

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
Court No: 500-11-046282-147
500-11-046281-149
Estate No: 0000206-2014
0000207-2014

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

**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. (1985), c. C-36 WITH
RESPECT TO:**

CASPERDINY IFB REALTY INC., a legal person duly
incorporated under the laws of Canada, having its
principal place of business at 3475 Mountain Street,
Montreal, Quebec, H3G 2A4

-and-

LES APPARTEMENTS CLUB SOMMET INC., a legal
person duly incorporated under the laws of Canada,
having its principal place of business at 3475 Mountain
Street, Montreal, Quebec, H3G 2A4

Petitioners or Debtors

-and-

RICHTER ADVISORY GROUP INC., a duly incorporated
legal person having its principal place of business at
1981 McGill College Avenue, in the city and district of
Montreal, Quebec, H3A 0G6

Monitor

**REPORT OF THE MONITOR ON THE STATE OF PETITIONERS'
FINANCIAL AFFAIRS AND THE PLAN OF ARRANGEMENT
NOVEMBER 7, 2014**

INTRODUCTION

1. On March 3, 2014, the Petitioners filed a Notice of Intention to Make a Proposal and Richter Advisory Group Inc. ("Richter") was named Trustee.

2. On March 12, 2014, the Petitioners filed with the Quebec Superior Court, a Motion for the Issuance of an Initial Order pursuant to Section 11 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "CCAA"). On March 21, 2014, the Honourable Martin Castonguay, J.S.C., issued an initial order (the "Initial Order"), *inter alia* appointing Richter as monitor (the "Monitor").
3. On April 11, 2014, the Petitioners filed with the Quebec Superior Court, a Motion Seeking Extension of the Initial Order. On April 15, 2014, the Honourable Martin Castonguay, J.S.C., granted the Petitioners' motion and extended the Initial Order until May 29, 2014.
4. On May 28, 2014, the Petitioners filed with the Quebec Superior Court, a second Motion Seeking Extension of the Initial Order. On May 29, 2014, the Honourable Martin Castonguay, J.S.C., granted the Petitioners' motion and extended the Initial Order until July 3, 2014.
5. On July 2, 2014, the Petitioners filed with the Quebec Superior Court, a third Motion Seeking Extension of the Initial Order. On July 3, 2014, the Honourable Martin Castonguay, J.S.C., granted the Petitioners' motion and extended the Initial Order until July 18, 2014.
6. On July 17, 2014, the Petitioners filed with the Quebec Superior Court, a fourth Motion Seeking Extension of the Initial Order and seeking leave to transfer and surrender substantially all of the Debtors' assets outside the normal course of business. On July 18, 2014, the Honourable Martin Castonguay, J.S.C., granted the Petitioners' motion, and issued an Approval and Vesting Order extending the Initial Order until August 19, 2014 and approving the transaction between the Debtors and Timbercreek Senior Mortgage Investment Corporation (hereinafter "Timbercreek").
7. On August 18, 2014, the Petitioners filed with the Quebec Superior Court, a fifth Motion Seeking Extension of the Initial Order. On August 19, 2014, the Honourable Martin Castonguay, J.S.C., granted the Petitioners' motion and extended the Initial Order until September 26, 2014.
8. On August 25, 2014, the Monitor filed the Monitor's Certificates, confirming the transfer of the Property (hereinafter defined) to Timbercreek, pursuant to a Transfer and Surrender Agreement approved by this honorable Court (the "Timbercreek Transaction").
9. On September 25, 2014, the Petitioners filed with the Quebec Superior Court, a fifth Motion Seeking Extension of the Initial Order and Orders Establishing a Procedure for the Identification, Filing, Resolution and Barring of Claims against the Debtors and Setting the Procedures with Respect to the Calling and Conduct of a Meeting of the Creditors. On September 26, 2014, the Honourable Martin Castonguay, J.S.C., granted the Petitioners' motion, extending the Initial Order until November 28, 2014 and issuing orders setting out procedures for conducting a claims process and Creditors' meeting (the "Claims and Creditors' Meeting Procedure Order").

10. Following the issuance of the Claims and Creditors' Meeting Procedure Order, the Monitor conducted a claims process in accordance with said order. The deadline for creditors to submit a claim was October 31, 2014 ("Claims Bar Date"). Details of the process and Creditors' claims filed are outlined further in this Report.
11. On November 7, 2014, the Petitioners filed with the Monitor a Plan of Arrangement (the "Plan") pursuant to the CCAA, details of which are outlined further in this Report. On the same day, the Monitor sent all creditors who had submitted a proof of claim prior to the Claims Bar Date a notice of the Meeting of Creditors, accompanied by a copy of the Plan, the proxy and voting form, and a copy of the Claims and Creditors' Meeting Procedure Order. These documents can be obtained from the Monitor's website at: www.richter.ca/en/insolvency-cases/c/casperdiny-ifb-realty-inc .
12. The Plan is being submitted to the creditors for their consideration and approval at a Meeting of Creditors to be held on **November 20, 2014, at 2:30 p.m., at the Monitor's offices, located at 1981 McGill College, 11th Floor, Montreal, Québec, H3A 0G6.**
13. This Report of the Monitor on the State of the Petitioners' Financial Affairs and the Plan of Arrangement (the "Report"), is being presented to provide information on the Debtors and to assist the creditors and the Court in their review and assessment of the Plan. The Report addresses the following:
 - General Corporate Information;
 - Financial Position and Cash Flow Projections;
 - Claims Process;
 - Plan of Arrangement;
 - Activities of the Monitor; and
 - Monitor's Conclusions and Recommendations.
14. The information contained in this report is based on unaudited financial information as well as correspondence and discussions with the Debtors' directors. The Monitor has not conducted an audit or other verification of such information and accordingly, no opinion is expressed regarding the accuracy, reliability or completeness of the information contained herein.
15. All amounts reflected in this report are stated in Canadian currency unless otherwise noted. Capitalized terms used herein and not defined herein shall have the meaning ascribed to them in the Plan.

GENERAL CORPORATE INFORMATION

16. Casperdiny IFB Realty Inc. (hereinafter "Casperdiny") is owned by Casperdiny IFB Capital Inc. (hereinafter "Capital") and ChauvelCo Realty Inc. (hereinafter "Chauvelco"), two Canadian corporations with 86% and 14% ownership stakes, respectively. Capital is in turn wholly-owned by IFB Beteiligungen AG (a German publicly organized company) based in Düsseldorf. Les Appartements Club Sommet Inc. (hereinafter "Sommet") is a wholly-owned subsidiary of Casperdiny.
17. Prior to the Timbercreek Transaction, the Debtors, together, owned and operated a 16-story, 291-unit apartment building located in downtown Montreal, on de La Montagne Street, corner Sherbrooke Street (hereinafter the "Property"). The Property was operating under the name Club Sommet, and was managed by Asta Corporation Inc. (hereinafter "Asta"), a real estate services firm with head offices located at 555 Richmond West, Suite 300, Toronto, M5V 1Y6. The Debtors had no employees.
18. Following the Timbercreek Transaction, the Debtors are no longer carrying out any active business operations. The sole remaining assets of the Debtors consist of litigated claims to which the Debtors are parties to (hereinafter the "Sundry Assets"). The Sundry Assets are more specifically outlined in the Plan.
19. We refer you to the report issued on March 18, 2014, by Richter, in its capacity as Proposed Monitor of the Petitioners and in support of the Petition for the issuance of an Initial Order (which report can be found on the Monitor's website), for details pertaining to the following:
 - General corporate information;
 - Historical events leading to the CCAA filing; and
 - Financial position and operating results pre-CCAA.
20. We refer you to the reports issued by Richter, in its capacity as Monitor, on April 11, May 28, July 17, August 18, and September 25, 2014 (which reports can be found on the Monitor's website), for details pertaining to the following:
 - Financial position and operating results of the Debtors post-CCAA;
 - Solicitation Process for the sale of the Property;
 - Transfer of the Property to Timbercreek, pursuant to a Transfer and Surrender Agreement;
 - Activities of the Debtors and the Monitor throughout the CCAA process.

FINANCIAL POSITION AND CASH FLOW PROJECTIONS

21. As of October 31, 2014, the Debtors' cash balances were Nil, as all remaining funds on hand were transferred to Timbercreek as of August 25, 2014, the closing date of the Timbercreek Transaction (in accordance with the Transfer and Surrender Agreement).
22. The Plan provides that the Debtors will request an extension of the Initial Order until the Implementation Date of the Plan, which is expected to occur prior to December 31, 2015 (the "Additional Period"). The Debtors have prepared cash flow projections in support of the proposed extension of the Initial Order, reflecting no projected cash receipts or disbursements during the Additional Period. A copy of the Debtors' Projections is included as **Exhibit A**. The absence of any cash flow activity is supported by the following facts:
 - A. The Debtors are no longer carrying out any active business operations, have no employees, and are not aware of any outstanding post-filing operating liabilities that were not assumed by Timbercreek.
 - B. It is assumed that the cost of pursuing litigation claims will be borne directly by the parent companies of the Debtors, who are the ultimate beneficiaries of litigation proceeds as secured creditors (after payment of professional fees and the distribution under the Plan).
 - C. The professionals involved in conducting the claims process and Creditors' meeting, drafting the Plan, and preparing the sanction motion and extension request, have agreed to defer payment of their fees until such time as the Debtors realize upon the Sundry Assets.
 - D. The timing and amount of cash receipts relative to the realization of the Sundry Assets are uncertain. As such, the cash inflow from litigation proceeds, and the subsequent payment of professional fees, distributions to unsecured creditors pursuant to the Plan, and remittance of the balance to Capital (as the secured creditor) are not reflected in the cash flow projections.

CLAIMS PROCESS

23. On September 26, 2014, the Court issued the Claims and Creditors' Meeting Procedure Order.
24. In accordance with the terms of the Claims and Creditors' Meeting Procedure Order, the Monitor conducted a claims process as follows:
 - A. The Monitor published on its website a copy of the Creditors' list, the Creditors' instructions and the Claims and Creditors' Meeting Procedure Order on September 29, 2014;

- B. A newspaper notice was published by the Monitor in La Presse on October 4 and 11, 2014;
 - C. The Monitor forwarded, by regular mail, a copy of the Creditors' instructions to each known creditor on October 4, 2014;
 - D. The Claims Bar Date was set for October 31, 2014.
25. Pursuant to the claims process, 19 creditors filed proofs of claim by the Claims Bar Date. The Monitor, together with the Petitioners, reviewed the proofs of claim to value the amounts and terms set-out therein for voting and distribution purposes. The Debtors are contesting certain proofs of claim, and have requested the Monitor to send notices of revision or disallowance of such claims. The following table reflects A) the value of all proofs of claim submitted to the Monitor by 5:00 p.m. on October 31, 2014, and B) the Debtors' position relative to the value of allowable claims:

Claims Received prior to Claims Bar Date						
	<u>Sommet</u>		<u>Casperdiny</u>		<u>Total</u>	
	Nb of Claims	\$	Nb of Claims	\$	Nb of Claims	\$
<u>A) Total Claims Received</u>						
Secured Creditors	0	-	0	-	0	-
Unsecured Creditors	13	566,758	6	200,942	19	767,700
<u>B) Allowable Claims (Debtors' Position)</u>						
Secured Creditors	0	-	0	-	0	-
Unsecured Creditors	7	285,196	6	200,942	13	486,138
<u>C) Contested Claims</u>						
Secured Creditors	0	-	0	-	0	-
Unsecured Creditors	6	281,562	0	-	6	281,562

PLAN OF ARRANGEMENT

Summary of the Plan

26. Please note that the following is only a summary of the terms of the Plan and **creditors are strongly invited to read the Plan for complete details of its terms.**

27. The Plan provides that the Debtors will remit to the Monitor a total of \$100,000 for distribution to Affected Creditors, which amount will be funded as follows:
 - A. Capital, the Debtors' controlling parent company, currently holds a security interest in the Debtors' assets amounting to over \$25,000,000. Notwithstanding that proceeds from the Sundry Assets are expected to be well below the amount of this secured claim, Capital has agreed to renounce to an amount of \$86,000 from the realization proceeds of the Sundry Assets in order to fund the Plan.
 - B. Chauvelco, the Debtors' minority parent company, has already remitted \$14,000 to the Monitor in order to fund the Plan.

28. The obligation of the Debtors and/or Capital, as the case may be, and of Chauvelco to remit the above noted payments to the Monitor is conditional upon the following conditions being fulfilled:
 - A. The acceptance of the Plan by the requisite majority of the Affected Creditors' Proven Claims pursuant to the CCAA.
 - B. The issuance by the CCAA Court of the Final Order.
 - C. Receipt by the Debtors and/or Capital, as the case may be, of the realization proceeds of the Sundry Assets.

29. Affected Creditors shall constitute a single class under the Plan for all purposes. Any Excluded Creditors and Secured Creditors shall not be entitled to vote at the Meeting of Creditors or to receive any distributions in respect of their Excluded Claims or Secured Claims.

30. If the Plan is approved by a majority in number of the Affected Creditors representing 2/3 in value and a majority in number of the Affected Claims present at the Meeting of Creditors and voting either in person or by proxy, and thereafter sanctioned by the Court, the Plan will be binding on the Debtors and all Persons affected by the Plan.

31. At the time notice of the claims process was provided to creditors (in accordance with the Claims and Creditors' Meeting Procedure Order), the proposed Plan of Arrangement did not contemplate the participation of Chauvelco. As such, Chauvelco was not reflected as a released party in either the Claims and Creditors' Meeting Procedure Order, or the notices forwarded to known creditors, posted on the Monitor's website and published in the newspaper. In view of its contribution to funding the Plan (pro-rata to its ownership stake in Casperdiny), Chauvelco has now been included as a Released Party as defined in the Plan. In order to provide sufficient notice of this change, the Monitor forwarded the Plan to all known creditors, including creditors that did not file a claim prior to the Claims Bar Date.

Amounts to be Distributed to Affected Creditors

32. The Plan provides for a \$100,000 distribution to Affected Creditors, to be paid upon receipt by the Debtors of realization proceeds of the Sundry Assets.
33. The following table illustrates the estimated recovery under the Plan which may be realized by the Affected Creditors based on the information available as of the date of this Report:

Estimated Distribution under the Plan		
	Total Claims Filed	Claims per Debtors' Position
Affected Claims	\$ 767,700	\$ 486,138
Distribution	\$ 100,000	\$ 100,000
Estimated Distribution %	13%	21%

34. As shown in the above table, the recovery under the Plan is estimated to be between 13% and 21% of the total proven Affected Claims. It is important to note that the final distribution under the Plan will vary depending on the results of the Claims Process.
35. Given that Capital holds secured debt well in excess of the potential proceeds from the Sundry Assets, it is unlikely that the unsecured creditors will realize any recovery of their debt absent the approval of the Plan.

Preferential Payment and Reviewable Transactions Analysis

36. By the approval of the Plan, all creditors are deemed to have waived their remedies provided by Section 36.1 of the CCAA. These remedies relate to the recovery of certain amounts in the event that there were reviewable transactions, preferential treatments and/or asset disposals by the Debtors.
37. The Monitor has performed a cursory review of the major transactions that occurred during the three month period (with unrelated third parties) and 12-month period (for major transactions with related parties), prior to the issuance of the Initial Order. Pursuant to our cursory review of these transactions, it appears that same have been concluded in the normal course of business according to historical payment patterns and/or terms of payment made available to the Debtors by the creditors. No material reviewable transaction was noted.
38. A more detailed analysis of potential preferential payments and reviewable transactions will be conducted by the Monitor, results of which will be reported during the Meeting of Creditors.

ACTIVITIES OF THE MONITOR

39. The Monitor's activities since the granting of the extension of the Initial Order on September 26, 2014, have included the following:
 - Communicating with the Debtors' directors, as well as representatives of Asta to carry out its duties, including the requirement to monitor the Petitioners' cash flow and operations;
 - Conducting a claims process in accordance with the Claims and Creditors' Meeting Procedure Order;
 - Assisting the Debtors and legal counsel in developing the Plan of Arrangement;
 - Sending all known creditors (whether or not they had submitted a proof of claim prior to the Claims Bar Date) a notice of the Meeting of Creditors, accompanied by a copy of the Plan, the proxy and voting form, and a copy of the Claims and Creditors' Meeting Procedure Order;
 - Holding frequent conference calls with the directors and legal counsel, with a view to keeping all parties apprised of material developments and to discuss a Plan;
 - Responding to queries from the Debtors' unsecured creditors;
 - Reviewing the Debtors' financial affairs and results;
 - Drafting this Report and reviewing material to be filed by the Petitioners herewith; and

- Attending to other administrative and statutory matters relating to the Monitor's administration of this mandate.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

40. The Monitor is of the opinion that if the Plan is not approved by the Court or the creditors, it is unlikely that the unsecured creditors will realize any recovery of their debt in view of the significant prior ranking secured claim of Capital (over \$25,000,000). It is estimated that the Plan will provide recovery to the unsecured creditors of between 13% and 21%. **The Monitor therefore recommends to vote in favour of the Plan.**
41. The creditors may remit their voting and proxy form to the Monitor prior to the Meeting of Creditors or, alternatively, they may attend the Meeting of Creditors to obtain any additional clarification they may deem necessary and vote thereat.
42. The Monitor is supporting the extension of the Initial Order until the Implementation Date of the Plan for the following reasons:
 - A. The Petitioners are seeking an extension in order to provide the additional time to realize on the Sundry Assets and therefore meet the conditions set out for the Plan to become effective.
 - B. The Debtors do not anticipate any cash disbursements during the Additional Period.
 - C. The Petitioners' directors have, and continue to act in good faith, with due diligence and have been cooperating with all stakeholders involved in this process, including but not limited to the Monitor and the Debtors' creditors.
 - D. The extension sought will not materially prejudice any of the creditors.

Respectfully submitted at Montreal, this 7th day of November 2014.

Richter Advisory Group Inc.
Monitor


Benoit Gingues, CPA, CA, CIRP


Eric Barbieri, CPA, CA

EXHIBIT A

Les Appartements Club Sommet Inc. and
Casperdiny IFB Realty Inc.

Combined Cash Flow Projections
for the period November 29, 2014 to December 31, 2015
(excluding receipt and subsequent distribution of proceeds from the Sundry Assets)

	Nov. 29 to Dec. 31 2014 Projected	Jan. 2015 Projected	Feb. 2015 Projected	Mar. 2015 Projected	Apr. 2015 Projected	May 2015 Projected	Jun. 2015 Projected	Jul. 2015 Projected	Aug. 2015 Projected	Sept. 2015 Projected	Oct. 2015 Projected	Nov. 2015 Projected	Dec. 2015 Projected	Nov. 29 2014 - Dec. 31 2015 Total
Cash Inflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening Cash Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

D. Mason-Stefanovic
November 7, 2014