

**NO. VLC-S-S205095
VANCOUVER REGISTRY**

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, c.57, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF
PORT CAPITAL DEVELOPMENT (EV) INC. and EVERGREEN HOUSE DEVELOPMENT
LIMITED PARTNERSHIP

PROPOSED MONITOR'S REPORT

ERNST & YOUNG INC.

May 28, 2020

TABLE OF CONTENTS
TO THE
PROPOSED MONITOR'S REPORT

INTRODUCTION	1
PURPOSE	2
TERMS OF REFERENCE.....	2
QUALIFICATIONS OF EY TO ACT AS MONITOR	3
GENERAL BACKGROUND AND CAUSES OF INSOLVENCY	4
ASSETS AND LIABILITIES OF THE PETITIONERS	8
ENHANCED POWERS OF THE PROPOSED MONITOR.....	9
PROPOSED SISIP	10
OVERVIEW OF THE THIRTEEN WEEK CASH FLOW PROJECTION.....	15
INTERIM FINANCING DURING THE CCAA PROCEEDINGS.....	17
RELEVANT MATTERS ADDRESSED IN THE PROPOSED INITIAL ORDER.....	18
CONCLUSIONS AND RECOMMENDATIONS.....	19

INTRODUCTION

1. Ernst & Young Inc. (“**EY**”) understands that Port Capital Development (EV) Inc. (the “**General Partner**”) and Evergreen House Development Limited Partnership (“**Evergreen LP**”), (each a “**Petitioner**”, and collectively, the “**Petitioners**”) initially filed a Petition (the “**CCAA Application**”) before this Honourable Court returnable on May 21, 2020 seeking an Initial Order (the “**Proposed Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA**”) to obtain a stay of proceedings (a “**Stay**”) to enable the Petitioners an opportunity to restructure their business and affairs. The Petitioners propose that EY be appointed as Monitor of the Petitioners in these CCAA proceedings (in such capacity, the “**Proposed Monitor**”).
2. On May 21, 2020, the Petitioners and their Secured Creditors (defined below) sought an adjournment of the CCAA Application to May 29, 2020 to, if possible, work towards a consensual CCAA which balanced the interests of the Petitioners on and their Secured Creditors.
3. Since May 21, 2020, legal counsel the Petitioners and each of the Secured Creditors as well as the Proposed Monitor have consulted on a path forward for a consensual CCAA; and the Proposed Monitor is of the view that a compromise has been achieved that allows for, *inter alia*, the immediate commencement of a Proposed SISP (defined below) subject to the approval of this Honourable Court. The Proposed SISP is attached as a schedule to the Proposed Initial Order.
4. This report (the “**Report**”) has been prepared by the Proposed Monitor prior to its appointment as Monitor, should this Court grant the Proposed Initial Order, to provide information to this Court for its consideration in respect of the Petitioners’ CCAA Application.

PURPOSE

5. Capitalized terms used but not defined in this Report are defined in the Affidavit of Mr. Macario (Tobi) Reyes (the “**Reyes Affidavit**”) sworn May 18, 2020, the Proposed Initial Order and the Proposed SISP.
6. The purpose of this Report is to provide information to this Honourable Court with respect to:
 - a) EY’s qualifications to act as Monitor;
 - b) an overview of the Petitioners;
 - c) overview of the Petitioners’ thirteen (13) week cash flow forecast on a consolidated basis for all the Petitioners (the “**Cash Flow Forecast**”);
 - d) an overview of the assets and liabilities of the Petitioners;
 - e) the proposed enhanced powers of the Proposed Monitor;
 - f) the proposed sale and investment solicitation process (the “**Proposed SISP**”); and
 - g) certain relevant matters about the relief sought in the Proposed Initial Order.

TERMS OF REFERENCE

7. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, has herein relied upon, unaudited financial information, books, records and financial information prepared by the Petitioners, discussions with management of the Petitioners (“**Management**”), and information from other third party sources (collectively, the “**Information**”). Except as described in this Report in respect of the Cash Flow Forecast:
 - a) the Proposed Monitor 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 such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“GAAS”) pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

8. Future oriented financial information referred to in this Report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not readily and currently ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be material.
9. Unless otherwise indicated, the Proposed Monitor’s understanding of factual matters expressed in this Report concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Proposed Monitor.
10. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.

QUALIFICATIONS OF EY TO ACT AS MONITOR

11. EY is a licensed trustee within the meaning of subsection 2 of the *Bankruptcy and Insolvency Act* (Canada). EY is not subject to any of the restrictions set out in section 11.7(2) of the CCAA on who may be appointed as Monitor.

12. EY has consented to act as Monitor in these proceedings should this Honourable Court grant an Initial Order on the terms sought by the Petitioners. A copy of EY's consent to act as Monitor is attached to the Reyes Affidavit.
13. EY has led in-court initiatives resulting in the successful restructurings (or sale) of numerous real estate development projects in British Columbia including the **Vancouver Olympic Village**, the **Jameson House** (Vancouver), **Blackburn Developments and the Falls Golf Club and Resort** (Chilliwack), **Channel Ridge** (Salt Spring Island), the **Resort at Copper Point** (Invermere, BC), **Fairmont Resorts** (Fairmont, BC), **Wyndansea** (Ucluelet, BC), **Squamish at Ocean Point** (Squamish, BC), **Copper Sky** (Kelowna, BC), **SOPA Square** (Kelowna, BC), **Aquattro** (Colwood) and the **Oak Bay Beach Hotel** (Victoria, BC).
14. Upon its appointment, if so granted by this Honourable Court, the Proposed Monitor intends to retain Blake, Cassels & Graydon LLP ("**Blakes**") to act as its independent counsel in these CCAA proceedings.

GENERAL BACKGROUND AND CAUSES OF INSOLVENCY

The Port Capital Group

15. The Petitioners are subsidiaries of the "**Port Capital Group**", which is in the business of real estate development and management primarily in British Columbia, but also Toronto, Ontario. A more fulsome description of the Port Capital Group is provided in the Reyes Affidavit and is not replicated herein.
16. The Port Capital Group is divided into two divisions:
 - a) an investment division organized under a subsidiary named Port Living Properties Inc.; and

b) a development division under another subsidiary named Port Capital Development Inc. ("**Development Inc.**").

17. Development Inc. indirectly owns various projects under active development and properties that are being held for future development.
18. Under Development Inc., each development project is typically carried out through a project specific limited partnership ("**LP**"). The initial equity funding is typically provided by the limited partners (who are mostly at arm's length to the Port Capital Group), and subsequent equity funding is typically provided by Development Inc., on an as-needed basis, to meet development milestones or bridge project specific financial constraints. As a result, a significant portion of Port Capital Group's debt is comprised of inter-company debt.
19. In addition to the LP, each project has a general partner and a bare trustee, both of which corporations are owned within the Port Capital Group.
20. Evergreen LP and its General Partner own the "**Terrace House Project**". Evergreen LP is owned by a number of investors who subscribed for limited partnership units. They are at arm's length to the Port Capital Group.

The Terrace House Project

21. The Terrace House Project is a high-rise luxury residential strata development located at 1250 West Hastings St. (Coal Harbour area), Vancouver, BC. It is a 19-storey mixed-use development, providing a total of 20 residential units and 2 commercial retail units ("**CRU**"), above a 3-level underground parkade. The Terrace House Property is unique in that its primary structural material is timber.
22. The Proposed Monitor understands that pre-sales of the Terrace House Project began in approximately September 2017. Management has advised the Proposed Monitor that as of

today, only 3 residential units remain available for sale. Pre-sale agreements are in place for 17 residential units and both CRUs.

23. Abatement and demolition of a pre-existing structure at the current site of the Terrace House Project occurred in 2017, excavation and shoring occurred in 2018, and construction of the Terrace House Project commenced, with the underground parkade, in late 2018.
24. The Petitioners retained Urban One Buildings CM Inc. as the “**General Contractor**” for the Terrace House Project.
25. CMLS Financial Ltd. (“**CMLS**”) is the Terrace House Project’s construction lender (the “**Construction Lender**”) pursuant to a commitment letter dated July 4, 2019 (the “**Construction Loan**”). The Construction Loan is secured by, among other things, a first ranking mortgage against the Terrace House Project. The current indebtedness on the Construction Loan is approximately \$20.1 million (the “**Construction Loan Indebtedness**”).
26. Aviva Insurance Company of Canada (“**Aviva**”) provided a “**Deposit Protection Insurance Facility**” to permit the Petitioners to have access to the pre-sale purchasers’ deposits monies for the payment of project costs. The Deposit Protection Insurance Facility is secured by, amongst other things, a second ranking mortgage against the Terrace House Project. Management estimates that approximately \$14.7 million is currently owing pursuant to Aviva’s insurance deposit facility. CMLS and Aviva collectively are defined herein as the “**Secured Creditors**”).
27. The Proposed Monitor has obtained and reviewed a copy of a November 2019 report of the project’s “**Quantity Surveyor**” and notes the following works have been carried out on site:

Item	Comments
General / Site Works	Site offices, hoarding, and fencing in place; Excavation and shoring generally complete. Site Closed.

Structure	Suspended slab and columns generally complete to parkade levels; Forming and reinforcing in progress to Level 1.
Envelope	Parkade waterproofing installed.
Interior	Not Started.
Services	Underground services installed; In-slab services progressing.

28. For clarity, the three (3) level parkade and structure for the first level of the building are substantially complete and the underground services (i.e. electrical and mechanical) have been installed.

Causes of Insolvency

29. The Reyes Affidavit describes that the Petitioners are undercapitalized in terms of equity and as a result, are unable to meet their obligation to fund any cost overruns on the Terrace House Project. The Construction Lender has determined that there are cost overruns that Evergreen LP is responsible to fund, for which funds are not currently available. In addition, the Port Capital Group has been unable to advance funds such that the Petitioners have not been able to pay interest due to their Construction Lender.

30. The Reyes Affidavit further describes that the financial difficulties of the Petitioners, and the Port Capital Group generally, are attributable to a number of factors, which were compounded by the widespread business closures as a result of the COVID-19 global pandemic. The uncertain financial impact of the current COVID-19 pandemic has resulted in potential investors withdrawing their interest in investing in the Port Capital Group's ongoing projects and has made it more difficult for the Port Capital Group to attract new investors.

31. As a result of all these circumstances, the Proposed Monitor is advised that the Petitioners' Construction Lender has stopped advancing under the construction lending facility.

32. On May 12, 2020, CMLS, as Construction Lender, made demand and issued a Notice of Intention to Enforce Security in respect of the Construction Loan Indebtedness. The Petitioners do not have sufficient funds with which to repay the Construction Loan Indebtedness.
33. The Reyes Affidavit describes that the Petitioners have been in negotiations with: (i) their secured lenders regarding potential forbearance agreements; and (ii) with potential investors regarding an equity investment in the overall Port Capital Group, including the Terrace House Property. So far none of these discussions has resulted in an agreement capable of execution that would be beneficial to the stakeholders generally, but the discussions are ongoing.

ASSETS AND LIABILITIES OF THE PETITIONERS

Assets

34. The primary asset of the Petitioners is the Terrace House Project. As is noted in the Reyes Affidavit, the Petitioners last obtained an appraisal of the Terrace House Project as at March 24, 2018 (the “**Appraisal**”). The Appraisal estimated the market value of the Terrace House Project as approximately \$43.5 million. The Proposed Monitor has reviewed the Appraisal and notes that the estimate is for the “**Land Value**” only.
35. The Proposed Monitor also obtained and reviewed a copy of the most recent “**Progress Claim**” prepared by the General Contractor in December 2019. The Progress Claim outlines project costs (i.e. improvements) incurred to December 2019 of \$12.9 million. The total construction budget of the Terrace House Project is approximately \$52 million. As such, management estimates that construction of the Terrace House Project is approximately 20% complete.

Liabilities

36. The Reyes Affidavit describes the liabilities of the Petitioners as summarized below:

Secured Indebtedness	
CMLS - Construction Loan	20,100,000
Aviva - Deposit Protection Insurance Facility	<u>14,700,000</u>
	34,800,000
 Unsecured Indebtedness	
Unsecured creditors	8,000,000
Inter-company payables	<u>3,900,000</u>
	11,900,000
 Total Estimated Indebtedness	 <u>46,700,000</u>

37. The secured indebtedness of the Petitioners of approximately \$34.8 million consists of the Construction Loan and the Deposit Protection Insurance Facility as described above.
38. The unsecured indebtedness of the Petitioners primarily consists of amounts owing on account of trade debt, property taxes and unpaid professional firm and consultants fees. The purpose of the inter-company indebtedness is described above.
39. Based on what appeared in the general ledgers of the Port Capital Group as at February 29, 2020, the intercompany indebtedness owed by Evergreen LP to Development Inc. is approximately \$3.9 million. The Port Capital Group's ledgers have not been audited or reconciled, and there may be additional inter-company transactions and amounts owed by Developments Inc., or to Developments Inc., by Evergreen LP.

ENHANCED POWERS OF THE PROPOSED MONITOR

40. The Petitioners are seeking provisions in the Proposed Initial Order that grants EY with “**Enhanced Powers**” to execute control over the Petitioners and to explore restructuring opportunities. If the relief sought by the Petitioners is granted by this Honourable Court, the

Monitor intends to begin consultations with the Construction Lender and to undertake actions to preserve and stabilize the Terrace House Project. Such actions may include:

- a) the retention of a management team to develop a plan to resume construction on the Terrace House Project, if possible, with the support of its secured creditors; and
- b) the administration of a the Proposed SISP, as described below, to obtain an equity investment, a refinancing or alternatively a sale of the Terrace House Project that deals with the impact of intercorporate debt and intercorporate guarantees (as described in the Reyes Affidavit).

PROPOSED SISP

Summary

41. As is noted above, attached as a schedule to the Proposal Initial Order is r the Proposed SISP to obtain an equity investment, a refinancing or alternatively a sale of the Terrace House Project. The Proposed SISP contemplates a **'dual track'** process where the Proposed Monitor would concurrently solicit non-binding letters of interest ("**LOIs**") for the following:
- a) **Track I:** a refinancing of the Terrace House Project by securing:
 - i. new financing;
 - ii. additional equity investment; or
 - iii. some combination of both new financing and equity investment; and
 - b) **Track II:** a sale of the Terrace House Project.
42. The Proposed SISP allows the Monitor to retain a commercial real estate agent (an "**Agent**") to market the Terrace House Project provided that the terms of retention (including

remuneration) are approved in advance by the Secured Lenders; alternatively, the Proposed Monitor will market the Terrace House Project and invoice the Petitioners based on its standard hourly rates.

43. Before June 12, 2020 (the “**Marketing Commencement Date**”), the Proposed Monitor (with or without the assistance of an Agent) will prepare the following documents in preparation for the Proposed SISP:

- a) a teaser sale document (the “**Teaser**”) which provides a brief outline of the opportunity to acquire the Property, a copy of which is attached hereto as Appendix “A”;
- b) a confidential information memorandum (the “**CIM**”) that summarizes the acquisition opportunity, provides detailed financial and operational information, and provides an overview of the Proposed SISP;
- c) a form of non-disclosure agreement (“**NDA**”); and
- d) a standardized form of LOI to promote comparability of the offers, to be prepared in consultation with the Petitioners and the Secured Creditors.

44. The Proposed Monitor has also started to populate an electronic data room (the “Data Room”), with key financial, operational and other information, for potential purchasers to evaluate the acquisition opportunity following the signing of an NDA. The Proposed Monitor will complete the population of the Data Room by the Marketing Commencement Date.

Phase I - Solicitation and Submission of Non-Binding LOIs

45. Should this Honourable Court approve the Proposed SISP, the first step in the sale process would consist of:

- a) distributing the Teaser to a list of potential purchasers;

- b) upon receipt of an executed NDA, providing interested parties (“**Bidders**”) with access to the Data Room and a copy of the CIM;
 - c) placing advertisements in the real estate section of the Globe and Mail (national edition); and
 - d) contacting potential purchasers either by telephone or email soliciting their interest.
46. Phase I will conclude with the Bidders being requested to submit a non-binding LOI. The Proposed Monitor will review and analyze the LOI’s and select one or more of the Bidders to participate in a second round offering process.
47. All LOIs will be evaluated based upon, but not limited to, the structure proposed by the prospective purchaser, transaction value, the prospective purchaser’s ability to complete the transaction, and the timeliness and proposed conditions of closing, if any.
48. The Proposed Monitor will qualify, in consultation with the Petitioners and the Secured Creditors, the LOIs judged to be most attractive, based on the above defined criteria, to the Proposed Monitor for Phase II of the Proposed SISP (the “**Qualified Bidders**”).
49. The Proposed Monitor will not be obliged to accept any offer and reserves the right to reject any or all offers received should they not ascribe sufficient value to the Terrace House Project.
- If at the end of Phase I:
- a) a refinancing proposal that is satisfactory to the Secured Creditors is received, the Proposed SISP shall be discontinued and the Parties shall undertake next steps to implement same by way of filing a Plan of Arrangement or otherwise; or
 - b) a refinancing proposal that is satisfactory to the Secured Creditors is not received, the Proposed SISP will not be terminated and the Proposed Monitor will continue with Phase II.

Phase II – Negotiation of Definitive Agreement(s) and Auction

50. Qualified Bidders will be invited to:
- a) undertake final due diligence procedures; and
 - b) negotiate the terms of a definitive agreement with the Proposed Monitor on behalf of the Petitioners (“**Qualified Bids**”).
51. The Monitor, in consultation with the Secured Creditors will review and assess all Qualified Bids received by the Phase 2 Bid deadline and will either a) negotiate a definitive agreement with the party that submitted the highest or otherwise best Qualified Bid, or b) terminate the Proposed SISP.
52. The Monitor in consultation with the Secured Creditors will review and assess all Qualified Bids received by the Phase 2 Bid Deadline and determine if the Proposed SISP should progress to an “**Auction**”.
53. If an Auction is deemed appropriate, a letter outlining the details of the auction will be sent to all Auction Qualified Bidders. If an Auction occurs, the highest or otherwise best bid will be selected as the “**Starting Bid**”.
54. If an Auction is not deemed to be appropriate, the Proposed Monitor (in consultation with the Secured Creditors) will either, a) negotiate a definitive agreement with the party that submitted the highest or otherwise best Qualified Bid, or b) terminate the Proposed SISP.
55. All agreements resulting from the Proposed SISP will be subject to approval from this Honourable Court.

The Marketing Period

56. A summary of the proposed timeframe to market the Property (the “**Marketing Period**”) as described above is provided in the table below:

Milestone	Time required	Deadline
Court Approval of the Initial Order and the Proposed SISP		May 29
Phase I		
Commencement of marketing activities <ul style="list-style-type: none"> • Direct contact with buyer list • Newspaper and print advertisements • Media strategy and press release • Execution of Confidentiality Agreements to access the data room 	2 weeks	No later than June 12
Preliminary due diligence of prospective purchasers that sign the NDAs including site visits	4 weeks	June 12 - July 10
Deadline for submission of non-binding LOI	6 weeks from Court Approval	July 10
Review submissions with secured lenders and notify Qualified Bidders for Phase II	1 week	July 17
Phase II		
Additional due diligence of Qualified Bidders	3 weeks	July 17 – August 7
Deadline for submission of Bindings Bids	3 weeks	August 7
Negotiation of definitive agreement with successful bidder / Auction (as determined appropriate by the Monitor)	2 weeks	August 21
Court approval of a definitive agreement	1 week	August 21
Closing of transaction		August 30

57. Proposed Monitor is of the view that that there is a captive market for an investment opportunity involving the Terrace House Project and that the Marketing Period is sufficient for full distribution and exposure to the marketplace.

58. Notwithstanding the foregoing, the Proposed Monitor reserves the right to extend any of the foregoing deadlines should, after consultation with the Secured Lenders, the complexity of transaction negotiations or any other factor warrant the Proposed Monitor to do so in order to maximize value to the Petitioners' stakeholders. For greater clarity, the deadlines described above are indicative of minimum time periods only.

OVERVIEW OF THE THIRTEEN WEEK CASH FLOW PROJECTION

59. The Petitioners, with the assistance of the Proposed Monitor, have prepared a Cash Flow Forecast for the thirteen (13) week period from June 1, 2020 to August 28, 2020 (the "**Cash Flow Period**") for the purpose of projecting the Petitioners' estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Forecast is attached to the Reyes Affidavit and is summarized below.

	First 10 days	First 30 days	13 Week Total
Beginning Cash	-	-	-
Receipts	-	-	-
Disbursements	(\$45,000)	(\$251,000)	(\$1,008,000)
Payroll, payroll taxes and benefits	-	(35,000)	(105,000)
Insurance	-	(6,000)	(18,000)
Project / development costs	-	(30,000)	(300,000)
General admin & miscellaneous	(5,000)	(20,000)	(65,000)
Site preservation & contingency	(10,000)	(40,000)	(130,000)
Property tax	-	-	-
Restructuring costs	(15,000)	(60,000)	(195,000)
Development management / CRO	(15,000)	(60,000)	(195,000)
DIP interest payments	-	-	-
Ending Cash Balance	(\$45,000)	(\$251,000)	(\$1,008,000)
DIP Financing Draw	\$50,000	\$250,000	\$1,015,000
Ending Cash after DIP Financing	\$5,000	(\$1,000)	\$7,000

60. The Cash Flow Forecast is prepared with the underlying assumption (amongst others) that the Proposed Initial Order will be granted, and that all payments to creditors will be stayed and dealt with as part of the CCAA proceedings. The Cash Flow Forecast does not include

any line items for cash receipts or amounts in relation to potential amounts realized from the sale of any assets, or injections of new equity into the Petitioners.

61. The Petitioners' Cash Flow Forecast shows that during the Cash Flow Period, the Petitioners project no receipts and estimate combined disbursements of approximately \$1.0 million. The Cash Flow Forecast projects that the Petitioners will have sufficient liquidity during the first thirteen weeks of these CCAA proceedings, subject to the provision of interim financing to be provided through a debtor-in-possession ("**DIP**") creditor facility.
62. The Cash Flow Forecast assumes that no payments will be made on account of project construction or development costs within the first twenty-one (21) days pending a comprehensive review of the status of the Terrace House Project by the Proposed Monitor and consultation with key stakeholders.
63. The Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to Information supplied to it by certain key members of Management. Since the probable and hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to these assumptions were limited to evaluating whether they were consistent with the purpose and context of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by Management for the probable and hypothetical assumptions, and the preparation and presentation of the Cash Flow Forecast.
64. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe that, in all material respects:
 - a) the probable and hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - b) as the date of this Report, the probable and hypothetical assumptions developed by Management are not suitably supported and consistent with the restructuring

plans of the Petitioners or do not provide a reasonable basis for the Cash Flow Forecast; or

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

65. The Petitioners are seeking a stay of proceedings for a period of ten (10) days until June 8, 2020 (the “**Initial Stay Period**”). The Proposed Monitor is cognizant of the current liquidity projections in the Cash Flow Forecast and intends to monitor the Petitioners' liquidity throughout the Initial Stay Period and provide the Court with an update, in the event that it becomes apparent that the Petitioners will not have sufficient liquidity to fund their operations throughout the entirety of the Initial Stay Period.
66. As described in the Terms of Reference above, 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 variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved.
67. The Cash Flow Forecast has been prepared solely for the purposes described above, and readers are cautioned that it may not be appropriate for other purposes.

INTERIM FINANCING DURING THE CCAA PROCEEDINGS

68. The Cash Flow Forecast contemplates that the Petitioners require interim financing in order to facilitate the Petitioners' restructuring plan.
69. The Proposed Monitor has assisted the Petitioners to identify a lender to provide DIP financing to the Petitioners. In particular, the Proposed Monitor had approached four parties on behalf of the Petitioners to determine interest in providing DIP financing to the Petitioners. The

Proposed Monitor notes that the Petitioners are currently negotiating the terms of a DIP Facility with one or more parties and the Proposed Monitor anticipates that the terms of a DIP Facility will be finalized and presented to this Honourable Court shortly.

70. It should be noted that the Petitioners will be the sole beneficiaries of the DIP facility, for purpose of advancing these CCAA proceedings, if so granted by this Honourable Court, and funds will not be made available, on an inter-company basis or otherwise, to the Port Capital Group.
71. Based on the discussions to date, the Proposed Monitor is of the view that current negotiations for a DIP Facility are close to final, but the terms are not yet confirmed. The Petitioners anticipate seeking approval of the DIP Facility with the consent of the Secured Creditors at the come-back hearing; and that during this time, assuming all payments are stayed by the Initial Order, the Petitioners can continue for the 10-day period of the Initial Stay.

RELEVANT MATTERS ADDRESSED IN THE PROPOSED INITIAL ORDER

72. The Proposed Initial Order provides for a priority charge up to a maximum amount of \$250,000 (the “**Administration Charge**”) in favour of the Petitioners’ counsel, the Proposed Monitor and its counsel, as security for the professional fees and disbursements incurred prior to and after the commencement of the CCAA proceedings. Professional fee obligations secured by the Administration Charge will be paid in the ordinary course from funding provided by, among other things, a DIP Facility should one be approved in the future.
73. The Proposed Monitor is of the view that, given the current liquidity constraints of the Petitioners and the reasons set out in the Reyes Affidavit, the proposed Administration Charge is required and reasonable in the circumstances. The Proposed Monitor believes that the

quantum of the Administration Charge is reasonable in the circumstances based upon a review and assessment of the anticipated professional costs to be incurred during this matter.

Creditor Notification

74. The Proposed Initial Order contemplates that the Proposed Monitor shall (i) without delay, publish in the Vancouver Sun a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Petitioners of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.
75. The Proposed Monitor has arranged for a website at www.ey.com/ca/terracehouse (the “**Monitor’s Website**”). All court documents and certain other documents will be posted on the Monitor’s Website.

CONCLUSIONS AND RECOMMENDATIONS

76. The Proposed Monitor has reviewed the Petitioners’ filing materials and has consented to act as the Monitor should this Honourable Court grant the Proposed Initial Order. The Proposed Monitor further notes that the Petitioners have consulted with their Secured Creditors and seek the approval of the Proposed Initial Order on their consent.

All of which is respectfully submitted this 28th day of May, 2020.

ERNST & YOUNG INC.

in its capacity as Proposed Monitor
of Port Capital Development (EV) Inc. and
Evergreen House Development Limited Partnership
and not in its personal or corporate capacity

Per:

A handwritten signature in black ink, appearing to read 'Michael Bell', with a stylized flourish at the end.

Michael Bell, CPA, CA, CIRP LIT
Senior Vice President