to closing; and
  - (viii) it describes any other terms or conditions of the sale proposal which the Participating Bidder believes are material to the transaction.
53. If one or more Qualified LOIs are received and the Monitor, in consultation with the Broker and the Company, determines there is a reasonable prospect of obtaining a Final Bid, the Sale Process shall continue into the second phase.
54. During Phase 2, each Participating Bidder with a Qualified LOI, or such other Participating Bidder as the Monitor has permitted to remain in the Sale Process, will continue to complete any remaining due diligence and will work to satisfy any remaining conditions in its Qualified LOI.
55. Participating Bidders who have entered Phase 2 of the Sale Process will be provided with a form of asset purchase agreement to be used in submitting their Final Bids.

56. Final Bids must be submitted in accordance with the terms of the SISP and be received no later than 5:00 PM (Eastern Time) on October 23, 2020 (the “**Phase 2 Bid Deadline**”).
57. The Phase 2 Bid Deadline was selected in consultation with CBRE. CBRE has advised the Monitor that they are of the view that the Phase 2 Bid Deadline is appropriate and provides potential bidders with sufficient time to conduct any additional due diligence required and to solidify their bid into a binding Final Bid. The Monitor is of the view that the timelines with respect to the bid deadlines provided for in the SISP are reasonable and appropriate in the circumstances.
58. A Final Bid must be received by the Phase 2 Bid Deadline and must comply with the following requirements, among others:
- (i) *Irrevocability* – must be irrevocable until the earlier of (i) Court Approval and (ii) the Outside Date, provided that if the Participating Bidder is selected as the Successful Bidder (as defined below), its offer will remain irrevocable until the closing of the transaction with such Successful Bidder;
  - (ii) *Identification of the Bidder* – must disclose the identity of the bidder and full disclosure of any controlling interests, beneficial owners and financial stakeholders of that bidder;
  - (iii) *Contingencies* – may not be conditional upon any condition other than Court approval, including but not limited to, obtaining financing or on the outcome of unperformed due diligence;
  - (iv) *Ability to Perform* – provides evidence, in form and substance satisfactory to the Monitor, that the Participating Bidder has sufficient funds to consummate the transaction and perform all of its obligations in connection therewith; and
  - (v) *Deposit* – must be accompanied by an initial deposit equal to five percent of the proposed purchase price and a declaration that an additional deposit (the “**Final Deposit**”) in the amount of five percent will be paid by the Participating Bidder on the date that its Final Bid is selected as the Selected Final Bid (as hereinafter defined).
59. The Monitor, in consultation with the Broker and the Company, will review the Final Bids submitted and, after evaluating the bids based on several factors, determine the bid that it considers most favourable and in their reasonable business judgment it is likely that the Participating Bidder will be able to consummate a sale transaction on or before the Outside Date in a manner that complies with all requirements of the Sale Process (the “**Selected Final Bid**”).

60. Once a Selected Final Bid has been identified, the Monitor, in consultation with the Broker and Company, shall negotiate and settle the terms of a definitive agreement in respect of the Selected Final Bid, all of which will be conditional upon Court approval.
61. The SISP also expressly provides for flexibility to enable the Monitor to respond and adapt, including to proposals, market changes or other events. However, there will be no material amendments to the SISP without the consent of the Monitor, the DIP Lender, the Broker and the Company, and no immaterial amendments, as determined by the Monitor in its discretion, without approval of the Monitor, or, in either case, in the absence of consent, the approval of the Court. In addition, the SISP provides that notwithstanding anything else in the SISP, if the Monitor, in consultation with CBRE and the Company, determines it is appropriate to do so, the Monitor may apply to Court for advice and direction with respect to the discharge of its powers and duties, seek approval of any transaction or proposal, seek to modify or supplement the SISP and/or seek to terminate the SISP.

#### **Sale and Investment Solicitation Process Recommendation**

62. The Monitor respectfully recommends that this honourable Court approve the SISP and grant the SISP Order, for the following reasons:
- (i) in the Monitor's view, the SISP, including its terms, procedures and proposed timeline, is commercially reasonable;
  - (ii) the Company has engaged the services of a real estate broker (CBRE) led by individuals who have experience selling the Nuvo Property, similar properties and other real property subject to insolvency proceedings;
  - (iii) the proposed SISP is a fair, open and transparent process intended to canvass the market broadly on an orderly basis;
  - (iv) the duration of the SISP, while expedited to meet the expectations of the secured lenders and keep costs within projected cashflow budgets, is sufficient to allow interested parties to perform diligence and submit offers, while balancing the terms of the Meridian DIP Facility Agreement;
  - (v) there will be no delay in commencing the SISP from the time it is approved by the Court. In addition to already being familiar with the Nuvo Property, CBRE has commenced underwriting the Nuvo Property and pre-marketing tasks. This should allow for the process to be conducted on a timely basis, which will assist to reduce costs;

- (vi) the SISP is structured such that the Company may still pursue a refinancing transaction, thereby allowing concurrent processes in order to reduce costs while improving the prospect of maximizing value and closing a transaction for the benefit of the Company's stakeholders; and
- (vii) Meridian, being the Company's first secured senior lender and the DIP Lender in these CCAA Proceedings, supports the SISP.

## IX. EXTENSION OF THE CCAA STAY

- 63. The current CCAA Stay currently expires on October 24, 2020. The Company is seeking an extension of the CCAA Stay to November 30, 2020 (the **"CCAA Stay Extension"**) to accommodate the timelines contemplated in the proposed SISP and given that the commencement of the SISP had to be delayed from the timeline originally contemplated due to the COVID-19 related emergency orders and the resulting limitations on being able to conduct commercial real estate marketing activities.
- 64. As the March 2020 Cash Flow Forecast only runs until October 24, 2020, Nuvo, with the assistance of the Monitor, has prepared the Revised Cash Flow Forecast, setting out the Company's anticipated receipts and disbursements during the Forecast period through to the date of the CCAA Stay Extension. A copy of the Revised Cash Flow Forecast is attached hereto as **Appendix "D"** and is summarized below:

<b>2607380 Ontario Inc.</b>	
<b>Revised Cash Flow Forecast</b>	
<b>For the Period July 5, 2020 - November 30, 2020</b>	
<b>(in 000s CAD; unaudited)</b>	
<b><u>Receipts</u></b>	
Collection of Office, Studio & Event Income	1,214
HST Receivable & Other Receipts	629
<b>Total Receipts</b>	<b>1,843</b>
<b><u>Disbursements</u></b>	
Operating Expenses	671
Personnel Expenses	403
Professional Fees	848
Construction Costs	2,551
DIP Lender Costs	72
<b>Total Disbursements</b>	<b>4,545</b>
<b>Net Cash Flow</b>	<b>(2,702)</b>
Opening Cash Balance	327
Net Cash Flow	(2,702)
<b>DIP Drawdown</b>	<b>2,450</b>
<b>Ending Cash Balance</b>	<b>75</b>

- 65. The Monitor's Report on the Revised Cash Flow Forecast is attached hereto as **Appendix "E"**.



66. The Monitor is of the view that the CCAA Stay Extension is appropriate in the circumstances and supports the Company's request for the CCAA Stay Extension, for the following reasons:

- (i) the Company has acted and continues to act in good faith and with due diligence;
- (ii) the Monitor understands, based on discussions with CBRE, that granting the CCAA Stay Extension will afford the Company the time needed to complete the Sale Process, thereby providing the Company the best opportunity to maximize recoveries for its stakeholders; and
- (iii) Meridian supports the CCAA Stay Extension.

#### **X. MONITOR'S RECOMMENDATIONS**

67. For the reasons set out in this Second Report, the Monitor is of the view that the relief requested by the Company is both appropriate and reasonable. As such, the Monitor respectfully recommends that this Honourable Court grant the SISP Order, the Sealing Order and the Stay Extension Order.

All of which is respectfully submitted this 8<sup>th</sup> day of July 2020.

**RICHTER ADVISORY GROUP INC.  
IN ITS CAPACITY AS MONITOR OF  
2607380 ONTARIO INC.  
AND NOT IN ITS PERSONAL CAPACITY**

Per:



---

**Paul van Eyk,**  
CPA, CA-IFA, CIRP, LIT, Fellow of INSOL



---

**Adam Zeldin**  
CPA, CA, CIRP, LIT

## **Appendix “E”**

## BUSINESS CLASSIFIED

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## TENDERS

## PROPERTY FOR SALE / INVESTORS SOUGHT

**Richter Advisory Group Inc.** ("Richter"), in its capacity as court appointed Monitor in the Companies' Creditors Arrangement Act ("CCAA") proceedings of 2807380 Ontario Inc. (the "Company"), in consultation with the Company's real estate and mortgage brokers, is assisting the Company with a sale and refinancing solicitation process ("SISP"), whereby the Company will carry out a parallel process to solicit interest in (i) the acquisition of its property located at 1295 North Service Road, Burlington, Ontario (the "Sale Process") and (ii) providing refinancing to the Company (the "Refinancing Process").

CBRE Limited has been engaged to act as exclusive listing agent for the Sale Process and Mortgage Alliance has been engaged to act as exclusive mortgage broker for the Refinancing Process.

The Company is a commercial real estate development and leasing company. Its primary asset is a newly renovated multi-use, multi-tenant commercial building of approximately 140,000 square feet located at 1295 North Service Road, Burlington, Ontario.

For further information regarding the SISP and the CCAA proceedings, please refer to the Monitor's website at [www.richter.ca/insolvency-cases/2807380-ontario-inc/](http://www.richter.ca/insolvency-cases/2807380-ontario-inc/).

In order to obtain detailed information on the Company and its business and assets, interested parties will be required to sign a confidentiality agreement.

For additional information regarding 2807380 Ontario Inc. and the SISP, please contact Adam Zeldin (416-646-7390 or [azeldin@richter.ca](mailto:azeldin@richter.ca)) of the Monitor's office. The deadline for submission of non-binding letters of intent is 8:00 p.m. (ET) on September 30, 2020.

## RICHTER

Richter Advisory Group Inc.  
Monitor of 2807380 Ontario Inc.  
161 Bay Street, Suite 3510  
Bay Wellington Tower  
Toronto, Ontario M5J 2T3  
Telephone: 1-866-685-0751  
Fax: 514-934-8803

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Jeff Lever\*  
[jefflever@cbre.com](mailto:jefflever@cbre.com)

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## DIVIDENDS

Franco Nevada  
Third Quarter Dividend

NOTICE IS HEREBY GIVEN that, effective as of August 5, 2020, the Board of Directors of Franco-Nevada Corporation has declared a quarterly dividend of US\$0.26 per Common Share payable on September 24, 2020 to shareholders of record at the close of business on September 10, 2020 (the "Record Date").

The Canadian dollar equivalent is to be determined based on the daily average rate posted by the Bank of Canada on the Record Date.

By Order of the Board  
Lloyd Hong  
Chief Legal Officer & Corporate Secretary  
August 20, 2020  
Toronto, Ontario, Canada  
[www.franco-nevada.com](http://www.franco-nevada.com)

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**Canada**

## LEGALS

Canada Energy Regulator  
Régie de l'énergie du Canada

Notice of Application and Directions on Procedure  
Application to Export Electricity to the United States  
TransAlta Energy Marketing Corp.

By an application dated 21 August 2020, TransAlta Energy Marketing Corp. (the Applicant), has applied to the Commission of the Canada Energy Regulator (the Commission) under Division 2 of Part 7 of the Canadian Energy Regulator Act (the Act) for authorization to export up to 17,520,000 MWh of combined firm and interruptible energy annually, for a period of 10 years. The applicant, or its affiliates, has an interest in the following generation facilities in Canada: see page 217 of TransAlta's 2019 Annual Integrated Report: [https://www.transalta.com/wp-content/uploads/2020/03/TAC2019\\_AnnualReport.pdf](https://www.transalta.com/wp-content/uploads/2020/03/TAC2019_AnnualReport.pdf).

The Commission wishes to obtain the views of interested parties on this application before issuing a permit or recommending to the Governor in Council that the application be designated for a licensing procedure. The Directions on Procedure that follow explain in detail the procedure that will be used.

- The Applicant shall provide a copy via email of the application to any person who requests one by contacting [Regulatory\\_Reporting@TransAlta.com](mailto:Regulatory_Reporting@TransAlta.com). The application is also publicly available on the Canada Energy Regulator's website at <https://apps.cer-rec.gc.ca/REGDOCS/Item/View/94151>.
- Submissions that any party wishes to present shall be filed online with the Secretary of the Commission, and emailed to the Applicant by 21 September 2020.
- Pursuant to Section 359(2) of the Act, the Commission is interested in the views of submitters with respect to:
  - the effect of the exportation of the electricity on provinces other than that from which the electricity is to be exported; and
  - whether the Applicant has:
    - informed those who have declared an interest in buying electricity for consumption in Canada of the quantities and classes of service available for sale; and
    - given an opportunity to buy electricity on conditions as favourable as the conditions specified in the application to those who, within a reasonable time after being so informed, demonstrate an intention to buy electricity for consumption in Canada.
- Any answer to submissions that the Applicant wishes to present in response to items 2 and 3 of this Notice of Application and Directions on Procedure shall be filed with the Secretary of the Commission and emailed to the party that filed the submission by 6 October 2020.
- For further information on the procedures governing the Commission's examination, contact the Secretary of the Commission, at (403) 292-4800 (telephone).

The Canada Energy Regulator (CER) is dedicated to the safety and well-being of its staff, Indigenous communities, the public, and all those with whom we work closely. For information on how the CER is continuing its regulatory oversight during the COVID-19 pandemic, please refer to the CER's COVID-19 response page: <https://www.cer-rec.gc.ca/bts/cvd19/index-eng.html>.

The CER's preferred filing method is online through its e-filing tool, available at <https://www.cer-rec.gc.ca/pplctfiling/bmt/index-eng.html>, which provides step-by-step instructions. If unable to file a document online, it may be filed by email to [Secretary@cer-rec.gc.ca](mailto:Secretary@cer-rec.gc.ca).

Jean-Denis Charlebois  
Secretary of the Commission  
of the Canada Energy Regulator

**Canada**

Canada Energy Regulator  
Régie de l'énergie du Canada

Avis de demande et instructions relatives à la procédure  
Demande visant l'exportation d'électricité vers les États-Unis  
TransAlta Energy Marketing Corp.

Dans une demande datée du 21 Août 2020, TransAlta Energy Marketing Corp. (le « demandeur ») a sollicité auprès de la Commission de la Régie de l'énergie du Canada, aux termes de la section 2 de la partie 7 de la Loi sur la Régie canadienne de l'énergie (« LRCE »), l'autorisation d'exporter jusqu'à 17 520 000 MWh par année d'énergie garantie et interrompible, pendant une période de 10 ans. Le demandeur, directement ou par l'entremise de ses sociétés affiliées, détient une participation dans les installations de production au Canada : voir page 243 du Rapport intégré annuel 2019 [https://www.transalta.com/wp-content/uploads/2020/03/TAC2019\\_Rapport\\_integre\\_annuel.pdf](https://www.transalta.com/wp-content/uploads/2020/03/TAC2019_Rapport_integre_annuel.pdf).

La Commission aimerait connaître le point de vue des parties intéressées sur cette demande avant de délivrer un permis ou de recommander au gouverneur en conseil qu'elle soit soumise à la procédure d'obtention de licence. Les instructions relatives à la procédure énoncées ci-dessous exposent en détail la démarche qui sera suivie.

- Le demandeur doit fournir envoyer la demande par courriel à toute personne qui manifeste son intérêt en écrivant à [Regulatory\\_Reporting@TransAlta.com](mailto:Regulatory_Reporting@TransAlta.com). La demande peut également être consultée sur le site Web de la Régie de l'énergie du Canada à l'adresse <https://apps.cer-rec.gc.ca/REGDOCS/Element/Attacher/94151>.
- Les observations des parties doivent être déposées en ligne auprès du secrétaire de la Commission et envoyées par courriel au demandeur au plus tard le 21 Septembre 2020.
- Suivant le paragraphe 359(2) de la LRCE, la Commission considérera les points de vue portant sur ce qui suit :
  - les conséquences de l'exportation d'électricité sur les provinces autres que la province exportatrice;
  - le fait que le demandeur :
    - a informé quiconque s'est montré intéressé par l'achat de l'électricité pour consommation au Canada des quantités et des catégories de services offerts;
    - a donné la possibilité d'acheter de l'électricité à des conditions aussi favorables que celles qui sont indiquées dans la demande, à ceux qui ont, dans un délai raisonnable suivant la communication de ce fait, manifesté l'intention d'acheter de l'électricité pour consommation au Canada.
- Toute réponse du demandeur aux observations concernant les points 2 et 3 du document Avis de demande et instructions relatives à la procédure doit être déposée auprès du secrétaire de la Commission et envoyée par courriel à la partie qui a soumis les observations, au plus tard le 6 Octobre 2020.
- Pour de plus amples renseignements sur la procédure d'examen de la Commission, veuillez communiquer avec le secrétaire de la Commission, par téléphone au 403-292-4800.

La Régie de l'énergie du Canada a à cœur la sécurité et le bien-être de son personnel, des communautés autochtones et du public et de tous ceux avec qui elle collabore. Pour de l'information sur la façon dont la Régie poursuit ses activités de surveillance réglementaire pendant la pandémie de COVID-19, veuillez consulter la page sur la réponse de la Régie à la pandémie de la COVID-19 : <https://www.cer-rec.gc.ca/bts/cvd19/index-fra.html>.

La Régie privilégie la méthode de dépôt en ligne à partir de son outil de dépôt électronique, qui se trouve à <https://www.cer-rec.gc.ca/pplctfiling/bmt/index-fra.html>, qui comprend des instructions détaillées. S'il vous est impossible de faire un dépôt de cette manière, veuillez envoyer votre document par courriel à l'adresse [secretary@cer-rec.gc.ca](mailto:secretary@cer-rec.gc.ca).

Le secrétaire de la Commission de la Régie de l'énergie du Canada,  
Jean-Denis Charlebois

**Canada**

## **Appendix “F”**

**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  
2607380 ONTARIO INC.**

**MANAGEMENT'S REPORT ON CASH FLOW STATEMENT  
(paragraph 10(2)(b) of the CCAA)**

The management of 2607380 Ontario Inc. (the "**Company**") has developed the assumptions and prepared the attached statement of projected cash flow as of the 19<sup>th</sup> day of November 2020, consisting of the period from November 15, 2020 to January 29, 2021 (the "**Extended Cash Flow Forecast**").

The hypothetical assumptions are reasonable and consistent with the purpose of the Extended Cash Flow Forecast described in the notes therein, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the Extended Cash Flow Forecast. All such assumptions are disclosed in the notes therein.

Since the Extended Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The Extended Cash Flow Forecast has been prepared solely for the purpose described in the notes therein, using the probable and hypothetical assumptions set out therein. Consequently, readers are cautioned that the Extended Cash Flow Forecast may not be appropriate for other purposes.

Dated at Toronto, in the Province of Ontario, this 19<sup>th</sup> day of November 2020.

**2607380 Ontario Inc.**

  
**Shawn Saulnier**  
**President**

2607380 Ontario Inc.  
Extended Cash Flow Forecast  
For the Period November 15, 2020 to January 29, 2021  
(In CAD; unaudited)

		Week Number	1	2	3	4	5	6	7	8	9	10	11
		Week Ending	21-Nov-20	28-Nov-20	5-Dec-20	12-Dec-20	19-Dec-20	26-Dec-20	2-Jan-21	9-Jan-21	16-Jan-21	23-Jan-21	29-Jan-21
Notes	1	Totals											
Receipts													
	2	422,721	-	-	205,428	-	-	-	207,801	2,373	2,373	2,373	2,373
	3	432,000	-	-	-	-	-	-	-	-	-	-	432,000
Total Receipts		854,721	-	-	205,428	-	-	-	207,801	2,373	2,373	2,373	434,373
Disbursements													
	4	284,568	19,846	24,887	54,666	19,846	19,846	24,887	54,712	16,145	16,145	16,145	17,439
	5	210,485	30,069	-	40,092	-	40,092	-	20,046	-	40,092	-	40,092
	6	305,100	-	101,700	-	-	-	101,700	-	-	-	-	101,700
	7	974,415	-	316,940	-	-	-	63,717	-	-	-	-	593,758
	8	6,000	-	2,000	-	-	-	2,000	-	-	-	-	2,000
Total Disbursements		1,780,567	49,916	445,527	94,759	19,846	59,939	192,304	74,759	16,145	56,238	16,145	754,990
Net Cash Flow		(925,846)	(49,916)	(445,527)	110,669	(19,846)	(59,939)	(192,304)	133,042	(13,772)	(53,865)	(13,772)	(320,617)
Opening Cash Balance	9	213,094	213,094	163,178	167,651	278,321	258,474	198,535	6,231	139,274	125,501	71,637	57,864
Net Cash Flow		(925,846)	(49,916)	(445,527)	110,669	(19,846)	(59,939)	(192,304)	133,042	(13,772)	(53,865)	(13,772)	(320,617)
DIP Drawdown	10	800,000		450,000									350,000
Ending Cash Balance		87,248	163,178	167,651	278,321	258,474	198,535	6,231	139,274	125,501	71,637	57,864	87,248

**2607380 Ontario Inc.**  
**Extended Cash Flow Forecast**  
**Notes and Summary of Assumptions**

---

**In the Matter of the CCAA Proceedings of 2607380 Ontario Inc. (“260” or the “Company”).**

**Disclaimer**

In preparing this extended cash flow forecast (the “**Extended Cash Flow Forecast**”), 260 has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. Since the Extended Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Extended Cash Flow Forecast period will vary from the Extended Cash Flow Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Extended Cash Flow Forecast is presented in Canadian dollars. All defined terms that are not otherwise defined herein are to have the same meaning ascribed to them in the Monitor’s Third Report to the Court dated November 19, 2020.

**Note 1 Purpose of the Extended Cash Flow Forecast**

The purpose of the Extended Cash Flow Forecast is to present the estimated cash receipts and disbursements of 260 for the period from November 15, 2020 to January 29, 2021 (the “**Forecast Period**”), in respect of its proceedings under the CCAA. The Extended Cash Flow Forecast has been prepared by the management of 260 (“**Management**”) based on available financial information at the date of 260’s motion for, among other things, extending the CCAA Stay to January 29, 2021. Readers are cautioned that this information may not be appropriate or relied upon for any other purpose.

**Note 2 Rental Receipts**

Rental receipts comprise income earned from the Company’s various office, studio and events space leases/rentals. The Extended Cash Flow Forecast assumes that all rental receipts for November 2020 have already been collected. The Extended Cash Flow Forecast also assumes the following in respect of the collections of rental receipts from and after December 1, 2020:

- (i) office rental income and studio rental income is collected in the first week of each month and event income is collected weekly (where applicable);
- (ii) no event income will be collected until January 2021;
- (iii) no current tenants of the Nuvo Property will either pause or cancel existing leases during the Forecast Period; and
- (iv) no rent abatement schemes will be utilized by either current or future tenants of the Nuvo Property during the Forecast Period.

Rental receipts for each of office, studio and events are forecasted based on current leases/agreements in place as well as forecasted future leases/agreements based on Management’s best estimate and are subject to change due to future unanticipated circumstances as a result of the COVID-19 pandemic.



**Note 3      HST Receivable & Other Receipts**

The Company is projecting to be in an HST receivable position as it funds the costs to complete the Nuvo Renovations. The Company files HST returns on a monthly basis.

The balance includes HST refunds of approximately \$336,000 in respect of Company's GST/HST returns up to August 31, 2020 (the "**Refunds**"), which are forecasted to be received in January 2021. On October 6, 2020, Canada Revenue Agency ("**CRA**") issued a notice of assessment in respect of the Refunds, setting out, among other things, that the Refunds are currently being withheld pending a review by CRA. In consideration of the foregoing, the quantum and timing of receipt of the Refunds remains subject to change.

The Extended Cash Flow Forecast does not anticipate the Company receiving funds in connection with the Canada Emergency Wage Subsidy during the Forecast Period.

**Note 4      Operating Expenses**

Operating expenses include general business expenses, including marketing, utilities, insurance, property taxes, cleaning, security, repairs and maintenance, and bank fees, among others.

**Note 5      Personnel Expenses**

Personnel expenses include salaries and wages, accrued vacation, payroll taxes and remittances paid to 260's employees as well as compensation paid to the Company's eight (8) independent contractors. Personnel expenses are paid bi-weekly.

**Note 6      Professional Fees**

Includes payments to the Company's legal counsel, the Monitor and the Monitor's legal counsel.

**Note 7      Cost to Complete**

Represents the remaining costs associated with the completion of the Nuvo Renovations, other than as noted below. The quantum and timing of payment has been agreed to by the Company and Maple.

The Extended Cash Flow Forecast does not contemplate payment of interest owing to Maple in the amount of \$190,050 as this amount is anticipated to be paid outside of the Forecast Period as per an agreement between the Company and Maple.

**Note 8      DIP Lender Costs**

Represents fees paid to the DIP Lender during the Forecast Period pursuant to the Meridian DIP Facility Agreement. In accordance with the Meridian DIP Facility Agreement, the DIP Lender shall reserve costs (up to \$400,000) in connection with interest and professional fees incurred in respect of the Meridian DIP Facility (the "**Reserve**").

The Extended Cash Flow Forecast does not contemplate the payment of interest in connection with the Company's obligations owing to its secured lenders, other than interest paid from the Reserve. Additionally, the Extended Cash Flow Forecast assumes no principal payments during the Forecast Period.



**Note 9      Opening Cash Balance**

The opening cash balance, as at November 15, 2020, represents the aggregate of the balance of the Company's Toronto Dominion bank account, together with the quantum of the balance remaining in the general trust account of the Monitor in respect of funds drawn on the Meridian DIP Facility, less the sum of the outstanding cheques issued by the Company.

**Note 10     DIP Drawdown**

Represents amounts drawn on the Meridian DIP Facility, excluding the Reserve, during the Forecast Period. In accordance with the Meridian DIP Facility Agreement, each advance under the Meridian DIP Facility, must be in a minimum amount of \$250,000 and in multiples of \$100,000 in excess thereof.

## **Appendix “G”**

**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  
2607380 ONTARIO INC.**

**MONITOR'S REPORT ON CASH FLOW STATEMENT  
(paragraph 23(1)(b) of the CCAA)**

The attached statement of projected cash flow of 2607380 Ontario Inc. ("**260**" or the "**Company**") prepared as of the 19<sup>th</sup> day of November 2020, consisting of the period from November 15, 2020 to January 29, 2021 (the "**Extended Cash Flow Forecast**"), has been prepared by management of the Company for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Extended Cash Flow Forecast.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by management and employees of the Company. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Extended Cash Flow Forecast. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Extended Cash Flow Forecast.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- (a) the hypothetical assumptions are not consistent with the purpose of the Extended Cash Flow Forecast;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Extended Cash Flow Forecast, given the hypothetical assumptions; or
- (c) the Extended Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the Extended Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Extended Cash Flow Forecast will be achieved.

The Extended Cash Flow Forecast has been prepared solely for the purpose described in the notes thereto and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, in the Province of Ontario, this 19<sup>th</sup> day of November 2020.

**RICHTER ADVISORY GROUP INC.  
IN ITS CAPACITY AS CCAA MONITOR OF  
2607380 ONTARIO INC.  
AND NOT IN ITS PERSONAL CAPACITY**

Per:



---

**Paul van Eyk  
CPA, CA, CIRP, LIT, IFA, Fellow of INSOL**

## **Appendix “H”**

### **THIRD AMENDING AGREEMENT**

Third amending agreement dated November 18, 2020 among 2607380 Ontario Inc., Nuvo Network Inc. and Meridian Credit Union Limited, as DIP Lender (this “**Third Amending Agreement**”).

#### **RECITALS:**

- (a) Meridian Credit Union Limited (together with its successors and permitted assigns, the “**DIP Lender**”) agreed to make certain credit facilities available to the Borrower upon the terms and conditions contained in a credit facility agreement between the Borrower, the Guarantor and the DIP Lender made as of March 3, 2020, as amended by (i) a first amending agreement dated April 28, 2020 and (ii) a second amending agreement dated July 10, 2020 (as amended, supplemented, restated or otherwise modified from time to time, the “**Credit Agreement**”);
- (b) The Borrower and the Guarantor have requested certain amendments to the Credit Agreement and the DIP Lender has agreed to permit such amendments on the terms and conditions set forth in this Third Amending Agreement.

In consideration of the foregoing and the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the parties agree as follows:

#### **Section 1 Defined Terms.**

Capitalized terms used in this Third Amending Agreement and not otherwise defined have the meanings specified in the Credit Agreement, as amended hereby.

#### **Section 2 Headings.**

Section headings in this Third Amending Agreement are included for convenience of reference only and shall not constitute a part of this Third Amending Agreement for any other purpose.

#### **Section 3 Amendments to the Credit Agreement.**

- (1) Section 4(a) of the Credit Agreement is amended by deleting the words “November 6, 2020” and replacing them with “January 29, 2021”.
- (2) Section 17(r) of the Credit Agreement is amended by deleting the words “September 30, 2020” and replacing them with “December 31, 2020”.
- (3) Section 17(v)(iii) of the Credit Agreement is hereby deleted in its entirety and the following is substituted:

“On or before January 15, 2021, the Borrower shall provide to the DIP Lender either:

(i) a firm agreement of purchase and sale with a closing date on or before January 29, 2021; or

(ii) a firm commitment to refinance all indebtedness, liabilities and obligations of the Borrower to Meridian Credit Union Limited including, but not limited to, the DIP Obligations, with a closing date on or before January 29, 2021; and”.

- (4) Section 17(v)(iv) of the Credit Agreement is hereby deleted in its entirety and the following is substituted:

“On or before January 29, 2021, closing of the agreement of purchase and sale or the refinancing transaction.”

**Section 4      Reference to and Effect on the Credit Agreement.**

Upon this Third Amending Agreement becoming effective, each reference in the Credit Agreement to “this Agreement” and each reference to the Credit Agreement in the other Loan Documents and any and all other agreements, documents and instruments delivered by the DIP Lender, the Borrower, the Guarantor or any other Person shall mean and be a reference to the Credit Agreement as amended by this Third Amending Agreement. Except as specifically amended by this Third Amending Agreement, the Credit Agreement shall remain in full force and effect.

**Section 5      Governing Law.**

This Third Amending Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

**Section 6      Counterparts.**

This Third Amending Agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument. Transmission of an executed signature page by facsimile, e-mail or other electronic means is as effective as a manually executed counterpart of this Agreement.

*[Remainder of Page Intentionally Left Blank. Signature Page Follows.]*

**IN WITNESS WHEREOF** the parties have executed this Third Amending Agreement.

DIP Lender:

**MERIDIAN CREDIT UNION LIMITED**

By:  \_\_\_\_\_  
Authorized Signing Officer

**Bernie Huber**  
Senior Commercial Credit Specialist

Borrower:

**2607380 ONTARIO INC.**

By: \_\_\_\_\_  
Authorized Signing Officer

Guarantor:

**NUVO NETWORK INC.**

By: \_\_\_\_\_  
Authorized Signing Officer

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**IN WITNESS WHEREOF** the parties have executed this Third Amending Agreement.

DIP Lender:

**MERIDIAN CREDIT UNION LIMITED**

By: \_\_\_\_\_  
Authorized Signing Officer

Borrower:

**2607380 ONTARIO INC.**

By:  \_\_\_\_\_  
Authorized Signing Officer

Guarantor:

**NUVO NETWORK INC.**

By:  \_\_\_\_\_  
Authorized Signing Officer