

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
No: 500-11-060613-227

SUPERIOR COURT  
(Commercial Division)  
(Sitting as a court designated pursuant to the  
*Companies' Creditors Arrangement Act*, R.S.C.  
(1985), ch C-36 as Amended)

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

RISING PHOENIX INTERNATIONAL INC.

and

10864285 CANADA INC.

and

11753436 CANADA INC.

and

CDSQ IMMOBILIER INC.

and

COLLÈGE DE L'ESTRIE INC.

and

ÉCOLE D'ADMINISTRATION ET DE  
SECRÉTARIAT DE LA RIVE-SUD INC.

and

9437-6852 QUÉBEC INC.

and

9437-6845 QUÉBEC INC.

**Debtors**

and

RICHTER INC.  
(FORMERLY RICHTER ADVISORY GROUP INC.)

**Monitor**

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SIXTH REPORT OF THE MONITOR  
RICHTER INC. (FORMERLY RICHTER ADVISORY GROUP INC.)

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**INTRODUCTION**

1. The present report ("**Sixth Report**") should be read in conjunction with the Amended Pre-Filing Report dated January 6, 2022 (the "**Pre-Filing Report**"), the Supplementary Report dated January 16, 2022 (the "**Supplementary Report**"), the Second Report dated February 2, 2022 (the "**Second Report**"), the Third Report dated February 14, 2022 (the "**Third Report**"), the Fourth Report dated February 24, 2022 (the "**Fourth Report**") and the Fifth Report dated March 10, 2022 (the "**Fifth Report**") prepared by Richter Inc. (formerly Richter Advisory Group Inc.) ("**Richter**" or the "**Monitor**"), in its capacity as Monitor of Rising Phoenix International Inc. ("**RPI**") and the other entities listed in the style of cause (collectively, the "**Debtors**" or the "**Company**").

2. This Sixth Report is subject to the Terms of Reference and Disclaimer found in the Pre-Filing Report. Capitalized terms not defined herein shall have the meanings ascribed thereto in the Monitor's previous reports.
3. This Sixth Report is intended to provide the Court with information relating to:
  - Procedural Background;
  - Update on the Operations of the Colleges;
  - Update on Immigration and Insurance Issues;
  - Update on the Transaction and Closing;
  - The ISI Application; and
  - Conclusion.
4. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

#### **PROCEDURAL BACKGROUND**

5. On January 5, 2022, the Debtors filed with the Superior Court of Québec, Commercial Division (the "**Court**"), an *Application for the Issuance of a First Day Initial Order and an Amended and Restated Initial Order* (the "**First Application**") and on January 6, 2022, the Court granted the *First-Day Initial Order* (the "**First-Day Initial Order**"). Pursuant to the First-Day Initial Order, among other things, all creditors were stayed from commencing or continuing any proceedings against the Debtors and/or the directors and officers of the Debtors until and including January 14, 2022 (the "**Stay Period**").
6. On January 13, 2022, Firm Capital Mortgage Fund Inc. ("**Firm Capital**") filed a *Contestation to the Applicants' request for an Amended and Restated Initial Order* (the "**Firm Capital Contestation**"). Firm Capital ultimately did not proceed with its Contestation in view of the settlement that preceded the hearing on January 17, 2022. Firm Capital agreed to provide interim financing, which has been used to fund the restructuring process to date and has fully collaborated with the Monitor and the Debtors throughout the CCAA process, including in respect of the SISP.
7. On January 16, 2022, the Debtors filed an *Amended Application for the Issuance of an Amended and Restated Initial Order* (the "**Amended and Restated Initial Order**") and on January 17, 2022, the Court granted the Amended and Restated Initial Order and extended the Stay Period to February 28, 2022.

8. On February 9, 2022, Anish Sachdeva, Manjot Singh, Sukhrajpreet Singh, Sukhmanpreet Singh and Jaspreet Singh filed an *Application for the Issuance of a Student Representation Order* (the “**Representation Application**”). Following certain revisions to the order requested, on February 15, 2022, the Court granted the Student Representation Order (the “**Student Representation Order**”) and McCarthy Tétrault LLP was appointed to act as representative counsel (the “**Students’ Representative Counsel**”).
9. On February 24, 2022, the Debtors filed an *Application for the Issuance of an Order Extending the Stay Period* (the “**First Extension Application**”). On February 28, 2022, the Court granted the First Extension Application and extended the Stay Period to April 29, 2022.
10. On March 10, 2022 the Debtors filed an *Application for (i) the Issuance of an Approval and Vesting Order (ii) the Approval of a Junior Interim Financing Agreement and (iii) a Re-Amended and Restated Initial Order* (the “**Approval and Vesting Application**”). On March 14, 2022, the Court granted the Approval and Vesting Application (the “**Approval and Vesting Order**”).
11. On March 15, 2022, Les Consultants 3 L M Inc. (hereafter “**ISI**”), filed a « *Demande de Bene Esse en Déclaration d’Inapplicabilité de la Suspension des Procédures et, Subsidairement, pour Lever la Suspension des Procédures en faveur des Administrateurs et Dirigeants* » (the “**ISI Application**”).
12. The ISI Application will be heard on April 13, 2022 and is contested by the Debtors, who are requesting that the debate on this question be postponed to a later date, as outlined in the *Application by the Debtors for the Continuance of the ISI Application*, filed on April 8, 2022 (the “**Stay Application Continuance**”).
13. On April 8, 2022, the Student Representative Counsel filed an application entitled *Application for the Issuance of an Order Extending the CAQ and/or Study Permit of Certain Students and Implementing a Streamlined Process for the Reconsideration of Refused Study Permit Applications* (the “**Immigration Application**”).
14. The ISI Application, Stay Application Continuance and Immigration Application are scheduled to be heard by the Court on April 13, 2022.

#### **UPDATE ON THE OPERATIONS OF THE COLLEGES**

15. The main focus of the Company has been to continue providing educational services. In that regard, the Monitor is informed that:
  - since the commencement of these CCAA Proceedings, 505 students have successfully completed their curriculum;
  - there are currently an additional 733 active students currently pursuing their studies at the Colleges;

- the target is to graduate an additional 258 students by the end of August 2022; and
  - 41 teachers have been re-hired in order to support the above-mentioned education efforts.
16. The bulk of the administrative staff working for the Colleges was laid off shortly before the CCAA filing. The administrative tasks in connection with the provisions of the foregoing educational services has therefore been provided by a small team composed of the three Directors and ten employees.

## UPDATE ON IMMIGRATION AND INSURANCE ISSUES

### a) Immigration Issues

17. The Monitor has been informed by the Students' Representative Counsel that many of the Registered Students who recently restarted their studies at the Colleges have study permits and/or *Certificats d'acceptation du Québec* ("CAQs") that will expire prior to the date at which they will have completed their studies.
18. It appears that many of these Students have permits or CAQs that will expire on April 30, 2022, and that the process for renewing these permits is burdensome and costly. Accordingly, measures appear warranted to minimize any further expenses and delays for these students, particularly since the continuation of their education was postponed as a direct result of these CCAA Proceedings.
19. In light of this situation, Students' Representative Counsel has filed the Immigration Application in which the following relief is requested:
- order the *Ministre de l'Immigration, de la Francisation et de l'Intégration* of Québec and the Minister of Immigration, Refugees and Citizenship of Canada renew and/or extend, for a period of four (4) months, the CAQ and/or Study Permit of the Registered Students whose CAQ and/or study permit is set to expire prior to the date on which they are expected to complete their studies; and
  - provide for the implementation of a streamlined process facilitating a reconsideration process by Immigration, Refugees and Citizenship Canada ("IRCC") of the Other Students' (as defined in the Students' Application) whose Study Permit applications (as defined in the Students' Application) have been refused.
20. On April 6, 2022, counsel for the Attorney General of Canada confirmed that the Students' Application would be contested.
21. The Monitor supports the relief sought in the Immigration Application, since it will allow as many Students as possible to pursue their education at the Colleges, thereby furthering one of the principal objectives of the Transaction.

22. One of the main benefits of the Transaction negotiated with the Purchaser is to allow Students an opportunity to receive their education in kind. This benefit will become irrelevant if the immigration status of the Students is such that they cannot remain in Canada, or for those that are abroad, if their visa applications cannot be reconsidered.
23. In allowing Students to avail themselves of the opportunity to receive their education in kind, the implementation of the measures sought in the Immigration Application will benefit the stakeholders as a whole, by reducing the pool of claimants who will share in the limited proceeds available for distribution. Overall, such an outcome clearly furthers the remedial objectives of the CCAA.

#### **b) Insurance Update**

24. Since the filing of the CCAA proceedings, the Company has paid and continues to pay the monthly insurance premiums to the provider of the student health and medical insurance. Student insurance coverage has been renewed by the Monitor, acting for and on behalf of RPI, through to April 30, 2022.
25. As previously mentioned in the Fifth Report, the Purchaser has assured the Monitor, and the Monitor intends to ensure, that the Transaction is implemented in a manner which avoids any gaps in coverage with respect to the insurance coverage required by students.

#### **UPDATE ON THE TRANSACTION AND CLOSING**

26. As detailed in the Fifth Report, the closing of the Transaction is conditional on, *inter alia*, the following conditions precedent:
  - The transfer of the education permits granted by the *Ministère de l'éducation* and the *Ministère de l'enseignement supérieur* (the “**Education Ministries**” or “**MEES**”) to the Purchaser; and
  - The execution of a Transition Services Agreement (“**TSA**”) between the Purchaser and the Debtors, to cover the interim period until the closing of the Transaction as well as transition services required following the closing.
27. The Monitor is informed that since the approval of the Transaction, the initial Purchaser (6815464 Canada Ltd.) has assigned the APA, including all of the Purchaser’s rights and obligations thereunder to 13901823 Canada Inc. (hereunder referred to as the Purchaser for the purposes of this report). These entities are affiliated through their common shareholder, Cestar International Education Group Inc., and the assignment is permitted under Section 9.11 of the APA.
28. The Monitor is further informed that the Purchaser (13901823 Canada Inc.) will be holding the permits to operate the Colleges and the assets associated therewith. In addition, the Purchaser will

benefit from the support of the Cestar corporate group and MEES has been made aware of the assignment.

29. As regards to the transfer of the permits, the Purchaser has advised the Monitor of the following:
- the Purchaser has provided MEES with all relevant information and background relating to the Purchaser; and
  - the Purchaser is in regular communications with MEES to provide any information required by MEES in connection with the approval of the transfer of the permits. The Purchaser expects to receive conditional approval of the transfer of the permits in the coming weeks (conditional only upon the closing of the Transaction).
30. The TSA has now been finalized and signed by the Purchaser and the Debtors, such that this condition to closing has been met.
31. However, on April 9, 2022, the Buyer delivered a notice of breach of the APA to the Sellers as a result of the delivery to the Service List of a fully executed copy of the signed TSA as an unsealed Exhibit R-1 to the materials served by the Sellers on April 8, 2022. According to the Buyer, this is a breach of the confidentiality provisions of the TSA and the appurtenant confidentiality provisions of the APA, which had not been authorized by the Buyer.
32. The Monitor understands from the Sellers that the filing of the unsealed TSA in the Court record was an oversight. Once advised, the Monitor is satisfied that the Sellers immediately sought to ameliorate the situation by filing the TSA under confidential seal.
33. The Buyer has indicated its intention to close the APA as quickly as possible under these circumstances, and has not indicated any intention to act on the alleged confidentiality breach with respect thereto. The Monitor understands that the work undertaken by both Buyer and Sellers continues with the goal of achieving a timely closing of the APA.
34. In this regard, as part of the transition of operations to the Purchaser, representatives of the Debtors including the Directors and Officers are in regular contact with the Purchaser to deal with the transfer of information relating to:
- Intellectual property, including IT access, contracts, domain names, etc.;
  - Educational and academic information related to students, programs and teaching personnel; and
  - Management and operations of the physical premises of the Colleges.

35. The closing of the Transaction is to occur as soon as possible following the MEES approval of the transfer of the permits.
36. As indicated in the Fifth Report, following the closing of the Transaction, a detailed waterfall analysis illustrating the estimated amount available to unsecured creditors will be presented to the Court, as part of a distribution motion or plan of arrangement and compromise (the “**Plan of Arrangement**”). To this end, the Monitor, with the assistance of the Debtors and Students’ Representative Counsel, is in the process of considering the parameters of a claims process that will be submitted to the Court in the coming weeks.

## **THE ISI APPLICATION**

37. The Monitor believes that the ISI Application is premature and supports the conclusions sought in the Stay Application Continuance.
38. The primary focus of these CCAA proceedings has been to find a solution that best addresses the demands of the various stakeholders, principal among them, the Students who are at various stages of their education in the Colleges.
39. The Directors and Officers have played a key role in these CCAA proceedings, including in the sale of the Colleges, as explained in greater detail below.

### **a) Sale Process**

40. An accelerated but fulsome sale process was conducted by the Monitor culminating in the signing of an APA with the Purchaser who will continue the going concern operations of the Colleges, which will benefit most Students (whether they have already commenced their education or are awaiting visas to enable them to come to Canada in order to commence their studies). The APA has been approved by this Court with the issuance of the Approval and Vesting Order.
41. As noted above, while an APA has been signed, there are numerous steps that need to be completed to close the Transaction and ensure the smooth transfer of the Colleges to the Purchaser such that the majority of Students will be taken care of either through a completion of their education or a refund of tuition funds already paid.
42. The Directors and Officers play a critical role in all aspects of the operations of the Colleges including the recommencement of the education of the approximately 733 Registered Students immediately following the issuance of the Approval and Vesting Order and are necessary to ensure the continuation of the classes until such time as the operations are fully transitioned to the Purchaser.

43. In addition, the Directors and Officers are the primary source of information required by the Purchaser both in connection with their application to transfer the permits, to prepare for a smooth transition and closing of the Transaction and to potentially assist in the renewal of the permits by the Purchaser before they expire on June 30, 2022.

**b) Claims Process**

44. As noted in the Stay Application Continuance, it is the intention of the Debtors, working with the Monitor and the Students' Representative Counsel, to submit an application seeking the approval of a claims process, which will be critical to the success of an eventual Plan of Arrangement, and which the Debtors intend to file and submit to creditors for approval.
45. The active participation of the Directors and Officers in the claims process is both necessary and expected, given that they are the only people with such an extensive knowledge of all aspects of the business. The Directors and Officers will be called upon to advise the Monitor in any review of claims that will be filed.

**c) Plan of Arrangement**

46. The Directors and Officers have indicated their intention to make a substantial contribution to a Plan of Arrangement that the Debtors intend to file while seeking releases in their favor. While it is too preliminary to comment further on the nature and quantum of any contribution, the lifting of the stay, or a finding that the stay does not apply, will likely result in a race to seize the assets of the Directors and Officers which would otherwise be utilized to support a Plan of Arrangement to the benefit of all stakeholders.
47. The Monitor is particularly concerned that the granting of the ISI Application will favour one creditor to the detriment of other creditors who may also have unliquidated or contingent claims against the Directors and Officers. In that regard, the Monitor notes that certain loans from secured creditors were personally guaranteed by one or more of the Directors and that claims against Directors and Officers have been asserted in contested arbitration proceedings involving the Debtors and College Universel, which proceedings are currently stayed.

**CONCLUSION**

48. The Monitor supports the conclusions sought in the Immigration Application and in the Stay Application Continuance.
49. As noted above, the relief sought in the Immigration Application will provide as many Students as possible an opportunity to take advantage of the benefits provided for them in the Transaction. This will be beneficial for all stakeholders and will further the remedial objective of these proceedings.



50. As for the Stay Application Continuance, the Directors and Officers play a key role in all aspects of the operations of the Debtors and are critical to the successful closing of the Transaction, as well as the proposal and implementation of a Plan of Arrangement, to which they expect to contribute financially.
51. Granting the conclusions sought in the ISI Application will have a detrimental impact as it will significantly distract the attention of the Directors and Officers from the critical tasks at hand as well as result in a race to seize personal assets, which may be used instead, at least in part, for the funding of a Plan of Arrangement.
52. Prior to April 29, 2022, the Debtors will be filing a motion to extend the CCAA proceedings, which will also include a request to approve a formal claims process, necessary to the eventual proposal and implementation of a Plan of Arrangement.

Respectfully submitted at Montreal, this 11<sup>th</sup> day of April 2022.

**Richter Inc. (formerly Richter Advisory Group Inc.)**

Monitor



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