RICHTER

Court File No.: __________________

2607380 ONTARIO INC.

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

FEBRUARY 24, 2020

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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:

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

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:

2607380 Ontario Inc. Balance Sheet As of December 31, 2019 (in $000's, unaudited)			
Current Assets		**Current Liabilities**	
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
Total Current Assets	**(449)**	**Total Current Liabilities**	**2,911**
Non-Current Assets		**Long-Term Liabilities**	
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)
Total Non-Current Assets	**25,945**	**Total Long-Term Liabilities**	**24,869**
		Total Shareholders' Equity	**(2,284)**
Total Assets	**25,496**	**Total Liabilities & Shareholders' Equity**	**25,496**
Source: Information provided by the Applicant			

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**
Secured Lenders			
Meridian Credit Union	17,141	200	**17,341**
Christian Crossroads Communications Inc.	4,500	-	**4,500**
Bridging Finance Inc.	2,577	251	**2,828**
Total Secured Lender Debt	24,218	451	**24,669**
Construction Liens			
Maple Reinders Inc.	1,868		**1,868**
Barrie Glass & Mirror Ltd.	90		**90**
Total Lien Amount	1,958		**1,958**
Total Secured Debt on Property	**26,176**	**451**	**26,627**
Note: Not included in the Total Lein Amount is interest owing to Maple Reinders Inc. of approximately $154,000.			

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:

Rank	Charge
First	The Meridian Charge, up to the amount of $20,735,000 (the "**Meridian Limited Indebtedness**"); and the CCCI Charge, over all amounts in excess of the Meridian Limited Indebtedness.
Second	The Meridian Charge, any amounts in excess of the Meridian Limited Indebtedness.
Subordinate	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 SISP, 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:

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

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
Availability	$7.18 million
Borrower	2607380 Ontario Inc.
Interest Rate	9.5% per annum, calculated daily and payable monthly in arrears on the last business day.
Fees	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.
Maturity Date	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.
Security	A general security agreement and assignment of rents, secured by the DIP Charge.
Conditions	Various conditions typical of agreements of this kind, including, *inter alia*, the issuance of the Initial Order, the completion of definitive documentation and the granting of the DIP Charge.
Event of Default	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 SISP, 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 24th 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:

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

Adam Zeldin
CPA, CA, CIRP

APPENDIX “A”

RICHTER

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.

MONITOR'S CONSENT TO ACT

Richter Advisory Group Inc. hereby consents to act as Monitor of 2607380 Ontario Inc. in the within proceedings.

Dated this 24th 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:

____

Paul Van Eyk
CPA, CA-IFA, CIRP, LIT, Fellow of INSOL
Senior Vice President

APPENDIX “B”

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.

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

The management of 2607380 Ontario Inc. (the **"Applicant"**) has developed the assumptions and prepared the attached statement of projected cash flow as of the 24th day of February 2020, consisting of the period from February 24, 2020 to May 24, 2020 (the "**Cash Flow Forecast**"),

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

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

The 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 Cash Flow Forecast may not be appropriate for other purposes.

Dated at Toronto, in the Province of Ontario, this 24th day of February 2020.

2607380 Ontario Inc.

Shawn Saulnier
President

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. (**"Nuvo"** or the **"Applicant"**) prepared as of the 24th day of February 2020, consisting of the period from February 24, 2020 to May 24, 2020 (the "**Cash Flow Forecast**"), has been prepared by management of the Applicant for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by management and employees of the Applicant. 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 Cash Flow Forecast. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the 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 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 Applicant or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or

(c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the 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 Cash Flow Forecast will be achieved.

The 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 24th day of February 2020.

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

Per:

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

2607380 Ontario Inc.
13-Week Cash Flow Forecast
(In CAD; unaudited)

		Week Number	1	2	3	4	5	6	7	8	9	10	11	12	13
		Week Ending	**1-Mar-20**	**8-Mar-20**	**15-Mar-20**	**22-Mar-20**	**29-Mar-20**	**5-Apr-20**	**12-Apr-20**	**19-Apr-20**	**26-Apr-20**	**3-May-20**	**10-May-20**	**17-May-20**	**24-May-20**
	Notes	**Totals**													
	1														
Receipts															
Collection of Office, Studio & Event Income	2	570,953	1,413	51,754	1,413	1,413	1,413	238,180	1,130	1,130	1,130	1,130	268,025	1,413	1,413
HST Receivable	3	45,000	-	5,000	-	-	-	10,000	-	-	-	-	30,000	-	-
Total Receipts		**615,953**	**1,413**	**56,754**	**1,413**	**1,413**	**1,413**	**248,180**	**1,130**	**1,130**	**1,130**	**1,130**	**298,025**	**1,413**	**1,413**
Disbursements															
Operating Expenses	4	538,637	107,064	45,080	140,192	15,192	32,064	44,786	12,642	12,642	12,642	29,514	53,041	16,888	16,888
Personnel Expenses	5	196,485	-	32,513	-	32,513	-	32,513	-	32,513	-	32,513	-	33,919	-
Professional Fees	6	639,000	300,000	-	-	-	169,500	-	-	-	169,500	-	-	-	-
Cost to Complete	7	3,355,685	-	-	2,367,943	-	-	750,000	-	-	-	-	237,742	-	-
DIP Lender Interest & Costs	8	333,181	226,959	-	-	-	65,446	-	-	-	-	40,775	-	-	-
Bridging & Meridian Interest	8	254,486	16,056	-	-	-	114,705	-	-	-	-	123,725	-	-	-
Total Disbursements		**5,317,473**	**650,079**	**77,593**	**2,508,135**	**47,705**	**381,716**	**827,299**	**12,642**	**45,155**	**182,142**	**226,528**	**290,783**	**50,808**	**16,888**
Net Cash Flow		**(4,701,520)**	**(648,667)**	**(20,839)**	**(2,506,722)**	**(46,292)**	**(380,303)**	**(579,119)**	**(11,512)**	**(44,025)**	**(181,012)**	**(225,398)**	**7,242**	**(49,395)**	**(15,476)**
Opening Cash Balance	9	**(17,855)**	(17,855)	33,478	12,639	55,916	9,624	79,321	150,202	138,689	94,664	163,652	188,254	195,496	146,101
Net Cash Flow		**(4,701,520)**	**(648,667)**	**(20,839)**	**(2,506,722)**	**(46,292)**	**(380,303)**	**(579,119)**	**(11,512)**	**(44,025)**	**(181,012)**	**(225,398)**	**7,242**	**(49,395)**	**(15,476)**
DIP Drawdown	10	**4,850,000**	**700,000**	**-**	**2,550,000**		**450,000**	**650,000**			**250,000**	**250,000**			
Ending Cash Balance		**130,625**	**33,478**	**12,639**	**55,916**	**9,624**	**79,321**	**150,202**	**138,689**	**94,664**	**163,652**	**188,254**	**195,496**	**146,101**	**130,625**

2607380 Ontario Inc.
13-Week Cash Flow Forecast
Notes and Summary of Assumptions

In the Matter of the CCAA Proceedings of 2607380 Ontario Inc. ("Nuvo" or the "Applicant").

Disclaimer

In preparing this cash flow forecast (the "**Cash Flow Forecast**"), Nuvo has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the 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 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 Report of the Proposed Monitor dated February 24, 2020.

Note 1 Purpose of the Cash Flow Forecast

The purpose of the Cash Flow Forecast is to present the estimated cash receipts and disbursements of Nuvo for the period from February 24, 2020 to May 24, 2020 (the "**Forecast Period**"), in respect of its proceedings under the CCAA. The Cash Flow Forecast has been prepared by management of Nuvo ("**Management**") based on available financial information at the date of Nuvo's application for the Initial Order in accordance with Section 10(2)b) of the CCAA. 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 Applicant's various office, studio and events space leases/rentals. The Cash Flow Forecast assumes office and studio rental income is collected in the first week of each month and event income is collected weekly. Rent 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.

The Cash Flow Forecast assumes that tenants will occupy newly available space immediately upon completion of respective phases of the Nuvo Renovation.

The rental income for March 2020 is lower than other months as CCCI prepaid approximately $150,000 of its contractual rent in early February 2020 to assist the Applicant with its liquidity challenges.

Note 3 HST Receivable

The Applicant is projecting to be in an HST receivable position as it funds the Costs to Complete in respect of the Nuvo Renovation. The Applicant files HST returns on a monthly basis.

Note 4 **Operating Expenses**

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

Note 5 **Personnel Expenses**

Personnel expenses include salaries and wages, accrued vacation, payroll taxes and remittances paid to the Nuvo Employees as well as compensation paid to the Applicant's eight (8) independent contractors. Personnel expenses are forecasted based on historical run-rates and are paid bi-weekly, no weeks in arrears.

Note 6 **Professional Fees**

These disbursements include payments to the Applicant's legal counsel, the Monitor and the Monitor's legal counsel.

Note 7 **Cost to Complete**

The Cost to Complete, and timing of payment thereof, are based on a cost estimate provided in January 2020 by Maple and discussions with Management. The disbursements include a payment of approximately $2.05 million to Maple in respect of construction cost arrears, which is forecasted to be paid to Maple prior to recommencing construction. The Nuvo Renovations are forecasted to be completed outside the Forecast Period.

Note 8 **Debt Service Costs**

Represents interest and fees paid during the Forecast Period to the DIP Lender, Meridian and Bridging, pursuant to their respective loan agreements with the Applicant. The Cash Flow Forecast does not contemplate the payment of any pre-filing interest or fees owing to Meridian or Bridging. Additionally, the Cash Flow Forecast assumes no principal payments during the Forecast Period.

Note 9 **Opening Cash Balance**

The balance represents the aggregate of the Applicant's combined bank account balances, as at February 24, 2020, which show a cash deficit.

Note 10 **DIP Drawdown**

Represents amounts drawn on the DIP Facility during the Forecast Period. In accordance with the DIP Facility Agreement, each advance under the DIP Facility, other than amounts drawn in respect of the Interim DIP Facility (i.e. $700,000), must be in a minimum amount of $250,000 and in multiples of $100,000 in excess thereof.