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 PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT OF LAURENTIAN UNIVERSITY OF SUDBURY

REPORT OF THE PROPOSED MONITOR
January 30, 2021

INTRODUCTION

1. Ernst & Young Inc. ("**EY**" or the "**Proposed Monitor**") understands that Laurentian University of Sudbury ("**LU**" or the "**Applicant**") has brought an application before the Court seeking an initial order (the "**Proposed Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") in order to, among other things, obtain a stay of proceedings to allow the Applicant an opportunity to financially and operationally restructure itself. The Applicant proposes that EY be appointed as Monitor in the CCAA proceedings.

2. This report (the "**Report**") has been prepared by the Proposed Monitor prior to and in contemplation of its appointment as Monitor in the CCAA proceedings to provide information to the Court for its consideration at the Applicant's initial CCAA hearing.

PURPOSE

3. The purpose of this report is to provide information to the Court on:

   i. EY's qualifications to act as Monitor;

   ii. an overview of the Applicant;

   iii. a summary of the Applicant's financial position;

iv. the circumstances leading to the Applicant's decision to commence CCAA proceedings;

v. a summary of the Applicant's historical and current cash management practices;

vi. information on the Applicant's current cash and liquidity position;

vii. an overview of the Applicant's thirteen-week cash flow forecast (the "**Cash Flow Forecast**") and the Proposed Monitor's comments regarding the reasonableness thereof;

viii. information on a proposed debtor-in-possession interim financing arrangement;

ix. certain relevant matters about the relief sought in the Proposed Initial Order;

x. the Proposed Monitor's comments with respect to the appointment of a mediator; and

xi. the Proposed Monitor's conclusions.

TERMS OF REFERENCE AND DISCLAIMER

4. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Applicant and discussions with senior management of the Applicant ("**Management**") (collectively, the "**Information**"). Except as described in this Report in respect of the Applicant's Cash Flow Forecast:

   i. 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 the 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

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

5. 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 ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

6. Unless otherwise indicated, the Proposed Monitor's understanding of factual matters expressed in this Report concerning the Applicant and its business is based on the Information, and not independent factual determinations made by the Proposed Monitor.

7. This report does not take into account all future impacts of COVID-19 (SARSCoV-2) ("**COVID-19**" or the "**Pandemic**") on the forecasts or projections or other actions taken by the Applicant as a result of the Pandemic. Any references made to the impact of the Pandemic on the Applicant in this Report are based on preliminary enquiries and are not to be interpreted as a complete commentary or as an accurate assessment of the full impact of the Pandemic. The full impact of the Pandemic is not capable of being qualitatively or quantitatively assessed at this time.

8. The Proposed Monitor also brings this Court's attention to paragraph 5 of the Affidavit of Dr. Robert Haché (the "**Haché Affidavit**") sworn January 30, 2020 (the "**Initial Order Affidavit**") in which Dr. Haché states "*In preparing this affidavit, I have relied upon the financial information in this affidavit has been provided to me by the VP Administration who is accountable for, and has responsibility over, LU's Finance department. This is the best information available to me through the VP Administration, the Finance department and the books and records of LU as of the date of swearing. LU has experienced a number of challenges with the limited team and resources in the Finance department, and such difficulties are made even more pronounced with the additional demands placed on their time in connection with the preparation for this CCAA proceeding*". As a result, the Proposed Monitor notes that the Information relied upon for purposes of this Report may be limited by these challenges.

9. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian dollars.

EY's QUALIFICATIONS TO ACT AS MONITOR

10. EY is a licensed insolvency trustee within the meaning of section 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.

11. As discussed in further detail later in this Report, EY has developed an understanding of the Applicant's operations and cash flow based on preparatory work in respect of the CCAA proceeding and will be able to very quickly and seamlessly perform its responsibilities as Monitor, if appointed.

12. Due to the Pandemic, EY anticipates that the performance of its responsibilities as Monitor will be performed virtually. While this creates some limitations, EY has the organizational and technological infrastructure in place to do so and on balance, does not anticipate any material differences in its ability to perform its role as Monitor.

13. The Proposed Monitor has retained Stikeman Elliott LLP to act as its independent counsel.

OVERVIEW OF THE APPLICANT

Background

14. This Report should be read in conjunction with the Haché Affidavit for additional background and financial information with respect to the Applicant.

15. On March 28, 1960, LU was incorporated under An Act to Incorporate Laurentian University of Sudbury, S.O. 1960, c. 151 C. 154 (the "**Laurentian Act**"). A copy of the Laurentian Act is attached as Exhibit A to the Haché Affidavit.

16. LU is a publicly funded, bilingual and tricultural post-secondary institution. Its operations are located in the City of Greater Sudbury, Ontario and it has consistently been one of the largest employers in Sudbury.

17. The objectives and purposes of LU are described in the Laurentian Act as:

    i. the advancement of learning and the dissemination of knowledge; and

    ii. the intellectual, social, moral and physical development of its members and the betterment of society.

18. LU is a non-share capital corporation and a registered charity pursuant to the *Income Tax Act*, R.S.C. 1985, c.1 (the "**Income Tax Act**"). Pursuant to Section 149 of the Income Tax Act, LU is exempt from the payment of income tax because of its status as a registered charity. As a registered charity, LU also receives donations and issues tax receipts to donors.

Governance Structure

19. As described in the Haché Affidavit, the governance structure of LU is bi-cameral. It has a Board of Governors (the "**Board**") and a Senate (the "**Senate**"), both of which derive their

powers from the Laurentian Act. The Board, and the President and Vice-Chancellor generally have powers over the operational and financial management of LU, whereas the Senate is responsible for decisions in respect of educational policy at LU.

20. Section 18(1) of the Laurentian Act provides that all powers over, in respect of or in relation to the governance, financial management and control of LU and its officers, servants and agents, its property, revenues, expenditures, business and affairs are vested in the Board. However, there is a carve out in section 18(1) for matters that are specifically assigned by the Laurentian Act to the President, the Senate or federated universities or colleges.

21. Section 21 of the Laurentian Act provides that the Senate is responsible for the educational policy of LU, subject to approval of the Board with respect to the expenditure of funds and the establishment of facilities.

22. Section 28(2) of the Laurentian Act provides that the President of LU is the chief executive officer and chairman of the Senate and has supervision over the direction of academic work and the general administration of LU.

23. The Board is currently comprised of 21 voting members and 9 non-voting members. Four voting member positions are vacant. With the exception of the President and two student association representatives, the voting members are all independent of LU. The non-voting members are comprised of Senate and employee bargaining unit representatives.

24. The Senate is comprised of 77 voting members and 6 non-voting members. The voting members are comprised of i) twenty-seven ex officio members, ii) eleven elected student members, and iii) thirty-nine elected faculty members. Two elected student voting member positions are vacant. Non-voting members are comprised of i) the Speaker of Senate, ii) the Registrar, who shall be Secretary of Senate, iii) the Director of Research, Development and Creativity, iv) the President of the Université de Hearst, v) the Executive Director, Goodman School of Mines, and vi) the deputy Speaker of Senate.

25. The Laurentian Act confers various powers on LU, including, among other things, the power to: (i) establish courses (Senate); (ii) confer degrees (Senate); (iii) enter into federation agreements with other colleges (Board); (iv) purchase, mortgage, lease and convey property (Board); (v) borrow money (Board); and (vi) commence proceedings in its own name (Board).

Operations

26. LU is one of the primary post-secondary organizations serving the large geographic region of Northern Ontario. At one time, LU operated a satellite campus in Barrie, Ontario which has been closed since 2019. LU is one of twenty public universities in Ontario.

27. LU’s operations include its academic teaching operations, academic research and the provision of certain ancillary services.

28. LU’s academic operations primarily focus on undergraduate programming, with approximately 8,200 domestic and international undergraduate students (or approximately 6,250 full time equivalents) enrolled in the 2020-2021 fall semester. LU also has a strong graduate program, with approximately 1,100 domestic and international graduate students (or approximately 830 full time equivalents) enrolled during the 2020-2021 fall semester.

29. LU has a bilingual and tri-cultural mandate offering programs and courses in both English and French with a comprehensive approach to Indigenous education for students with interest in that subject area.

30. LU’s ancillary operations include i) student residences, ii) food services, iii) parking, iv) a printing centre, v) conferences and events, vi) the Laurentian English Language Institute, and vii) the Centre for Academic Development.

31. LU’s research operations are a critical component of LU’s operations. LU considers itself a comprehensive university, meaning it places significant emphasis on both its teaching and research operations. Faculty members are expected to spend 40% of their time on scholarly activity which includes research.

32. LU has material relationships with a number of affiliated entities, none of which are proposed to be applicants in the CCAA proceedings. These entities include:

    i. the Northern Ontario School of Medicine (“**NOSM**”);

    ii. certain independent federated universities operating under the overall LU umbrella including the University of Sudbury (“**SU**”), the University of Thorneloe (“**Thorneloe**”) and Huntington University (“**Huntington**”) (collectively, the “**Federated Universities**”);

    iii. the Sudbury Neutrino Observatory Laboratory (**SNOLab**”);

    iv. the Mining Innovation Rehabilitation and Applied Research Corporation (“**MIRARCO**”);

    v. the Centre for Excellence in Mining Innovation (“**CEMI**”); and

    vi. the Students General Association (“**SGA**”), Graduate Students Association (“**GSA**”), the Association des étudiantes et étudiants francophones (“**AEF**”) and iv) the Indigenous Students Circle (“**ISC**”) (collectively, the “**Students’ Associations**”)

33. Further information with respect to each of these entities is set out below.

Northern Ontario School of Medicine

34. NOSM is a not-for-profit corporation established under the *Corporations Act* (Ontario). LU and Lakehead University ("**Lakehead**") are the two members of NOSM.

35. Through an agreement between LU and Lakehead, located in Thunder Bay, Ontario, NOSM opened in 2005. NOSM is an independent not-for-profit corporation which serves as the faculty of medicine for both LU and Lakehead. A copy of the Corporation Profile Report for NOSM is attached to the Haché Affidavit as Exhibit C.

36. While NOSM operates legally, financially and operationally independent of LU, representatives of both LU and Lakehead University serve on the Board of Directors. Currently, LU's President, Dr. Haché serves as the Chair. With respect to NOSM's educational policy, academic decisions are required to pass at both LU's and Lakehead University's senates as ultimately NOSM students receive degrees conferred by one of LU or Lakehead.

37. NOSM has campuses located in Sudbury and Thunder Bay. LU owns the two buildings that NOSM occupies on the Sudbury campus and leases the buildings to NOSM.

38. Both LU and Lakehead provide facilities and support services, student registration and student fee collection, bursary (scholarship) receipt and disbursement, and other educational, research and operational services. As part of the operational services, students have access to most LU or Lakehead campus services. LU and Lakehead provide research support including the administration of NOSM research grants and awards. NOSM is invoiced monthly for the use of these services. NOSM student receipts and registration fees for certain of NOSM's students are deposited into LU's general operating accounts. These amounts are remitted to NOSM at certain points in the year, net of fees charged to NOSM for support services.

39. In addition, LU holds approximately $14 million in endowments designated to fund future scholarships for qualifying NOSM students. These endowments are described in greater detail in the Summary of Financial Position section of this Report.

Federated Universities

40. As described in the Haché Affidavit, LU has a federated school structure whereby it has formal affiliations with the Federated Universities: SU, Huntington and Thorneloe.

41. SU is a Roman Catholic bilingual university offering programs in Culture and Communication Studies, Indigenous Studies, Philosophy and Religious Studies including

courses in both English and French. It was founded in 1913 as Collège du Sacré-Coeur before changing its name to the University of Sudbury in 1957.

42. Huntington is an independent university founded in 1960 with its own charter, and offers programs in Communication Studies, Gerontology, Religious Studies and Theology.

43. Thorneloe is a university with historic roots and affiliation with the Anglican Church of Canada and offers programs in the departments of Ancient Studies, Religious Studies and Women's, Gender and Sexuality Studies.

44. Students who graduate from all of the Federated Universities have their degrees conferred by LU, save for a limited exception for students graduating from the Theology program at Huntington.

45. LU and the Federated Universities are affiliated through a variety of historical relationships and contractual arrangements which are described in detail in the Haché Affidavit. Each of the Federated Universities are separate legal entities and are each governed by a board of governors independent of LU.

46. Each of the Federated Universities owns certain buildings on land that is owned by LU and is leased to the Federated University by LU. The Federated Universities do not receive funding directly from the Province of Ontario (the "**Province**"), but historically, other than specific francophone grants directed to SU by the Ontario Ministry of Colleges and Universities (the "**MCU**"), LU has transferred a portion of the funding it receives from the Province to each Federated University according to a set formula (as described in greater detail below).

47. LU provides a number of non-academic services to the Federated Universities, which include but are not limited to: i) student fee collection and accounting; ii) central computing services; iii) administration of all pension and employee benefits; iv) campus security; and v) student support services.

48. The Federated Universities do not recruit or register their own students, nor do they grant their own degrees. All Federated University programs and courses are offered through LU. Students who enroll at LU may study at any or all of the three Federated Universities (as well as LU), which are all physically located on LU's campus. Students enrolled in programs, courses, majors and minors that are administered by the Federated Universities remain students of LU and these courses are credited towards a degree from LU, which has the sole authority to confer degrees upon students (with the exception of Theology at Huntington). In addition, all students of LU enrolled in courses delivered by the Federated Universities can fully utilize the services offered on the entire campus. To students, there is virtually no distinction between LU and the Federated Universities. For all intents and purposes, the Federated Universities are integrated into LU, however, each of the Federated

Universities is separately governed and manages its finances separately from each other, and from LU.

49. Most of the faculty of the Federated Universities are represented by the same labour union as LU's faculty, the Laurentian University Faculty Association ("**LUFA**"), but each of the Federated Universities has their own collective agreement with LUFA.

50. The employees of the Federated Universities are members of LU's pension plan. Each of the Federated Universities are required, pursuant to the pension plan, to contribute the amount required to fund the defined benefit pension plan in respect of their employees. Each of the Federated Universities directly contribute to the plan on a monthly basis.

51. As the Federated Universities are federated with LU and do not have the power to confer degrees, they do not receive operating grants directly from the Province of Ontario. Similarly, as students are all students of LU, the Federated Universities do not directly bill or collect tuition. As a result, LU and the Federated Universities have certain financial agreements in place pursuant to which LU allocates and distributes funds to the Federated Universities in accordance with a funding formula (the "**Federated Funding Formula**"). The key terms of the Federated Funding Formula include the distribution of the following:

   i. a portion of provincial grants received by LU to the Federated Universities based on the current and future provincial funding formulas for post-secondary institutions;

   ii. a portion of tuition fees received by LU based upon student enrolment in courses offered by the Federated Universities; and

   iii. an offsetting charge for service fees charged by LU to the Federated Universities in exchange for LU providing certain support services to the Federated Universities (calculated as 15% of grant and tuition revenues distributed to the Federated Universities).

SNOLab

52. SNOLab is an underground research laboratory, located in Vale's Creighton mine in close proximity to Sudbury, Ontario. SNOLab's science program focuses on astroparticle physics, although its unique location is well-suited to biology and geology experiments as well.

53. SNOLab is operated under a trust agreement between five member institutions: LU, Carleton University, Queen's University, University of Alberta and Université de Montréal. Oversight and governance of the SNOLab facility and the operational management occurs through the SNOLab Institute Board of Directors. The SNOLab Institute is formally an unincorporated institute of Queen's University which provides

overarching accountability with each university partner acting as a trustee for SNOLab assets. LU's proportionate share of the assets, liabilities and obligations of SNOLab is 20%.

54. LU provides certain services to SNOLab. In particular, LU processes the payroll for approximately 128 SNOLab employees, as of December 2020 and provides benefit programs to these employees. Eligible SNOLab employees participate in LU's pension plan as described below.

55. LU funds the payroll, benefits and contributions to the pension plan on behalf of SNOLab and then invoices SNOLab for the total amounts paid. Upon receipt of the invoice, SNOLab reimburses LU in full for the total cost of payroll, benefits and pension plan contributions.

MIRARCO

56. MIRARCO is headquartered in Sudbury, Ontario and is a not-for-profit mining research arm of LU.

57. MIRARCO is a corporation without share capital which LU is the sole member of. MIRARCO is consolidated in LU's financial statements. The majority of MIRARCO's Board of Directors are independent from LU, although there is some overlap with the Board. MIRARCO's executive team is comprised primarily of mining experts.

58. LU processes the payroll for MIRARCO's 19 employees, provides their benefit programs and eligible MIRARCO employees participate in LU's pension plan.

59. LU funds the payroll, benefit programs and contributions to the pension plan on behalf of MIRARCO and then invoices MIRARCO for the total amounts paid. Upon receipt of the invoice, MIRARCO reimburses LU in full for the total cost of payroll, benefits and pension plan contributions. However, MIRARCO has experienced financial difficulties in the last several years, which has resulted in delays in reimbursements to LU.

CEMI

60. CEMI is located in Sudbury, Ontario and is a corporation without share capital. Its mission is to be one of Canada's leading contributors to mining innovation by introducing new practices, procedures, tools and techniques to help generate significant improvement in the performance of mines. CEMI coordinates innovation initiatives with mining companies and helps ensure they are successfully implemented.

61. Oversight and governance of CEMI occurs through the CEMI Board of Directors, which is composed of leaders of the mining industry, including mining experts, government agency representatives and academics. Currently, the Vice-President, Research at LU

serves on the CEMI Board of Directors. CEMI has partnerships with numerous academic institutions globally, including LU.

62. The operations of CEMI are funded by a combination of private research grants and government research grants. CEMI also generates revenue by conducting training workshops for various entities in the mining sector.

63. LU processes the payroll for CEMI's 5 employees, provides their benefit programs and eligible CEMI employees participate in LU's pension plan.

64. LU funds the payroll, benefit programs and contributions to the pension plan on behalf of CEMI and then invoices CEMI for the total amounts paid. Upon receipt of the invoice, CEMI reimburses LU in full for the total cost of payroll, benefits and pension plan contributions.

Students' Associations

65. As set out above, there are four student bodies that represent LU's students and make up the Students' Associations: i) SGA; ii) GSA; iii) AEF; and iv) ISC.

66. The SGA is the largest bilingual undergraduate association at LU. The SGA provides undergraduate student representation and services. Policy and advocacy are essential branches of the SGA, as it actively participates and lobbies within LU, at municipal, provincial and federal levels of government on behalf of students and participates in both provincial and national student movements.

67. The GSA similarly provides advocacy and student services to its graduate student members.

68. The AEF represents the interests of francophone students on campus. Its mandate is to enhance social, academic and cultural ties that unite, through the promotion of the French language, student engagement in a variety of francophone activities and events, and political, academic and administrative representation.

69. The ISC works to support the academic endeavours of its members by promoting Indigenous culture and by supporting and developing opportunities for social and cultural interaction in the Laurentian community.

70. LU collects certain student fees on behalf of the Students' Associations as part of its regular student billing process. Students' Associations fees collected are then subsequently distributed to the respective organizations.

Employees

71. As at December 30, 2020, LU employed approximately 1,751 people. Of this total, approximately 758 are full-time employees and approximately 993 are fixed term, part-time and student employees. Of the same total, approximately i) 612 are LUFA employees, ii) 268 are LUSU (defined below) employees, iii) 305 are CUPE (defined below) employees, iv) 134 are LUAPSA (defined below) employees and v) 432 are non-unionized part-time and student employees.

72. The total number of employees fluctuates on a regular basis given the large number of part-time and student employees. Typically, the operating departments of LU employ approximately 400-500 student employees at any one time. However, due to the impact of COVID-19 and students studying remotely, there were approximately 200 student employees in November 2020 vs. 470 in November 2019.

73. Of the approximately 612 employees represented by LUFA, 355 are full-time faculty, many of whom will have tenure pursuant to the collective agreement, 252 are sessional faculty or health care professionals and 5 are full-time counsellors. The number of sessional employees varies from term to term depending on need.

74. The non-faculty staff are represented by the Laurentian University Staff Union ("**LUSU**"). LUSU represents LU's staff, which includes all employees of LU in clerical, technical, administrative, service and security work. LUSU represents approximately 268 employees.

75. The remainder of LU's full-time employees that are not represented by a union include approximately 23 senior leadership employees and 111 administrative and professional staff, most of whom are in managerial roles. The managerial and non-managerial employees are considered part of an informal association that LU recognizes as the Laurentian University Administrative and Professional Staff Association ("**LUAPSA**"). LUAPSA has an executive committee that meets with LU on occasion and LU solicits feedback from the LUAPSA executive committee regarding matters that affect employees that are in positions falling under the LUAPSA umbrella.

76. Masters level and PhD level students who are employed as Graduate Teaching Assistants ("**GTAs**") are represented by the Canadian Union of Public Employees ("**CUPE**"). Currently, there are approximately 305 GTAs although this number can fluctuate.

<u>LUFA</u>

77. LUFA and the Board of LU are parties to a collective agreement with a three-year term (the "**LUFA CA**") which expired on June 30, 2020. Pursuant to the provisions of the LUFA CA, the agreement automatically continues year-to-year unless notice is provided that either LUFA or LU intends to terminate or amend the LUFA CA. In February 2020, LUFA

provided LU with a notice to bargain. Pursuant to Article 13.15.3 of the LUFA CA, the agreement automatically remains in force during any period of negotiation. A copy of the LUFA CA is attached to the Haché Affidavit as Exhibit I.

78. Faculty currently represent approximately 60% of operating salaries and benefits (i.e. excluding research and SNOLab/MIRARCO related salaries and benefits) paid by LU. Therefore, the LUFA CA governs the biggest expense of LU.

79. LU and LUFA have been engaged in bargaining with respect to a new collective bargaining agreement since April 2020. The Proposed Monitor understands from Management that during bargaining, the University has informed LUFA of the severe financial challenges faced by LU and the possibility that LU could run out of money. Accordingly, the University has indicated that it is seeking various concessions. However, despite extensive bargaining between LU and LUFA, including with the assistance of a mediator, no material progress has been made on a new collective agreement.

80. The Proposed Monitor also understands that there are currently approximately 102 active unresolved grievances filed by LUFA as well as an ongoing unfair labour practice complaint and a judicial review with respect to the Provost's decision in 2020 to suspend enrolment in 17 academic programs with very low enrolment.

LUSU

81. On July 1, 2018, LUSU and LU entered into a collective agreement that was set to expire on June 30, 2021 (the "**LUSU CA**"). A copy of the LUSU CA is attached to the Haché Affidavit as Exhibit V.

82. In light of the financial challenges of LU, LUSU agreed to open the existing LUSU CA early for negotiation, prior to its expiration on June 30, 2021. Those negotiations resulted in the ratification of an amended collective agreement that achieved the following:

   i. Year 1: a 1.0% salary reduction, which previously was a 1.5% salary increase under the LUSU CA;

   ii. Year 2: a 0.5% salary increase on July 1, 2021 and January 1, 2022;

   iii. Year 3: a 0.5% salary increase on July 1, 2022 and January 1, 2023;

   iv. Six furlough days for all LUSU members without pay in 2020;

   v. Confirmation of LU's ability to effect employee transfers and the additional flexibility to reassign and transfer staff during the collective agreement; and

   vi. Retirement incentive to maintain salary and pension at the pre-reduced salary level as at June 30, 2020, with the condition to retire on or before October 31, 2020.

83. The furlough days provided LU with a one-time cash benefit of $450,000, paid directly by LUSU to LU, and the reassignment, transfer and retirement provisions resulted in 11.5 position redundancies in 2020 generating total annual savings of approximately $800,000.

CUPE

84. On September 1, 2019, CUPE and LU entered into a collective agreement (the "**CUPE CA**"). The CUPE CA is set to expire on August 31, 2021. A copy of the CUPE CA is attached to the Haché Affidavit as Exhibit W.

85. In September 2019, CUPE agreed to a total compensation increase of 1%. The entirety of the increase was allocated to scholarship payments, with a 0% increase in salary over the two-year term of the CUPE CA.

Pension and Benefit Plans

86. LU administers three employee pension and benefit plans: (i) a registered defined benefit pension plan (the "**DB Pension Plan**"); (ii) a supplementary unfunded retirement plan (the "**SuRP**") and (iii) a retirement health benefits plan (the "**RHBP**").

DB Pension Plan

87. The DB Pension Plan is open to all eligible employees of LU along with employees of the Federated Universities, SNOLab, MIRARCO and CEMI. LU is defined as the "primary employer" under the DB Pension Plan. A copy of the DB Pension Plan dated July 1, 2018 is attached to the Haché Affidavit as Exhibit X.

88. There are currently 406 individuals collecting a lifetime pension from the DB Pension Plan. There are 981 active members currently contributing to the DB Pension Plan but not yet collecting a benefit. In addition, approximately 500 members have deferred status, meaning they have left the University and have not yet started collecting pension benefits. All full-time employees of LU or the other applicable employers who are employed on a continuous full-time basis (as determined by the employer) must participate in the DB Pension Plan. Other employees who are not full-time employees may elect to join the DB Pension Plan once such employee has been continuously employed for at least two years and the employee meets certain minimum salary or employment hour requirements.

89. The most recent actuarial valuation of the DB Pension Plan was made as of January 1, 2020 (updated in December 2020). Pursuant to this actuarial valuation, the DB Pension Plan had a solvency ratio of 85.4%, representing a going concern deficiency of approximately $4.5 million. This deficiency is required to be addressed over a period not exceeding ten years, beginning one year after the date of valuation (i.e. January 1, 2021).

90. The actuarial valuation provided that the DB Pension Plan current service contributions for the next three years would be set at $16,188,000, annually, payable in monthly instalment of approximately $1,349,000. In addition, to address the going concern deficiency, the actuary concluded that an annual special payment contribution of $505,000 must be made, payable in monthly instalments of approximately $42,083. Currently, LU makes monthly payments in respect of LU, SNOLab, MIRARCO and CEMI employees. The Federated Universities make payments in respect of their employees.

91. The Proposed Monitor understands that in light of its current financial situation, LU will be seeking relief from this Court in the CCAA proceedings to stay the payment of any pre-filing or post-filing special payments to the DB Pension Plan to assist LU with its current liquidity crisis and maximize the chance that LU can successfully restructure.

92. From an administration perspective, LU funds the DB Pension Plan's administration costs including the costs of the pension plan trustee and other professionals and is subsequently reimbursed by the DB Pension Plan. Historically these costs have been reimbursed on a quarterly basis.

SuRP

93. The SuRP was implemented on July 1, 2002 to provide additional retirement benefits to LU employees participating in the DB Pension Plan and earning income over a certain threshold. Retiring employees who qualify for the SuRP are automatically included in the plan and receive either an annual or monthly payment. A copy of the SuRP dated January 1, 2014 is attached to the Haché Affidavit as Exhibit Y.

94. The SuRP is unfunded. Historically, LU has made annual payments in respect of the SuRP from current operating funds in July of each year. There are currently 32 retired employees eligible to receive payments pursuant to the SuRP. The forecast amount payable in July 2021 to these retired individuals is approximately $260,000. As at April 30, 2020 the accrued benefit obligation in respect of the SuRP was estimated at $3,063,000.

95. The Proposed Monitor understands that LU also has contractual agreements to provide supplemental retirement benefits to two individuals in former or current leadership roles. These obligations are also unfunded.

96. The Applicant contemplates that if the Proposed Initial Order is granted, payments pursuant to the SuRP and any other contractual agreements will be stayed.

RHBP

97. Since 1998, LU has provided the RHBP to individuals that elect to enrol in the program. In addition to LU employees, the RHBP is available to employees of the Federated Universities, SNOLab, MIRARCO and CEMI. There are currently 866 active employees

enrolled in and contributing to the RHBP that are not yet collecting benefits. There are currently 358 retirees who are eligible to collect benefits. A copy of the RHBP policy (the "**RHBP Policy**") is attached to the Haché Affidavit as Exhibit Z.

98. To be eligible to participate in the RHBP, employees must satisfy the following conditions:

   i. The employee must retire at age 55 or older;

   ii. The employee must have contributed for at least 15 years to the RHBP; and

      a. The employee must purchase private coverage and provide the employer with receipts for private coverage; or

      b. The employee may elect not to purchase private coverage but must provide the employer with receipts for medical expenses.

99. Employees do not qualify if the employee qualifies for continued coverage under the Laurentian University Group Benefits Plan.

100. Employees participating in the RHBP are required to pay a monthly premium which varies depending on the type of employee (i.e. LU, Federated Universities, SNOLab or LUSU member) and whether the employee enrolls in single or family coverage.

101. The RHBP Policy communicated to employees provides that LU will establish a trust account in respect of the RHBP. This trust account was to receive all contributions by employees participating in the RHBP, an annual $25,000 contribution by LU and the proportionate contributions by the Federated Universities.

102. Rather than establishing a separate trust account, LU has historically tracked contributions to the RHBP as a liability in its accounting records and on its balance sheet. However, neither contributions by employees nor LU contributions to the RHBP were set aside in a separate bank account.

103. In December 2020, pursuant to a direction of the Board of Governors, LU began segregating RHBP contributions. Further information with respect to this change is set out in the Cash Management section of this Report.

FINANCIAL POSITION

104. LU does not prepare interim monthly or quarterly financial statements. The audited annual financial statements for the year ended April 30, 2020 are the most recent available financial statements. A copy of these financial statements is attached to the Haché Affidavit as Exhibit OO.

105. Set out below is a summary of LU's historical consolidated financial results for the last five years ending April 30:

(CAD $'000s)	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Revenues:					
Operating grants and contracts	75,729	78,262	78,754	80,063	86,234
Tuition fees	51,959	55,538	54,940	55,581	53,211
Research grants and contracts	21,680	20,789	30,085	24,655	24,151
Other fees and income	15,593	15,126	13,453	14,940	17,587
Sales and services	11,092	11,257	12,482	12,468	11,620
Amortization of deferred capital contributions	3,150	3,885	4,631	4,864	5,594
Investment income	-	3,889	1,016	2,653	-
Total Revenues	**179,203**	**188,746**	**195,361**	**195,224**	**198,397**
Expenses:					
Salaries and benefits	125,532	134,278	126,751	134,939	134,552
Operating and research	24,464	24,053	33,383	27,880	28,175
Occupancy	12,340	13,208	12,386	15,163	15,271
Scholarships and bursaries	11,662	11,337	11,472	11,411	12,072
Amortization of capital assets	6,711	7,692	9,309	9,931	10,446
Investment loss	480	-	-	-	1,001
Total Expenses	**181,189**	**190,568**	**193,301**	**199,324**	**201,517**
Excess / (deficiency) of revenues over expenses	**(1,986)**	**(1,822)**	**2,060**	**(4,100)**	**(3,120)**

Revenues

106. LU's primary source of operating revenue comes from operating grants and tuition fees. These items account for approximately 70% of total revenues for the fiscal year ended April 30, 2020.

107. Operating grants are primarily received from the Province with a smaller portion coming from the federal government. Until recently, most operating funding received from the Province has been based on enrolment figures. Moving forward, the Province is transitioning to a model that places less weight on enrolment and greater weight on performance metrics tied to student and economic outcomes. Performance targets are set individually for each university. In addition to these operating grants, LU receives grants specifically to support its bilingual mandate and in recognition of its location in northern Ontario.

108. Tuition represents amounts charged to students for academic programming. Tuition charged to domestic students is regulated by the Province. In January 2019, the Province required all universities in Ontario to reduce domestic tuition fees by 10% and implemented a subsequent tuition freeze. Tuition charged to international students is not subject to the reduction or freeze and is much higher than domestic tuition rates.

109. Research grants and contracts represent grants, awards, contributions or contracts to provide sponsored funding for specific research projects (collectively, "**Research Grants**"). Research is conducted by faculty, graduate students under the direction of faculty (in many cases, these graduate students are required to complete research as part of their degree requirements) or by dedicated researchers employed by LU. In many cases, faculty apply for Research Grants directly while in other cases, LU applies for the grant as part of a larger project. Applications for Research Grants are approved for submission by the Vice-President Research at LU.

110. Research Grants are awarded by various federal government agencies, various provincial government agencies as well as private sector industry partners. Applications for Research Grants typically set out the proposed research work to be completed and the specific budgeted costs to complete the work. Awarded Research Grants typically provide that the funds awarded must be spent only in connection with the specific research set out in the Research Grant, cannot be used for any other purpose and in some cases, must be placed in a separate account. Typically, allowable costs under the Research Grants must be incremental costs (including salaries for researchers, specific equipment, subscriptions and other direct costs). In most cases, Research Grants cannot be used to fund faculty salaries or university operating overhead.

111. Other Fees and Services and Sales and Service relate primarily to ancillary income (ancillary fees charged to students for residence, meals, parking, conferences and other services or earned from other sources), donations and fees charged to various affiliated entities as described above.

112. Donations received by LU include: (i) unrestricted donations which are recognized in income immediately; (ii) restricted donations which are designated for a specific purpose and recorded as deferred contributions on the balance sheet until such time as the designated purpose is fulfilled; and (iii) endowments for which the capital amount of the donation is intended to be preserved with the income used to fund specific scholarships or other amounts. Endowments are not recognized in income and are recorded directly as an increase in net assets.

113. Amortization of deferred capital contributions represent the amortization into income of previously received donations and grants designated specifically for capital projects. These amounts were set up as a deferred liability when received and are amortized into income on a timeframe consistent with the depreciation of the related assets.

Expenses

114. Salaries and benefits represent LU's most significant expense at approximately 67% of total expenses for the fiscal year ended April 30, 2020. Salaries and benefits include amounts paid in connection with research, and to MIRARCO and SNOLab employees in

the aggregate of $16 million for fiscal 2020. The remaining $119 million in fiscal 2020 represents costs of the academic teaching operations and provision of ancillary services.

115. Operating and research and occupancy represent all the non-employee related costs of running the university including non-people related costs incurred in connection with the performance of research work. These costs include utilities, property maintenance, cleaning, municipal taxes, insurance, information technology, library subscription fees, travel, professional fees and other costs.

116. Scholarships and bursaries represent amounts awarded to students to help defray tuition costs. Some of this amount is funded through endowments (as described in further detail below) or other restricted donations.

Consolidated Statement of Financial Position

117. Set out below is LU's consolidated statement of financial position for the fiscal year ended April 30, 2020:

(CAD $'000s)	**April 30, 2020**
<u>ASSETS</u>	
Current	
Cash and short-term investments	4,544
Accounts receivable	27,045
Other current assets	1,650
	33,239
Non-current	
Accounts receivable	169
Investments	52,845
Capital assets	272,267
TOTAL ASSETS	**358,520**
<u>LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS</u>	
Current liabilities	
Line of credit	14,400
Short-term loan	1,367
Accounts payable and accrued liabilities	22,319
Accrued vacation pay	1,846
Deferred revenue	1,009
Current portion of long-term debt	2,738
	43,679
Long-term obligations	
Long-term debt	88,973
Employee future benefits liabilities	20,788
	109,761

(cont'd on next page)

Deferred contributions	
Deferred contributions	38,519
Deferred capital contributions	129,879
	168,398
Net assets	
Unrestricted	(19,986)
Vacation and employee future benefits	(22,635)
Internally restricted	3,848
Investment in capital assets	22,610
Endowment	52,845
	36,682
TOTAL LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS	**358,520**

Assets

118. As at April 30, 2020, LU had minimal cash on hand – approximately $2.6 million in cash and $1.9 million in short-term investments. It was reliant on an unsecured line of credit to fund operations as set out below.

119. LU's primary assets as at April 30, 2020 were its investments and capital assets.

120. LU maintains investment accounts at SEI Private Trust Company and RBC Dominion Securities Inc. At April 30, 2020, the balance in these investment accounts was $54.7 million representing the long-term investments and the $1.9 million in short term investments noted above. The majority of this amount is designated to support the $52.8 million in endowments held by LU as described further below.

121. Capital assets are comprised of: (i) buildings, (ii) equipment and furnishing, (iii) site improvements, and (iv) land. The book value of the capital assets (except land) are derived by their cost less accumulated amortization. As of April 30, 2020, the aggregate net book value of $272.2 million was comprised of buildings of approximately $249.6 million, equipment of approximately $7.3 million, site improvement of approximately $1.9 million and land of approximately $13.4 million.

122. In addition to the land and buildings on LU's main campus, the capital assets of LU consist of other buildings and real property in and around the Sudbury area such as the Art Centre located at 251 John Street, the President's House and the McEwen School of Architecture located in downtown Sudbury at 85 Elm Street.

Liabilities

123. As at April 30, 2020, LU had recorded liabilities with a book value totaling approximately $321.8 million.

124. LU’s cash needs are cyclical. While operating grants are typically received evenly throughout the year, tuition and certain other ancillary income is billed at the start of the semester or academic year. As a result of its ongoing deficits and limited cash reserves, LU has been reliant on lines of credit to fund operations during certain months of the year. LU would draw on these lines of credit during the negative cash flow months and repay the facilities in the positive cash flow months when tuition was received.

125. Historically, LU had access to two unsecured revolving demand loan facilities: (i) with Caisse Populaire Voyageurs Inc. (“**Desjardins**”) with availability up to a maximum amount of $26 million (the “**Desjardins Line of Credit**”); and (ii) with Royal Bank of Canada (“**RBC**”) with availability up to a maximum principal amount of $5 million (the “**RBC Line of Credit**”).

126. As at April 30, 2020, LU had drawn $14.4 million against the Desjardins Line of Credit. The RBC Line of Credit was undrawn. Subsequently, additional amounts were drawn on the Desjardins Line of Credit and then, the full amount owing was repaid in August and September 2020 upon receipt of significant tuition fees. Currently, no amounts are drawn on either facility.

127. As a result of recent discussions with these lenders in respect of LU’s financial position, RBC has since advised LU that the RBC Line of Credit has been cancelled and is no longer available to LU. In addition, in connection with discussions with Desjardins, LU agreed that it would not draw any amount on the Desjardins Line of Credit in light of its financial challenges.

128. Pursuant to a letter agreement dated October 3, 2005 (as amended on May 30, 2008, June 1, 2009 and July 27, 2016, (the “**TD Credit Facility Agreement**”), the Toronto-Dominion Bank (“**TD**”) also provided LU with a single draw committed reducing term facility in the initial principal amount of $2.0 million with a maturity date of April 3, 2021. The proceeds of this loan were previously used to fund the construction of LU’s student recreation centre. As of January 29, 2021, the outstanding principal balance owing under this facility is $1,323,626 (exclusive of accrued interest and costs). This is a single draw facility and LU is not entitled to draw further amounts under this facility.

129. LU also has a number of unsecured long-term debt obligations to Bank of Montreal (“**BMO**”), RBC and TD.

130. Set out below is a summary of these long-term debt obligations (in $ millions) as at April 30, 2020:

Bank	Maturity	Amount Outstanding
BMO	2024	1.366
RBC	2040	13.187
RBC	2043	17.573
RBC	2023	2.770
RBC	2042	39.496
TD	2036	10.647
TD	2043	6.672
TOTAL LONG-TERM DEBT		91,711

BMO

131. Pursuant to a term sheet, fixed rate promissory note and an ISDA Master Agreement (collectively, the "**BMO Facility**"), each dated November 12, 2004, LU and BMO entered into an unsecured fixed rate term loan and fixed rate operating loan with an interest rate swap option up to the maximum principal amount of $4,116,098 (the "**BMO Credit Facility**"). The term of the BMO Facility is 20 years.

132. On June 16, 2020, LU requested, and BMO agreed to provide certain payment accommodations to LU in light of the ongoing Pandemic and defer principal payments under the BMO Credit Facility for a period of several months. As of today's date, approximately $1.3 million is outstanding under the BMO Credit Facility. A copy of the BMO Credit Facility is attached to the Haché Affidavit as Exhibit UU.

RBC

133. Pursuant to a letter agreement most recently dated June 12, 2019 (as amended from time to time, the "**RBC Credit Facilities Agreement**"), RBC provided LU with the following additional unsecured credit facilities:

i. a fully advanced non-revolving term facility in the principal amount of $13,547,000 with a maturity date of November 22, 2040, the proceeds of which were used by LU to finance the construction of a new building on LU's campus;

ii. a fully advanced non-revolving term facility in the principal amount of $17,994,000 with a maturity date of October 7, 2042, the proceeds of which were used for the takeout financing of a new residence located on LU's campus (the "**Residence Takeout Facility**");

iii. a fully advanced non-revolving term facility in the principal amount of $40,509,000 with a maturity date of December 15, 2041, the proceeds of which were used for the takeout financing in respect of a project undertaken by LU to modernize the Sudbury campus; and

iv. a fully advanced non-revolving term facility in the principal amount of $3,616,000 with a maturity date of May 31, 2023, the proceeds of which were used for takeout financing in respect of a renovation loan in respect of a single student residence (the "**Renovation Takeout Facility**").

134. In addition, RBC provided LU with a $250,000 revolving demand facility in respect of letters of guarantee.

135. A copy of the RBC Credit Facilities Agreement is attached to the Haché Affidavit as Exhibit RR.

136. On or about June 25, 2020, LU requested, and RBC agreed to provide certain payment accommodations to LU in light of the ongoing Pandemic and to defer principal payments for several months in respect of the Residence Takeout Facility and the Renovation Takeout Facility.

137. As at the current date, the aggregate principal amount owing under the RBC Credit Facilities Agreement is approximately $71.1 million.

138. Pursuant to the RBC Credit Facilities Agreement, LU has, among other things, covenanted not to grant, create, assume or suffer any charge, security interest or encumbrance affecting any of its properties or assets without the written consent of RBC.

TD

139. Pursuant to a letter agreement dated October 3, 2005 (as amended on May 30, 2008, June 1, 2009 and July 27, 2016, (the "**TD Credit Facility Agreement**"), TD provided LU with the following unsecured credit facilities:

i. committed reducing term facility in the initial principal amount of $14,800,000 with a maturity date of August 31, 2021, used to pay out a previous facility advanced by TD for the construction of a student residence. As of January 29, 2021, the outstanding principal balance owing under this facility is $10,575,875 (exclusive of accrued interest and costs). This is a single draw facility and LU is not entitled to draw further amounts under this facility; and

ii. committed reducing term facility in the initial principal amount of $6,150,000 (subsequently increased to $10,000,000), with a with a maturity date of September 30, 2018 (which was extended to September 28, 2023), used to pay out previous facilities advanced by TD and Infrastructure Ontario for the construction a new athletic facility and to convert long term debt. As of January 29, 2021, the outstanding principal balance owing under this facility is $6,570,917 (exclusive of accrued interest and costs). This is a single draw facility and LU is not entitled to draw further amounts under this facility.

140. A copy of the TD Credit Facility Agreement is attached to the Haché Affidavit as Exhibit VV.

141. On or about June 25, 2020, LU requested, and TD agreed, to provide certain payment accommodations to LU in light of the ongoing Pandemic and defer principal payments for a period of several months in respect of the TD Credit Facility Agreement.

142. As at the current date, the aggregate principal amount owing under the TD Credit Facilities Agreement is approximately $18.5 million.

143. Pursuant to the TD Credit Facility Agreement, LU covenanted that its indebtedness under the TD Credit Facility Agreement to TD will rank at least pari passu with all other obligations of LU.

144. Further, in accordance with a guarantee dated June 27, 2018, LU guaranteed the obligations owed by the SGA to TD pursuant to a Letter Agreement between the SGA and TD dated April 10, 2018 in the amount of $8,500,000. This indebtedness was incurred by the SGA to provide funding for a new student centre.

<u>Interest Rate Swaps:</u>

145. In order to manage its long-term interest rate risk, LU entered into a series of interest rate swap transactions with its lenders. In each case, LU agreed to pay a fixed rate of interest on a notional principal amount and the counterparty lender agreed to pay a variable rate of interest based on a notional principal amount on the Canadian Dollar Offered Rate ("**CDOR**").

146. Copies of the swap confirmations for the above interest rate swap transactions are attached to the Haché Affidavit as Exhibits WW, XX and YY.

147. As the interest rate swap transactions correspond to certain of LU's long-term debt obligations, the notional principal amount outstanding varies month to month in accordance with the amortization schedules appended to the interest rate swap confirmations. The net impact of these interest rate swap transactions has been a net cash outflow from LU of approximately $340,000 monthly.

<u>Employee Future Benefits</u>

148. The balance of $20.8 million reported on the annual audited financial statements as at April 30, 2020 in respect of employee future benefits represents the actuarial estimated accrued benefit obligation less the fair value of the plan assets pursuant to the DB Pension Plan, SuRP and RHBP, as further described above. The accrued benefit obligation is calculated based on certain assumptions and does not represent the actual deficit that would be applicable if the plans were wound up.

Deferred Contributions

149. The balance of $38.5 million reported on the annual audited financial statements as at April 30, 2020 in respect of deferred contributions represent externally restricted grants, awards, donations or other funds designated for a specific purpose in respect of which the designated expenditures have not been incurred. These deferred contributions include:

i. Unspent Research Grants: These are Research Grants that in many cases are received in advance of the research expenditures being incurred. As described above, the Research Grants provide that the funds can only be used for qualifying expenditures in connection with the specific grant;

ii. Restricted Donations: These represent donations or other contributions received that were designated for specific purposes and for which the planned expenditures have yet to be made;

iii. Scholarships: These represent donations or funds received specifically to fund scholarships to students and for which the scholarships have yet to be awarded. In some cases, this represents scholarships funded by endowments whereby investment income on the endowments has been allocated to specific scholarship funds; and

iv. RHBP Contributions: This represents amounts deducted from employee wages and designated as contributions to the RHBP in addition to the employer contributions to the RHBP as per the RHBP Policy.

150. Management has advised the Proposed Monitor that as of December 31, 2020, LU estimates the deferred contributions liability to be approximately $36.5 million.

151. The Proposed Monitor notes that while these amounts are recorded as a liability on LU's balance sheet, no funds have been set aside or are currently available to satisfy these obligations. Further information with respect to historical cash management practices are described in the Cash Management section of this report below.

Deferred Capital Contributions

152. Deferred capital contributions are comprised of either: i) unspent or ii) spent and unamortized capital donations and grants received for the purchase of capital assets. As described above, amounts received in respect of capital contributions are initially set up as a liability on the balance sheet and amortized into income on a timeframe consistent with the depreciation of the related assets they were used to fund. As at April 30, 2020, LU had a deferred capital contributions balance of approximately $129.9 million, of which $0.6 million represented the unspent portion and $129.3 million represented the unamortized portion.

153. Similar to deferred contributions, no funds were set aside for unspent deferred capital contributions.

Net Assets

154. Net assets have decreased by $32.9 million from $69.6 million in fiscal year 2014-2015 to $36.7 million in fiscal year 2019-2020. LU's net assets balance as of April 30, 2020 is comprised of: i) $20.0 million unrestricted fund deficit, ii) $22.6 million vacation and employee future benefits fund deficit, iii) $3.8 million internally restricted fund balance, iv) $22.6 million investment in capital assets fund balance, and v) $52.8 million endowment fund balance.

155. The unrestricted fund deficit represents the accumulated historical deficit from operations excluding amounts in respect of employee future benefits and capital transaction activity.

156. The vacation and employee future benefits fund deficit represents estimated accrued vacation pay and the actuarial estimated accrued benefit obligation, net of plan assets in connection with employee future benefit liabilities.

157. The internally restricted fund balance represents historical operating surpluses or specific amounts received that were internally designated by the Board to be used for specific purposes. The fund balance is comprised of: i) $1.1 million equity balance of MIRARCO, ii) $2.6 million balance of carried forward budget surpluses, iii) negative $0.7 million accumulated operating loss from the McEwen School of Architecture and iv) $0.9 million accumulated surplus of LU's ancillary operations. The Proposed Monitor notes that while these amounts are internally designated for these purposes, no funds are set aside to fund these items.

158. The investment in capital assets fund balance is calculated by taking the net book value of capital assets of $272.3 million less: i) $91.7 million of long-term debt outstanding, ii) $12.9 million of internal financing re-allocated from LU's operating fund, iii) $1.4 million of short-term loans outstanding, iv) $14.4 million owing on the revolving lines of credit; and v) $129.3 million of unamortized deferred capital contributions.

159. The endowment fund balance represents donations received for which the principal amount of the donation was designated to be preserved and for which the income was to be used to fund specific scholarships or for other designated purposes. The long-term investments held by LU as discussed above include funds historically received in respect of these endowments and set aside to be used specifically for this purpose. The Proposed Monitor notes that of the $52.8 million in endowments, approximately $14.0 million relates to endowments intended for NOSM student scholarships. The majority of these amounts were received prior to the incorporation of NOSM.

CIRCUMSTANCES LEADING TO THE APPLICANT'S CCAA FILING

160. As set out above in the Financial Overview section of this Report, LU has generated year-over-year losses for a significant number of years with few exceptions. As a result, LU's combined accumulated unrestricted fund deficit and employee liabilities deficit has grown to approximately $42.6 million.

161. Over recent years, certain events and circumstances have arisen that have contributed to LU's ongoing deficits. These include the following:

i. Tuition reduction and freeze: As set out above, in January 2019, the Province required all universities to implement a domestic tuition fee reduction of 10% for the 2019-2020 fiscal year and then a freeze on domestic tuition fees for the 2020-2021 fiscal year for all Ontario universities. The Province has not yet announced tuition fee guidelines for the 2021-2022 fiscal year and onwards. This has had a significant impact on recent and projected tuition fee revenue.

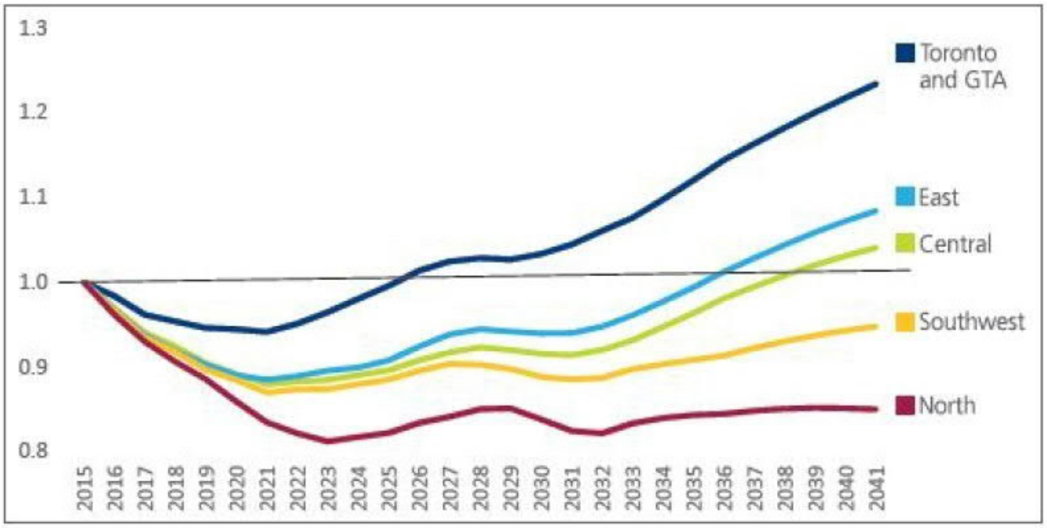
ii. Declining domestic enrolment: Below is an overview of LU's fall semester enrolment by region, measured in full time equivalents.

Fall Semseter Enrolment	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Sudbury	3,254	3,180	2,975	2,875	2,860	2,741
GTA	1,117	1,135	1,054	1,008	983	1,078
Central Ontario	1,076	1,024	867	771	793	811
North Eastern Ontario	560	613	634	663	712	751
Eastern Ontario	444	452	510	552	523	586
South Western Ontario	258	261	256	258	262	291
North Western Ontario	59	52	55	65	66	77
Out of Province	370	393	377	378	409	482
International	95	90	134	165	176	241
Unknown	15	22	35	24	51	33
Total	7,246	7,222	6,896	6,758	6,834	7,090

As illustrated in the above chart, LU has experienced a net decrease in enrolment from the 2015-2016 to 2019-2020 fiscal year. In the 2020-2021 fiscal year, LU has seen an increase in enrolment of 3.7%. However, the increase is primarily attributable to growth in online course enrolment of 36.7%. Enrolment by students into first year programs declined by 2.3%.

In fiscal 2020-2021, enrolment from i) the province of Ontario was approximately 89%, ii) Sudbury was approximately 39%, and iii) the Northern Ontario regions (Sudbury, North Eastern Ontario and North Western Ontario) was approximately 50%. Accordingly, LU's enrolment is highly dependent on student enrolment from both Northern Ontario and Ontario as a whole.

The graph below shows Ontario's 18-to-20-year-old population projections by region, disaggregated into five regions tracked by the Ontario Ministry of Finance[1]:



Ontario Regional Population Projections - 18 to 20 Year Olds

The Ontario Ministry of Finance projections indicate that (i) the student pool in Northern Ontario is expected to remain relatively flat for the foreseeable future; ii) the Central, East and Southwest Ontario regions do not project significant increases for the foreseeable future; and iii) the Toronto and GTA region shows the stronger recovery.

Based on the above demographic projections, LU expects relatively flat domestic enrolment growth.

iii. Capital Expenditures: Over the last several years, LU embarked on a number of capital projects including a campus modernization project, construction of a Faculty of Education building, certain student residences and a student recreation centre. A significant proportion of this spending was financed through long term debt. It was thought that these projects would assist in driving increased enrolment which would lead to increased operating grant and tuition revenues. However, as set out above, enrolment actually declined resulting in the principal and debt payments required to service the debt adding additional stress to the operating budget.

iv. Academic Programming: LU has a large number of programs relative to its number of students. Currently, there are 175 different programs offered – 132 undergraduate programs and 43 graduate programs. While the programs that drive

[1]Weingarten, H. P., Hicks, M., Jonker, L., & Moran, G. (2017). University Sustainability: Signal Data. Toronto: Hig her Education Quality Council of Ontario.

student demand and enrolment have evolved over the years, LU's academic program list has not been continually refreshed to reflect these shifts in demand. As a result, the majority of students are enrolled in a relatively small subset of programs. A large number of programs have consistently low enrolment and are not financially sustainable. The following statistics highlight the enrolment profile in LU's programs:

- Of the 132 undergraduate programs, 25% of students are enrolled in the top 5 programs, 62% are enrolled in the top 25 and 83% are enrolled in the top 50 programs;
- Of these same 132 undergraduate programs, only 1% of students are enrolled in the bottom 25 programs and only 5% are enrolled in the bottom 50 programs;
- Of the 43 graduate programs, 48% of students are enrolled in the top 5 programs, 65% are enrolled in the top 10 and 91% are enrolled in the top 25 programs; and
- Of these same 43 graduate programs, less than 1% of students are enrolled in the bottom 5 programs and only 2.5% are enrolled in the bottom 10 programs.

v. Barrie Campus Closure: As discussed in the Overview section of this Report, LU previously operated a satellite campus in Barrie, Ontario through an arrangement with Georgian College. The agreement governing the arrangement expired in 2014 and despite attempts to negotiate a continuation of the arrangement, LU was unsuccessful. This led to a decision in 2016 to close the Barrie campus which ultimately closed in May 2019. The closure resulted in an overall decline in enrolment combined with an obligation under the LUFA CA to retain the faculty previously associated with the Barrie campus.

vi. COVID-19 Impact: Upon the declaration of the Pandemic, LU halted in-person activity, restricted its facilities to staff and students and took steps to move to a remote delivery format in March 2020 based on recommendations from Public Health Ontario.

Both the Spring and Summer semesters were transferred to alternate delivery and most of the Fall 2020 semester was online, with the delivery of on-campus activities (such as in-person research activities) where deemed necessary and in accordance with guidance from Public Health Ontario.

As a result of the Pandemic, LU has experienced and continues to face a number of financial and operational challenges, which include:

- a decrease in ancillary revenues associated with: (i) fewer students staying in on-campus residences owned and operated by LU, (ii) the loss of rental income from events and conferences hosted on campus, (iii) the loss of parking income, (iv) the loss of food service income, and (iv) reduced student fees;
- an increase in the liability associated with post retirement benefits as a result of the reduction in the Bank of Canada's overnight lending rate, resulting in a decrease to the discount rate used in such actuarial calculations;
- increased costs associated with the implementation of additional protective measures designed to reduce or eliminate the risk of COVID-19 transmission on-campus when students, faculty and staff are required to be physically present; and
- a reduction in the number of international students attending LU due to the global restrictions on travel.

Given that the outcome and timeframe to a recovery from the Pandemic is highly unpredictable, it is difficult to estimate the Pandemic's effect on future operations and the financial situation of LU.

vii. Growth in Costs: While the above factors have impacted revenue, LU's cost of operations has continued to grow as a result of continued salary and wage increases and other inflationary increases in operating expenses.

162. The events referenced above have all occurred in and around the last five years. However, LU incurred recurring deficits prior to this period and as a result, did not have any ability to effectively absorb the significant financial impacts of these events.

163. In response to the challenges discussed above and the limited potential to increase revenues in the short to mid term, LU implemented various cost cutting and cost deferral measures. These include:

i. Faculty and Employee Reductions**:** Through the combination of attrition and deferral of hiring for vacant positions, over the past few years, LU has reduced i) its non-faculty workforce by approximately 20 full time equivalents ("**FTEs**") and faculty workforce (excluding the Barrie closure) by approximately 14 FTEs.

ii. Hiring freeze**:** In the 2018-2019 fiscal year, LU began implementing stricter hiring controls. In 2019-2020, LU implemented a freeze on new faculty and staff hiring, except as approved by the President. Positions funded through research grants were exempt from this directive. Exceptions were made only if deemed critical and with the approval of the President.

iii. Salary reductions & freezes**:** i) As set out in the Overview section of the Report, in the summer of 2020, LU negotiated a 1% salary reduction for LUSU employees along with one time furlough days and other concessions, ii) LU reduced salaries for all full-time and temporary non-union employees, including executives (but not grant-funded employees), and iii) approved a pay freeze and reduced the salaries of certain members of the executive team.

iv. Revised Federated Funding Formula**:** On May 1, 2019, LU amended and restated its Federated Funding Formula. This amendment was intended to align the financial relationship of LU and the Federated Universities with the new funding model introduced by the Province, to which LU was subject. The effect of this amendment decreased the amount of funding distributed to the Federated Universities.

164. Despite these efforts, LU continues to experience significant financial challenges.

165. LU is insolvent and absent the relief sought in the Initial Order, will not have sufficient funding / liquidity to meet payroll in February.

CASH MANAGEMENT

166. LU's primary banking relationship is with RBC, which maintains a set of operating bank accounts through which all receipts and disbursements flow. LU also maintains a blocked account with both the Bank of Montreal and TD Canada Trust solely for the purpose of sweeping and processing debt service payments.

167. Historically, all receipts whether for operations (i.e. operating grants, tuition and ancillary revenue) or for restricted or designated purposes (i.e. Research Grants, designated scholarships etc.), were deposited into the same bank accounts and effectively co-mingled (the "**Operating Accounts**"). Donations, both unrestricted and restricted were initially received into a separate bank account (the "**Donation Account**") but were then transferred to the Operating Accounts and co-mingled. All disbursements whether on account of operations or in connection with activities funded by restricted funds were paid from the Operating Accounts. There were no separate bank accounts set up to receive and hold restricted funds. All funds available in the Operating Accounts were utilized prior to drawing on lines of credit.

168. The Proposed Monitor understands that it is not uncommon for universities to deposit Research Grants and other restricted funds into their main operating account. In most

cases, these universities have sufficient cash reserves to cover obligations associated with these items. However, in LU's case, as a result of its historical deficits and other issues described above, the funds held by LU at the current time are insufficient to cover obligations in connection with these restricted funds.

169. In December 2020, LU's cash management practices were brought to the attention of LU's President and the matter was discussed with the Board. The Board instructed management to amend its practice and immediately create three new bank accounts (the "**Unspent Research Grant Account**", the "**Restricted Funds Account**", and the "**RHBP Account**", and together, the "**Segregated Accounts**") in order to begin segregating newly received and unspent Research Grants, other restricted donations and funds and RHBP contributions. The Unspent Research Grant Account is to hold all research grant and award funding. The Restricted Funds Account is to hold all other restricted funds, other than new endowment contributions that will be transferred to the investment account that currently holds endowment funds. The RHBP Account is to hold both employee and employer contributions to the RHBP.

170. As of December 21, 2020, the Operating Accounts are to be monitored daily and any Research Grants received are to be immediately transferred into the Unspent Research Grant Account. LU is in the process of contacting parties that provide Research Grants to have future funding sent directly to the Unspent Research Grant Account.

171. Similarly, donations deposited into the Donation Account are to be reviewed at a minimum weekly. Only unrestricted donations are to be transferred to the Operating Accounts. Restricted donations are to be transferred to the Restricted Funds Account.

172. In addition, on each payroll date, LU is to transfer the amount of the employee and employer contributions to the RHBP to the RHBP Account.

173. While LU is aware that this does not address the issue of having insufficient funds to satisfy the current obligations represented by the deferred contributions, it does provide a process to set aside newly received funds going forward. The Proposed Monitor notes that the Applicant is seeking to have the Court approve its current cash management system, which includes the new measures taken.

CASH POSITION AND LIQUIDITY

174. As at January 29, 2021, the Applicant has an estimated aggregate cash balance in its operating accounts of approximately $13.3 million. In addition, it has an estimated aggregate cash balance in the Segregated Accounts (described above) of $3.3 million.

175. Due to the cyclical nature of its cash flows (i.e. primarily as a result of tuition and other student amounts being billed and collected at the beginning of each semester), LU expects significant cash outflow over the next several months, as further detailed in the Cash Flow Forecast section of this report below. As described in the Summary of Financial Position section of this report, lines of credit previously relied upon by the Applicant are no longer available to fund ongoing operations. In addition, in light of the historical practice of not setting aside Research Grants received in advance, research operations are expected to require significant cash flow for the outstanding research work to be completed. As a result, the Applicant currently has insufficient cash to fund operations through the month of February or beyond.

176. The Applicant has engaged in discussions with the Province in respect of its liquidity crisis and need for additional financing that would permit it to continue operations. However, the significance of the issues facing LU and the quantum of financing that would be required in the absence of the relief sought in the commencement of a CCAA proceeding have resulted in a situation in which LU currently does not have sufficient funding commitments to permit it to avoid a CCAA proceeding.

OVERVIEW OF THE APPLICANT'S THIRTEEN WEEK CASH FLOW FORECAST

177. The Applicant, with the assistance of the Proposed Monitor, has prepared a Cash Flow Forecast for the 13 week period from January 30, 2021 to the week ending April 30, 2021 (the "**Cash Flow Period**") for the purpose of projecting the Applicant's estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Forecast is attached as Appendix "**A**" to this Report.

178. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

179. The Cash Flow Forecast is presented on a weekly basis during the Cash Flow Period and represents the estimates of Management of the projected cash flow during the Cash Flow Period. The Cash Flow Forecast has been prepared by Management of the Applicant, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast (the "**Assumptions**").

180. 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 Forecast as to its reasonableness and to file a report with the Court on the Monitor's findings.

181. Pursuant to this standard, 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 and employees of the Applicant. Since the 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 Management for the Assumptions and the preparation and presentation of the Cash Flow Forecast.

182. 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 Assumptions are not consistent with the purpose of the Cash Flow Forecast;

ii. As at the date of this Report, the 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 Assumptions.

183. The Applicant maintains bank accounts with RBC as set out above in the Cash Management section of this Report. This includes the new Segregated Accounts as described above. The Cash Flow Forecast assumes that the Operating Accounts and the Segregated Accounts will continue to be utilized in the manner described in the Cash Management section of this Report.

184. The Cash Flow Forecast projects that during the Cash Flow Period, the Applicant will have estimated total combined receipts of approximately $29.5 million, net of $4.9 million in receipts from restricted funds to be directed to the Segregated Accounts. Estimated total combined disbursements are forecast to be approximately $58.5 million, net of reimbursements from the Segregated Accounts of $1.3 million. This results in projected net cash outflow (net of Segregated Account activity) of approximately $29.0 million. The Cash Flow Forecast projects that LU will have access to sufficient liquidity during the Cash Flow Period, subject to Court approval of a debtor in possession interim financing agreement (the "**DIP Agreement**") and related DIP Charge (as discussed later herein).

185. The main assumptions of the Cash Flow Forecast are as follows:

i. academic teaching operations, the provision of ancillary services and certain in-process research activity continues in the ordinary course, uninterrupted;

ii. all payments in respect of goods and services supplied pre-filing and principal and interest payments on pre-filing debt are stayed with the following limited exceptions (and as further discussed later in this Report);

a. customary exceptions with respect to wages and benefits (but not termination and severance) owing to active employees;

b. students will remain unaffected including in respect of ordinary course student refunds, scholarships, bursaries and other amounts; and

c. funds collected on behalf of the Students' Associations will be remitted in the ordinary course;

DIP AGREEMENT

186. As set out above, the Applicant is in urgent need of additional funding to continue operations through to the end of the current academic term and address its operational and financial restructuring needs. As a result, LU, through its legal counsel, approached multiple parties and engaged in discussions in respect of a potential DIP loan. These discussions resulted in the Applicant executing a term sheet (the "**DIP Term Sheet**") with Firm Capital Corporation. Subsequent to execution of the DIP Term Sheet, Firm Capital Corporation assigned its interest to Firm Capital Mortgage Fund Inc. (the "**DIP Lender**"). The DIP Lender has requested a definitive DIP Agreement to formally document the terms and conditions set out in the DIP Term Sheet. Prior to the comeback hearing, the Applicant and the DIP Lender will negotiate and finalize the DIP Agreement.

187. The Proposed Monitor notes that while the DIP Agreement is critical to addressing LU's short-term liquidity issues, the Cash Flow Forecast as described above indicates that the Applicant does not need access to the funds during the first 10 days of the CCAA proceeding. Accordingly, the Applicant intends to wait until the comeback hearing to bring forward the DIP Term Sheet for this Court's approval. If appointed, the Proposed Monitor will provide the Court with further information with respect to the process to obtain the DIP Term Sheet and the executed DIP Agreement in its First Report.

RELEVANT MATTERS ADDRESSED IN THE PROPOSED INITIAL ORDER

188. The Proposed Monitor draws this Court's attention to certain provisions of the Initial Order that are relevant for the Court to consider.

Stay of Proceedings for Non-Applicant Stay Party

189. The Proposed Initial Order contemplates that the SGA be named as a Non-Applicant Stay Party and granted the benefits and protection of certain limited aspects of the stay of proceedings despite not being an Applicant in these CCAA proceedings.

190. The stay in respect of the Non-Applicant Stay party is limited to preventing any person from: (i) commencing proceedings against the Non-Applicant Stay Party, (ii) terminating, repudiating, making any demand or otherwise altering any contractual relationships with the Non-Applicant Stay Party as a result of the commencement of this CCAA proceeding by the Applicant, the stay of proceedings granted to the Applicant and any default or cross-default arising due to the foregoing.

191. The insolvency of LU puts the SGA in a highly vulnerable position. As described above, the SGA has long term indebtedness of approximately $8.5 million which indebtedness is guaranteed by the Applicant. If counterparties exercised their rights and remedies against the SGA due to the Applicant's insolvency, it would disrupt the SGA and have financial implications for the Applicant. The SGA is wholly dependent on LU continuing to operate in the normal course and on the receipt of fees charged to students of LU. The Proposed Monitor is of the view that affording the SGA a limited stay of proceedings while LU attempts to restructure is reasonable in the circumstances.

Limited Exceptions to the Stay of Proceedings

192. The Proposed Initial Order contemplates the customary stay of proceedings and provision prohibiting the payment on account of principal or interest in connection with goods and services provided prior to the date of the Proposed Initial Order. The exceptions include customary exceptions such as the ability to pay wages and benefits to employees as well as the following non-ordinary course exceptions which the Proposed Monitor highlights for this court:

    i. <u>Student Payments</u> – Students are core to the university and are a particularly vulnerable stakeholder in these proceedings. In LU's view, for any restructuring to be successful, students must be protected and should not experience any direct negative ramifications during the CCAA proceedings. Accordingly, the Applicant seeks an exception permitting the ordinary course payment of all amounts owing to students in respect of the current academic year in accordance with normal policies, including on account of refunds of student accounts (i.e. in the event of an overpaid student account or a course change), scholarships, bursaries or grants or any other amounts whether relating to an obligation incurred prior to or after the date of the Proposed Initial Order; and

    ii. <u>Students' Associations Fees</u> – As set out above, LU collects certain fees on behalf of the Students' Associations. The Students' Associations rely upon these fees to support their obligations including the SGA long-term debt of $8.5 million. These fees in no way relate to income of the Applicant or belong to the Applicant. The Students' Associations simply do not have the infrastructure or ability to charge and collect fees and accordingly, LU does so on their behalf. The Proposed Monitor understands that this is common practice across all colleges and universities. As a result, the Applicant is of the view that since these funds do not belong to LU, and given the reliance of the Students' Associations on these fees, it is appropriate to remit them to the Students' Associations in the ordinary course, whether received prior to or after the date of the Proposed Initial Order. The amount forecast to be remitted during the Cash Flow Period is approximately $1.6 million, a substantial portion of which was collected prior to the proposed commencement date for the CCAA proceedings.

193. The Proposed Monitor is of the view that given the nature of the above amounts, it is appropriate that these limited exceptions to the stay of proceedings be granted and the relative prejudice, if any, to stakeholders of the Applicant, is far outweighed by the benefits of protecting students and vulnerable parties such as the Students' Associations.

Super-Priority Charges

194. The Proposed Initial Order provides for two super-priority charges (collectively, the "**Charges**") on the current and future assets, undertakings and properties of the Applicant, wherever located, including all proceeds thereof that rank in the following order:

i. first, the Administration Charge (up to a maximum amount of $400,000); and

ii. second, the Directors' Charge (up to a maximum amount of $2 million).

195. The quantum of these Charges has been determined based upon amounts necessary for the first 10 days of the CCAA proceedings. The Proposed Monitor understands that the Applicant intends to seek increases to these amounts at the comeback hearing.

196. The Applicant's secured creditors are primarily comprised of subcontractors who have registered construction liens against certain real property owned by the Applicant and limited equipment lessors. The Charges sought in the Proposed Initial Order do not purport to rank ahead of potential claims of secured creditors without notice of the application. However, the Proposed Monitor understands that these parties will be served with notice of the comeback hearing and the relief sought at the comeback hearing will provide for the Charges to rank ahead of these potential claims.

Administration Charge

197. The Proposed Initial Order provides for a charge up to $400,000 (the "**Administration Charge**") in favour of counsel and advisors to the Applicant, the Proposed Monitor, the Proposed Monitor's independent counsel and independent counsel to the Board 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, the DIP Agreement.

198. The Proposed Monitor is of the view that the proposed Administration Charge is reasonable and appropriate in the circumstances, having regard to, among other things, the complexity of the proceedings, potential work expected to be required, and the size of charges approved in comparable proceedings. Accordingly, the Proposed Monitor is of the view that the Administration Charge is required and reasonable in the circumstances.

Directors' Charge

199. The Proposed Initial Order provides for a charge in an amount not to exceed $2 million (the "**Directors' Charge**") to secure an indemnity in favour of the current and future directors and officers of the Applicant (the "**Directors and Officers**") against obligations and liabilities that they may incur as directors and officers of the Applicant for actions taken after the commencement of these CCAA proceedings, except to the extent that the obligation or liability is incurred as a result of such director's or officer's gross negligence or willful misconduct.

200. The Directors and Officers shall only be entitled to the benefit of the Director's Charge to the extent that they do not have coverage under any director's and officer's insurance policy, to the extent such coverage is insufficient to pay an indemnified amount as described above, or to the extent that such coverage is denied by the insurance provider.

201. The Proposed Monitor reviewed the calculation of the Director's Charge that was prepared by the Applicant taking into consideration the amount of LU's payroll, pension contributions and vacation pay and notes that the $2 million proposed amount is less than the quantum of such amounts that will accrue in the first 10 days. For illustration, the majority of the Applicant's employees are paid once per month and aggregate monthly payroll is approximately $11 million, monthly DB Pension Plan contributions are approximately $1.2 million and vacation pay accrued on a monthly basis is approximately $800,000.

202. The Proposed Monitor is of the view that the Directors' Charge is required and is reasonable under the circumstances.

DIP Lender's Charge

203. As set out above, in order to provide the required liquidity needed to fund the operations of LU during the CCAA proceedings, the Applicant will be seeking approval of the DIP Term Sheet at the comeback hearing. It is a condition of the DIP Term Sheet that the DIP Lender be granted a charge on LU's assets to secure amounts borrowed pursuant to the DIP Term Sheet. Accordingly, the Proposed Monitor notes that, at the same time, the Applicant

will also be seeking the creation of a charge (the "**DIP Lender's Charge**") to match the maximum allowable borrowing amount as proposed in the DIP Term Sheet.

204. If appointed, the Proposed Monitor will provide the Court with further information with respect to the proposed DIP Lender's Charge in its First Report.

MEDIATION

205. The relief set out in the Notice of Application brought by the Applicant in commencing these proceedings includes an Order for the appointment of a mediator by the Court (the "**Court-Appointed Mediator**") to oversee negotiations with respect to the various restructuring initiatives necessary for the Applicant to achieve financial sustainability including but not limited to a restructuring of its Federated Universities model, a restructuring of academic programs and reduction of employee headcount.

206. The Applicant is experiencing severe financial challenges. The Proposed Monitor notes that the pattern of recurring deficits over a number of years, exacerbated by recent significant pressures on revenue described earlier in this report, has brought the Applicant to the point where it has an immediate and dramatic liquidity crisis. Absent a CCAA filing, and access to funds pursuant to the DIP Term Sheet, the Applicant will not have sufficient liquidity to meet its payroll obligations in February, could not continue operations for the balance of the current academic term and faces an immediate shut down.

207. The DIP Term Sheet entered into by the Applicant, approval of which will be sought at the comeback hearing, should provide the Applicant with sufficient liquidity to continue operating through to the end of the current academic term. However, the Applicant must still implement a comprehensive financial and operational restructuring in that period of time in order to achieve a cost structure that is financially sustainable. If the Applicant cannot achieve a successful restructuring within this time period, LU will be unable to fund continued operations.

208. The Proposed Monitor notes the relationship between the Applicant and LUFA is currently strained. Negotiations with multiple stakeholders during an extremely condensed period of time will be required. Achieving the needed concessions to make the changes to the academic programs and faculty and employee headcount that are necessary to achieve financial sustainability will be very difficult.

209. It is the Proposed Monitor's view that the appointment of a Court-Appointed Mediator is critical to ensure that LU, LUFA and the other negotiating parties have the best possible opportunity to succeed. It is the Proposed Monitor's view that it is necessary that the Court-Appointed Mediator be someone who is independent and objective, has experience in both

insolvency matters as well as collective agreements and labour negotiations, someone who will understand the urgency with which the mediation must be conducted and have the time available to dedicate to it.

210. The Proposed Monitor is cognizant that stakeholders will have highly divergent views on all aspects of the restructuring including in all likelihood, the selection of a mediator. The Proposed Monitor therefore recommends that this Court consider appointing an individual that will be seen by all parties as independent, objective and neutral. In the Proposed Monitor's view, a sitting or recently retired judge meeting these characteristics would be preferable.

211. The Proposed Monitor is of the view that it would be preferable if this Court exercised its discretion to appoint the Court-Appointed Mediator, however, the Proposed Monitor would be pleased to provide further recommendations to the Court if so desired.

212. Ultimately, regardless of who is appointed, it is imperative that the Court-Appointed Mediator be appointed by this Court on an urgent basis.

CONCLUSIONS

213. The Proposed Monitor has reviewed the Applicant's filing materials and has consented to act as the Monitor of LU, should the Court see fit to grant the relief sought by LU.

214. As set out above, the Proposed Monitor notes that the Applicant currently has significant financial challenges and its liquidity position is such that it cannot continue operations, even through to the end of February, in the absence of access to financing pursuant to the DIP Agreement which is conditional upon the Initial Order being obtained. If LU were unable to continue operations, the impact to students would be significant as they would be unable to complete their academic term. The Proposed Monitor is of the view that the CCAA proceedings will provide the best opportunity for the Applicant to effect an operational and financial restructuring within a compressed time frame with the assistance of the Monitor and an experienced Court-Appointed Mediator all of which is in the best interest of all stakeholders.

215. For the reasons stated herein, the Proposed Monitor believes it is appropriate for the Applicant to be granted protection under the CCAA under the terms of the Proposed Initial Order.

All of which is respectfully submitted this 30th day of January, 2021.

ERNST & YOUNG INC., in its capacity as Proposed Monitor of the Applicant, and not in its corporate or personal capacity
Per:

Sharon Hamilton

Sharon S. Hamilton, CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX “A”

CASH FLOW FORECAST

Laurentian University
Cash Flow Forecast

LaurentianUniversity UniversitéLaurentienne

13 Week Cash Flow Forecast

(in 000s CAD$)	Week:	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
		30-Jan-2021	06-Feb-2021	13-Feb-2021	20-Feb-2021	27-Feb-2021	06-Mar-2021	13-Mar-2021	20-Mar-2021	27-Mar-2021	03-Apr-2021	10-Apr-2021	17-Apr-2021	24-Apr-2021	**30-Jan-2021**
	Notes	05-Feb-2021	12-Feb-2021	19-Feb-2021	26-Feb-2021	05-Mar-2021	12-Mar-2021	19-Mar-2021	26-Mar-2021	02-Apr-2021	09-Apr-2021	16-Apr-2021	23-Apr-2021	30-Apr-2021	**30-Apr-2021**
Receipts															
Operating Grants	1	$ -	$ 3,752	$ -	$ 3,713	$ -	$ -	$ 2,868	$ 481	$ 3,454	$ -	$ 2,868	$ -	$ 4,269	**$ 21,406**
Research Grants	2	-	-	-	-	-	331	-	1,660	546	546	546	546	546	**4,722**
Student Fees	3	-	110	110	110	195	195	195	195	103	69	69	69	946	**2,367**
Reimbursements	4	-	-	-	789	1,111	-	-	113	1,105	-	-	101	1,119	**4,339**
Donations	5	13	13	13	13	13	13	13	13	10	10	10	10	10	**150**
Other Receipts	6	-	-	-	192	-	-	-	-	297	-	-	-	913	**1,402**
Less Restricted Receipts	21	(13)	(13)	(13)	(13)	(13)	(344)	(13)	(1,672)	(556)	(556)	(556)	(556)	(556)	**(4,872)**
Total Receipts		**-**	**3,862**	**110**	**4,805**	**1,305**	**195**	**3,063**	**789**	**4,959**	**69**	**2,937**	**170**	**7,248**	**29,514**
Operating Disbursements															
Payroll & Benefits	7	(2,869)	(1,008)	(1,319)	(5,050)	(2,881)	(1,008)	(1,149)	(5,129)	(2,363)	(1,526)	(778)	(1,469)	(4,763)	**(31,310)**
Pension	8	-	-	(1,215)	-	-	-	(1,894)	-	-	-	(1,214)	-	-	**(4,322)**
Occupancy Costs	9	(452)	(402)	(486)	(338)	(284)	(134)	(167)	(483)	(90)	(262)	(189)	(777)	-	**(4,065)**
Other Operating Costs	10	(521)	(380)	(307)	(286)	(77)	(277)	(277)	(634)	(311)	(499)	(499)	(694)	(357)	**(5,120)**
Information Technology	11	(185)	(181)	(181)	(181)	(53)	(87)	(87)	(87)	(66)	(81)	(81)	(81)	(66)	**(1,417)**
Professional Fees	12	(369)	(266)	(116)	(116)	(200)	(33)	(33)	(33)	(60)	(60)	(60)	(60)	(60)	**(1,466)**
Student Refunds	13	(320)	(320)	(320)	(320)	(320)	(155)	(155)	(155)	(155)	(155)	(88)	(88)	(88)	**(2,637)**
Transferred Research Grants	14	-	-	-	-	-	-	-	-	(1,188)	-	-	(39)	-	**(1,226)**
Transfers to Federated Universities	15	-	-	(1,064)	-	(94)	-	(94)	-	(94)	-	(94)	-	(497)	**(1,937)**
Transfers to NOSM	16	-	-	-	-	-	-	-	(200)	-	-	-	-	-	**(200)**
Transfers to the Students' Associations	17	-	-	-	(1,145)	-	-	-	(491)	-	-	-	-	-	**(1,636)**
Transfers from / (to) Segregated Accounts	23	-	-	(28)	55	-	-	(28)	52	1,188	-	(28)	39	83	**1,332**
Total Operating Disbursements		**(4,716)**	**(2,556)**	**(5,035)**	**(7,381)**	**(3,909)**	**(1,693)**	**(3,883)**	**(7,160)**	**(3,139)**	**(2,582)**	**(3,030)**	**(3,170)**	**(5,749)**	**(54,004)**
Net Operating Cash Flow		**(4,716)**	**1,306**	**(4,925)**	**(2,576)**	**(2,603)**	**(1,499)**	**(819)**	**(6,371)**	**1,821**	**(2,514)**	**(93)**	**(2,999)**	**1,499**	**(24,490)**
Non operating Receipts/ (Disbursements)															
Capital Project Grants	18	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Capital Projects	18	(75)	(75)	(75)	(52)	(21)	(21)	(21)	(21)	(21)	(142)	(92)	(92)	(92)	**(799)**
Debt Service	19	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Restructuring Costs	22	(313)	(313)	(313)	(313)	(250)	(250)	(250)	(250)	(250)	(313)	(313)	(313)	(313)	**(3,750)**
Total Non-Operating Disbursements		**(388)**	**(388)**	**(388)**	**(364)**	**(271)**	**(271)**	**(271)**	**(271)**	**(271)**	**(454)**	**(404)**	**(404)**	**(404)**	**(4,549)**
Total Disbursements		(5,104)	(2,944)	(5,423)	(7,745)	(4,180)	(1,965)	(4,154)	(7,431)	(3,410)	(3,037)	(3,435)	(3,574)	(6,153)	**(58,553)**
Net Cash Receipts/(Disbursements)		**$ (5,104)**	**$ 918**	**$ (5,312)**	**$ (2,940)**	**$ (2,874)**	**$ (1,770)**	**$ (1,090)**	**$ (6,642)**	**$ 1,550**	**$ (2,968)**	**$ (497)**	**$ (3,404)**	**$ 1,094**	**$ (29,039)**
Cash Balance															
Beginning cash balance		$ 13,291	$ 8,187	$ 18,606	$ 13,293	$ 10,282	$ 7,408	$ 5,638	$ 19,548	$ 12,729	$ 14,278	$ 11,311	$ 10,813	$ 7,410	**$ 13,291**
Adjustment to Actual, fx adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Cash Receipts/(Disbursements)		(5,104)	918	(5,312)	(2,940)	(2,874)	(1,770)	(1,090)	(6,642)	1,550	(2,968)	(497)	(3,404)	1,094	**(29,039)**
DIP Financing Draw/(Payback)		-	9,500	-	(71)	-	-	15,000	(177)	-	-	-	-	(177)	**24,076**
Ending cash balance		**$ 8,187**	**$ 18,606**	**$ 13,293**	**$ 10,282**	**$ 7,408**	**$ 5,638**	**$ 19,548**	**$ 12,729**	**$ 14,278**	**$ 11,311**	**$ 10,813**	**$ 7,410**	**$ 8,328**	**$ 8,328**
DIP Financing															
Opening Balance		$ -	$ -	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	**-**
Draw/(Payback)	23	-	9,500	-	(71)	-	-	15,000	(177)	-	-	-	-	(177)	**24,076**
Interest and Other Fees		-	500	-	71	-	-	-	177	-	-	-	-	177	**924**
Ending Balance		**-**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**
Available Liquidity		**$ 33,187**	**$ 33,606**	**$ 28,293**	**$ 25,282**	**$ 22,408**	**$ 20,638**	**$ 19,548**	**$ 12,729**	**$ 14,278**	**$ 11,311**	**$ 10,813**	**$ 7,410**	**$ 8,328**	**$ 8,328**
Endowment Fund															
Beginning balance		$ 55,736	$ 55,736	$ 55,736	$ 55,736	$ 55,736	$ 55,736	$ 55,736	$ 55,736	$ 55,736	$ 55,736	$ 55,736	$ 55,736	$ 55,736	**$ 55,736**
Transfers in/(out)	20	-	-	-	-	-	-	-	-	-	-	-	-	(860)	**(860)**
Change in Market Value		-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Ending Balance		**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 54,876**	**$ 54,876**
Segregated Accounts															
Beginning balance		$ 3,287	$ 3,300	$ 3,312	$ 3,353	$ 3,311	$ 3,323	$ 3,667	$ 3,708	$ 5,328	$ 4,696	$ 5,252	$ 5,837	$ 6,354	**$ 3,287**
Restricted Receipts	21	13	13	13	13	13	344	13	1,672	556	556	556	556	556	**4,872**
Transfers from / (to) Operating Account		-	-	28	(55)	-	-	28	(52)	(1,188)	-	28	(39)	(94)	**(1,343)**
Ending Balance		**$ 3,300**	**$ 3,312**	**$ 3,353**	**$ 3,311**	**$ 3,323**	**$ 3,667**	**$ 3,708**	**$ 5,328**	**$ 4,696**	**$ 5,252**	**$ 5,837**	**$ 6,354**	**$ 6,817**	**$ 6,817**

In the Matter of the CCAA of Laurentian University of Sudbury

Notes to the Unaudited Cash Flow Forecast of the Applicant

This Cash Flow Forecast has been prepared by the Applicant, with the assistance of the Proposed Monitor, for the purpose of the CCAA Application, using the following probable and hypothetical assumptions. The defined terms used in this Cash Flow Forecast are defined in the Monitor's Pre-filing Report.

The following provides a description of revenue and expense items and assumptions used in preparing the forecast:

General assumptions

- Receipts and disbursements denominated in US currency have been converted into Canadian dollars using an exchange rate of CDN$1.30 = US$1.00.
- Cash Flow Forecast includes estimates and assumptions concerning the impact of COVID-19 on the Applicant's operations
- Cash Flow Forecast assumes the necessary availability of financing under the DIP Term Sheet
- Unless otherwise indicated pre-filing amounts owing to third party suppliers and service providers are stayed. Post-filing goods and services from suppliers and service providers will be settled in the normal course.

Receipts

1. Operating Grants:

- Operating grants are primarily forecast based on the grant funding framework determined by the Province of Ontario and are expected to continue to be funded on a semi-monthly basis.

2. Research Grants:

- Research grants are based on revenue forecast by the Applicant's Research group and past funding experience.

3. Student Fees:

- Tuition, ancillary fees, and other student fees are billed to students upon registration for each academic semester and are collected on a seasonal basis. Student Fees are projected based on forecast student billings and collection experience.

4. Reimbursements:

- Receipts for the reimbursement of costs funded by the Applicant on behalf of certain associated organizations, including, but not limited to SNOLab, CEMI, and MIRARCO, have been forecast based upon the anticipated timing of incurring the costs and the subsequent billing and collection experience of the re-imbursement.

5. Donations:

- Donation receipts for operations, restricted use, research projects and capital projects are forecast based on historical experience. Endowment fund contributions are accounted for separately in the Cash Flow Forecast.

6. Other Receipts:

- Miscellaneous receipts are forecast based on expected revenues and collection experience, including amounts related to ancillary services, including, parking, copier & printer, campus services, Ontario Universities' Application Centre fees, HST refunds and other miscellaneous receipts.

<u>Disbursements</u>

7. Payroll & Benefits:

- All outstanding and future wages, salaries, employee and retiree benefits (including, without limitation, employee medical, dental, vision, insurance and similar benefit plans or arrangements), ordinary course pension benefits or contributions, vacation pay, expenses and any director fees and expenses, payable on or after the date of this Order, in each case for costs incurred in the ordinary course of business and consistent with existing practices, compensation policies and arrangements for current and future employees (but not including any payments to former employees or retirees in respect of the SuRP, the RHBP or termination or severance payments, which are hereby stayed), and all other payroll processing and servicing expenses will be paid in the ordinary course.
- All statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province or other taxing authority that are required to be deducted from employee wages including, in respect of employee insurance, Canada Pension Plan, Quebec Pension Plan and income taxes will be remitted

8. Pension:

- DB Pension Plan in respect of required employee contributions, including pre-filing amounts, and the employer current service payments made in ordinary course.
- Payments to former employees or retirees in respect of the SuRP are stayed.

9. Occupancy Costs:

- Costs of operating and maintaining the Applicant's facilities and rental properties are forecast based on historical run rates.

10. Other Operating Costs:

- Other Operating Costs including equipment purchases, library subscription fees, travel costs, food service costs, and other operating costs are forecast based on historical run rates.

11. Information Technology:

- Information Technology costs including licensing fees and purchasing of new hardware are forecast based on historical run rates.

12. Professional Fees:

- Professional Fees include fees related to auditors, actuaries and other professionals assisting with research or other university operating projects, as well as the cost of Assistants up to the CCAA Filing Date, are forecast based on historical run rates.

13. Student Refunds:

- Amounts owing to students for the current 2020-21 academic year and future amounts owing in respect of rebates, refunds or other similar amounts will be paid in the ordinary course.
- Amounts owing in respect of the current 2020-21 academic year and future amounts payable to students in respect of student scholarship, bursary or grants will be paid in the ordinary course.

14. Transferred Research Grants:

- Research grants transferred to other researchers or research partners are forecast based on the forecast availability of segregated research grants.

15. Transfers to Federated Universities:

- Transfers to Federated Universities are forecast based on LU's post-filing obligations with respect to its Federated Funding Formula to the Federated Universities.

16. Transfers to NOSM:

- Transfers to NOSM for Student Fees collected on behalf of NOSM are forecast based on post-filing collection of NOSM Student Fees.
- Student fees collected pre-filing are stayed.

17. Transfers to Students' Associations:

- Transfers of Student Fees collected on behalf of its Students' Associations are forecast based on the forecast billing and collection of Student Fees.

18. Capital projects:

- Capital Project disbursements are projected based on budgeted capital projects. Due to cash conservation measures taken, certain capital projects have been deferred and are not included in the forecast.

19. Debt Service:

- Debt service costs including, interest and principal repayments, are stayed as of the CCAA Filing Date.

20. Endowment Fund:

- Endowment Funds include funds for LU scholarships or other purposes as well as for NOSM scholarships.
- The funds are invested in an investment account however, no change in market value has been forecasted.

21. Restricted Receipts:

- Restricted receipts include restricted donations and research grants, which are held in segregated accounts and are only available for their restricted use.

22. Restructuring costs:

- Restructuring Costs have been forecast based on anticipated run rates. All outstanding fees and disbursements of Assistants retained or employed by the Applicant will be paid.

23. DIP Financing:

- The proposed facility is assumed to be advanced in two tranches in accordance with the terms of the DIP Term Sheet.