Court File No. CV-21-656040-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LAURENTIAN UNIVERSITY OF SUDBURY

THIRD REPORT OF THE MONITOR
April 26, 2021

INTRODUCTION

1. On February 1, 2021, Laurentian University of Sudbury ("**LU**" or the "**Applicant**") brought an application (the "**CCAA Application**") before this Court seeking an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to, among other things, obtain a stay of proceedings to allow the Applicant an opportunity to financially and operationally restructure itself.

2. On February 1, 2021, the Court granted an initial order (the "**Initial Order**") that, among other things, appointed Ernst & Young Inc. as monitor of the Applicant in these CCAA proceedings (in such capacity, the "**Monitor**"), and approved a stay of proceedings for the initial 10-day period and certain Court-ordered super-priority charges.

3. On February 5, 2021, the Court issued an order (the "**Mediator Appointment Order**") appointing the Honourable Mr. Justice Sean F. Dunphy as mediator (the "**Court-Appointed Mediator**") to oversee negotiations in the restructuring.

4. On February 10, 2021, the Court held a comeback hearing which resulted in the issuance of an amended and restated initial order (the "**Amended and Restated Initial Order**") which among other things, approved a debtor-in-possession interim financing arrangement in the principal amount of $25 million (the "**DIP Facility**") and extended the stay of proceedings to April 30, 2021 (the "**Stay Period**").

5. On March 17, 2021, the Court granted an order (the "**Pension Order**") (a) that LU shall apply a transfer ratio of 65.8% for any commuted value transfer requests by any individual

who has received a retirement or termination statement and election form and for whom such transfers have not yet been made; and (b) confirming that the PBGF Assessment Payment and the Incremental PBGF Assessment Payment (as those terms are defined in the Pension Order) are stayed pursuant to the Amended and Restated Initial Order.

PURPOSE

6. The purpose of this Third Report of the Monitor (the "**Third Report**") is to provide information to the Court on:

   a. The Applicant's operations since the date of the Monitor's Second Report;

   b. An update on the leave to appeal motion brought before the Court of Appeal for Ontario as described in the Second Report;

   c. An update on a motion brought by the Assemblée de la francophonie de l'Ontario (the "**AFO**");

   d. An update on matters in respect of the Northern Ontario School of Medicine ("**NOSM**") and l'Université de Hearst ("**Hearst**");

   e. An update with respect to information requests pursuant to the *Freedom of Information and Privacy Act* ("**FIPPA**");

   f. The status of the Applicant's restructuring efforts;

   g. Information with respect to term sheets entered into between LU and two of its labour unions;

   h. Information with respect to certain disclaimer notices issued by the Applicant to each of its three federated universities;

   i. The Applicant's actual receipts and disbursements for the period from March 6, 2021 to April 16, 2021 (the "**Reporting Period**") compared to the cash flow forecast appended to the Second Report;

   j. The Applicant's cash flow forecast (the "**Revised Cash Flow Forecast**") for the period April 17, 2021 to September 3, 2021 (the "**Forecast Period**");

   k. The Applicant's request for approval of an order that, among other things:

      i. approves the term sheets entered into between LU and two of its labour unions;

ii. approves an agreement entered into between LU and Huntington University;

iii. approves the amendment to the DIP facility entered into between LU and its DIP Lender (as defined below) including an increase of $10 million in the maximum principal amount available under the DIP Facility and a corresponding increase to the DIP Lender Charge; and

iv. extends the stay of proceedings from April 30, 2021 to August 31, 2021,

in each case, substantially in the form included in the Applicant's Motion Record; and

l. The Monitor's recommendations with respect to the above.

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this Third Report and making the comments herein, the 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 Third Report in respect of the Applicant's Revised Cash Flow Forecast:

a. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

b. Some of the information referred to in this Third 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.

8. Future oriented financial information referred to in this Third 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.

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

10. This Third 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 Third 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.

11. Capitalized terms not defined in this Third Report are as defined in the Pre-Filing Report of the Proposed Monitor, the First or Second Report of the Monitor or in the Amended and Restated Initial Order, as applicable.

12. Certain documents referred to in this Third Report are as attached to the initial affidavit of Dr. Robert Haché (the "**Initial Haché Affidavit**") sworn January 30, 2021 or the second affidavit of Dr. Robert Haché (the "**Second Haché Affidavit**") sworn April 21, 2021 in connection with this motion.

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

BACKGROUND

14. 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 Initial Haché Affidavit.

15. 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.

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

17. As described in the Initial Haché Affidavit and Second 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.

18. LU has contractual relationships with three independent federated universities: the University of Sudbury (“**SU**”), the University of Thorneloe (“**Thorneloe**”) and Huntington University (“**Huntington**”) (collectively, the “**Federated Universities**”).

19. Further background information with respect to the Applicant is provided in the Pre-Filing Report.

UPDATE ON THE APPLICANT’S OPERATIONS

20. As set out in the Second Report, since the date of the Initial Order, the Applicant has focused on maintaining normal course day-to-day operations. Student classes are continuing (virtually, due to the Pandemic) with no disruption.

21. Also as set out in the First Report and the Second Report, the Applicant commenced communications with its various stakeholders, including its students, faculty and other employees, suppliers, research-granting agencies and donors immediately after the issuance of the Initial Order. Letters were emailed to certain of these stakeholder groups informing them of the commencement of the CCAA proceedings. The Applicant also launched English and French language websites at www.laurentianu.info and www.ulaurentienne.info, respectively, to provide further information to stakeholders, including a detailed list of frequently asked questions and answers, contact information for support services for students, faculty and staff and a method to contact LU by email for other information. The information on the website has been continually updated as a result of questions received from various parties. The Applicant has also issued numerous follow-up communications to keep stakeholders informed to the extent possible.

22. The Monitor notes that both the Applicant and the Monitor have received a significant volume of calls and emails from stakeholders. Many of these inquiries have sought information as to what will happen after April 30, 2021, as well as detail on how specific restricted funds (research grants and restricted donations) were handled and how the obligations associated with these will be treated in the CCAA process. Both the Applicant and the Monitor have spent considerable time responding to these inquiries, recognizing that neither the Applicant nor the Monitor is in a position today to provide specific details as to how obligations will be treated in a plan of compromise or arrangement or otherwise.

23. Finally, as set out in the First Report, the Applicant implemented new fiscal restraint policies to monitor and authorize only critical and necessary expenses during the pendency of this CCAA proceeding. While these policies represent a change to LU's historical practice as they require senior leadership approval for most expenditures before being incurred (rather than permitting decentralized authority for spending within annual budget limits), these policies are necessary in the Monitor's view to ensure that the Applicant is able to manage operations within the constraints of the DIP Facility available to LU at any given time.

24. In early March, the Applicant opened registration for spring term courses, which would commence in May 2021. In light of the uncertainty with respect to LU's ability to continue operations subsequent to April 30, 2021, the Applicant allowed students to register for spring courses without requiring any deposits. Commensurate with LU's success in negotiating changes to its cost structure as set out below and assuming this Court grants the relief sought in this motion, this uncertainty will be eliminated and LU will be able to proceed with all steps relating to spring courses. As a result, LU plans to bill fees to students in April and payment will be due by May 7, 2021.

25. As of April 26, 2021, approximately 2,920 undergraduate students have registered for courses in the spring semester and approximately 470 graduate students are registered in at least one course.

26. Until recently, Steve Paikin served as Chancellor of LU. He was appointed on July 1, 2013 for a five year term which was renewed on July 1, 2018 for a further three years. Effective April 12, 2021, Mr. Paikin advised LU that he would be resigning as Chancellor.

LEAVE TO APPEAL MOTION

27. Both the Initial Order and the Amended and Restated Initial Order contained a provision sealing two confidential exhibits (the "**Confidential Exhibits**") to the Initial Haché Affidavit. The Confidential Exhibits contained a letter from the Ministry of Colleges and Universities ("**MCU**") to the Applicant dated January 21, 2021 and a letter from the Applicant to MCU dated January 25, 2021.

28. On February 26, 2021, the Court issued a Supplementary Endorsement containing detailed reasons for granting the sealing order.

29. As set out in the Second Report, on March 4, 2021, the Ontario Confederation of University Faculty Associations, the Laurentian University Faculty Association ("**LUFA**") and the Canadian Union of Public Employees (collectively, the "**Appellants**") served notices of motion seeking leave to appeal the sealing order with the Court of Appeal for Ontario.

30. On March 31, 2021, the Court of Appeal for Ontario issued its decision dismissing the motion for leave to appeal. A copy of the decision is attached as Exhibit "C" to the Second Haché Affidavit.

AFO MOTION

31. The AFO alleges it is the "umbrella organization of Franco-Ontarians" with a mandate to consult with and speak on behalf of the Franco-Ontarian community.

32. On March 3, 2021, the AFO served a notice of motion on the Service List seeking an order requiring LU to immediately initiate consultations with the AFO and enter into joint negotiations with the AFO and SU.

33. The Monitor contacted the AFO and suggested that, in light of the ongoing Court-ordered mediation, the appropriate route to seek participation in the process was for the AFO to make the request of the Court-Appointed Mediator. On or about March 12, 2021, the AFO met with the Court-Appointed Mediator and the Monitor through videoconference and requested that it be permitted to participate in the Mediation. After hearing their submissions, Justice Dunphy decided not to designate the AFO as a mediation party.

34. On March 31, 2021, the AFO served a new notice of motion seeking:

   a. An Order that LU immediately initiate consultations with the AFO regarding any restructuring plan or financial sustainability initiatives that may impact the status or use of French;

   b. An Order that LU immediately enter into joint negotiations with the AFO and SU to evaluate any financial or structural proposal that may impact the restructuring in accordance with the objectives of the CCAA and the rights of the Franco-Ontarian community, including those arising from the *French Language Services Act*, section 23 of the *Canadian Charter of Rights and Freedoms* and Part VII of the *Official Languages Act*;

   c. An Order that the Monitor advise the Court regarding any financial or structural proposal that may impact the status or use of French and evaluate its impact on the rate of recovery of creditor claims, the restructuring plan and measures that may impact the status or use of French and the language and constitutional rights of the Franco-Ontarian community; and

   d. An Order that the Monitor advise the Court on the reasonableness and fairness of any restructuring plan and any compromise or arrangement with creditors with regards to the status and use of French at LU.

35. Following two case conferences before Chief Justice Morawetz, the AFO's motion was set down for a bilingual hearing on April 26, 2021, before the Honourable Madam Justice Gilmore.

36. LU, the AFO and the Monitor engaged in discussions that culminated in the parties reaching agreement on a form of consent order (the "**AFO Consent Order**") that resolved, in large part, the issues raised on the AFO's motion scheduled to be heard on April 26, 2021. The AFO Consent Order substantially provides that:

   a. LU and AFO agree to engage in meaningful consultations and information-sharing commencing May 1, 2021, regarding any proposals made by the AFO and any restructuring or financial sustainability initiatives that may impact the status or use of the French language at Laurentian; and

   b. The Monitor shall advise the Court on the reasonableness and fairness of any proposed restructuring plan and plan of arrangement, and its report shall include an assessment of LU's proposed restructuring plan compared with any alternative restructuring plan presented by the AFO, including their relative impact on the rate of recovery of creditor claims.

37. The parties appeared before Justice Gilmore on April 22, 2021, to speak to the AFO Consent Order. Following such appearance, Justice Gilmore granted the AFO Consent Order, which was signed in both English and French.

NOSM AND HEARST

NOSM

38. NOSM is a not-for-profit corporation established under the *Corporations Act* (Ontario). LU and Lakehead University, located in Thunder Bay, Ontario ("**Lakehead**"), are the two members of NOSM.

39. Through an agreement between LU and Lakehead, NOSM opened in 2005. NOSM is an independent not-for-profit corporation which serves as the faculty of medicine for both LU and Lakehead. Graduates of NOSM receive either a LU or Lakehead degree depending on the campus attended. 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.

40. While NOSM operates legally, financially and operationally independent of LU, representatives of both LU and Lakehead serve on the Board of Directors. Currently, LU's President, Dr. Haché serves as the Vice-Chair. With respect to NOSM's educational

policy, academic decisions are required to pass at both LU's and Lakehead's senates as ultimately NOSM students receive degrees conferred by one of LU or Lakehead.

41. 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.

42. In addition, LU holds approximately $14 million in endowments designated to fund future scholarships for qualifying NOSM students.

43. On April 15, 2021, the Province of Ontario (the "**Province**") brought forward an omnibus motion in the provincial legislature containing a number of separate bills, one of which is called the Northern Ontario School of Medicine University Act, 2021 which is intended to grant status as an independent university to NOSM. The bill does not include any timeline or guidance for implementation – only that it comes into effect upon Royal Assent. The Monitor understands that LU intends to engage in discussions with MCU with respect to the timing and impact of any such plan, including as it relates to buildings currently occupied by NOSM on LU's campus.

44. NOSM does not contribute to LU's financial sustainability, as tuition and other funds collected by LU on behalf of NOSM are effectively a "flow-through". There is no cross-over of courses, programs or other academic aspects between LU and NOSM. LU does provide certain services to NOSM, and the transition of any such services will need to form part of the discussions if the draft legislation that has been introduced is ultimately passed.

<u>Hearst</u>

45. Hearst is a university affiliated with LU that offers undergraduate French-language degree programs, covering areas of study such as history, sociology, philosophy, psychology, French, and geography for Northern Ontario's Franco-Ontarian community. It has approximately 100 students in total, spread between three campuses located in Hearst, Kapuskasing and Timmins.

46. On April 15, 2021, as part of the same omnibus motion referred to above, the Province brought forward a bill called the Université de Hearst Act, 2021 which is intended to grant status as an independent university to Hearst. Similar to the NOSM bill, the Hearst bill is not effective until it receives Royal Assent. Once again, the Monitor understands that LU

intends to engage in discussions with MCU with respect to the timing and impact of any such plan.

47. Hearst does not contribute to LU's financial sustainability. There is no cross-over of courses, programs or other academic aspects between LU and Hearst. Hearst receives its own grants and collects its own tuition.

FIPPA

48. The Amended and Restated Initial Order provided for a stay in respect of any existing, pending or future information requests made to the applicant under FIPPA except with the written consent of the Applicant and the Monitor or leave of the Court. This Court's endorsement further provided that the Information and Privacy Commissioner of Ontario (the "**Privacy Commissioner**") could request that this issue be revisited in 30 days and that any request for reconsideration could be made through the Monitor.

49. Since the commencement of the CCAA proceedings, LU has corresponded with counsel to the Privacy Commissioner on several occasions. LU has advised the Privacy Commissioner that:

   a. It is LU's view that the stay of proceedings should continue to apply to any FIPPA requests and that any appeal of outstanding FIPPA requests prior to the commencement of the CCAA proceedings should continue to be stayed;

   b. LU and the Monitor have not received any complaints about delay, save and except for correspondence regarding one FIPPA matter subject to adjudication; and

   c. LU and the Monitor have not received any further FIPPA requests outside of matters related to the insolvency.

UPDATE ON RESTRUCTURING EFFORTS

Appointment of Mediator

50. In its Application Record, the Applicant provided notice that it would seek an Order for the appointment of a mediator by the Court to oversee negotiations between LU and a number of its stakeholders with respect to various restructuring initiatives necessary for the Applicant to achieve financial sustainability, including but not limited to, a restructuring of academic programs, a reduction of employee headcount and a restructuring of its Federated Universities model.

51. On February 5, 2021, the Monitor, LU and LUFA attended before the Court at a case conference. During the case conference, the Court indicated that after considering the urgency with which negotiations need to take place, the importance of such negotiations being successful within this compressed time period and the proposed characteristics of a potential Mediator, the Court granted an order appointing the Honourable Mr. Justice Sean F. Dunphy of the Ontario Superior Court of Justice as the Court-Appointed Mediator. During his career, Justice Dunphy was a leading insolvency lawyer with extensive experience in CCAA restructurings, including complex labour negotiations, and is bilingual. All parties at the case conference confirmed that there were no objections to Justice Dunphy's appointment as mediator. Accordingly, the Court issued the Mediator Appointment Order and endorsement confirming Justice Dunphy's appointment.

52. Since February 5, 2021, the Court-Appointed Mediator has dedicated himself to overseeing discussions between the parties in the mediation process (the "**Mediation**"). Justice Dunphy requested the Monitor act as the primary facilitator for the Mediation and accordingly, the Monitor has played a significant role including: (a) liaising with all mediation parties; (b) scheduling and hosting mediation sessions; (c) facilitating the exchange of information and documents between the parties; and (d) providing any other assistance that the parties reasonably require.

Need for Financial Savings

53. As set out in the Monitor's Pre-Filing Report, the Applicant commenced its CCAA proceedings as a result of severe financial challenges. A pattern of recurring deficits over a number of years, exacerbated by recent significant pressures on revenue, brought the Applicant to the point where it had an immediate and dramatic liquidity crisis. Prior to the negotiation of any cost savings, the Applicant projected that it would incur recurring annual deficits in the range of $13.7 - $16.0 million per year as a result of its pre-filing operating cost structure (as it relates to its status quo teaching operations only) excluding payments to creditors in respect of any stayed amounts. As a result, this does not include any consideration of the following obligations of the Applicant:

a. Completion of research obligations or other obligations arising from the Deferred Contributions as they are described in the Monitor's Pre-Filing Report. These research activities represent a core aspect of LU's operations, necessary to support graduate student programs and attract students generally. LU's most recent estimate of the Deferred Contributions is approximately $28.5 million;

b. Costs involved for the implementation of new governance policies and mechanisms, operational controls and processes;

c. Investment in initiatives to protect and grow revenue such as new programming or courses, recruitment of students or other matters necessary to maintaining competitiveness, responding to student interest and demand, and building a long-term, financially sustainable university;

d. Establishment of appropriate reserves to avoid a future liquidity crisis as a result of unforeseen events, greater than anticipated enrolment decreases, etc.;

e. Restructuring costs to conclude the Applicant's CCAA proceedings which may be in the range of $6 million, or greater;

f. Repayment of the DIP Facility, which is anticipated to be in the total principal amount of $35 million, subject to Court approval of the DIP Amendment sought by the Applicant at this motion and potentially higher if additional funds are required; or

g. Payments to the Applicant's pre-filing creditors, including the Lenders who are owed amounts well in excess of $100 millionplus any claims that will arise as a result of the restructuring, such as termination and severance claims in respect of terminated employees;

54. A summary of the above analysis is attached at Appendix "**A**" to this Third Report.

55. In light of its situation, LU undertook a full review of all aspects of its operations. That review included a review of its academic programming, faculty and employee complement and reconsideration of the future viability of the relationship between LU and the Federated Universities.

56. Laurentian has limited ability to increase its revenue. Its primary sources of revenue are operating grants and student tuition. Operating grants are generally fixed by the Province and are unlikely to increase materially. The structure of the enrolment portion of operating grants results in decreases to grants if enrolment is materially lower than target but limits increases if enrolment is materially higher. Tuition fees for domestic students are frozen by regulation of the Province. Absent increases in enrolment levels, Laurentian is unable to positively impact its tuition revenue. Accordingly, LU concluded that in order to be financially viable, it was necessary for the Applicant to substantially decrease its operating costs. This included undertaking a complete review of the programs and courses offered by LU to ensure individual programs are financially sustainable.

57. As previously set out for this Court, salaries and benefits represent LU's largest single cost item. As a result of the significant cost and in light of the streamlining of the academic programs and courses offered by LU, LU determined that re-assessing its current faculty and employee complement was necessary to achieve the financial sustainability it requires.

58. The third pillar of this operational restructuring included a review of the Federated Universities model, which represents a significant loss of revenue/cost to LU. A more

detailed description of this model is set out below. As a result, and for the reasons set out below, LU determined that it is necessary to terminate the Federated Universities relationship its operational restructuring, in order to achieve its stated goal of financial sustainability.

Mediation Process

59. As a result, Mediation discussions focussed on those parties with whom LU needed to negotiate operational changes in order to drive go forward cost savings. As a result, the primary discussions included negotiations between LU and:

    a. A committee of representatives elected by the Senate (the "**Senate Sub-Committee**"), to address the academic restructuring;

    b. Each of the Federated Universities;

    c. LUFA, the bargaining unit representing the faculty; and

    d. The Laurentian University Staff Union ("**LUSU**"), the bargaining unit representing non-faculty staff.

60. All of the parties listed above actively participated in the Mediation, including attending sessions with the Court-Appointed Mediator and engaging in further negotiations without the presence of the Court-Appointed Mediator. These negotiations were intense with LU and the Monitor participating in negotiations and mediation sessions almost daily and often, over weekends and holidays.

61. In addition, several mediation sessions were held with the Applicant's primary bank lenders, Royal Bank of Canada, the Toronto-Dominion Bank and the Bank of Montreal (collectively, "**the Lenders**").

62. Finally, several other parties expressed an interest in participating in the Mediation. These requests were referred to Justice Dunphy who engaged in discussions with the parties and in some cases invited the party to submit a written brief or letter setting out their requests or areas of concern.

63. The first phase of the Applicant's restructuring efforts and the Mediation focussed on improving LU's operating cost structure, which negotiations resulted in the following:

    a. Agreement with the Senate Sub-Committee on the academic restructuring;

    b. Executed and ratified term sheets with each of LUFA and LUSU;

    c. Issued Notices of Disclaimer (as defined below) to each of the three Federated Universities; and

d. Execution of the Huntington Agreement.

64. Details with respect to each of the above are set out below.

ACADEMIC RESTRUCTURING

65. As set out in the Monitor's Pre-Filing Report, LU had a large number of programs relative to its number of students. As at the date of the CCAA filing, LU had approximately 209 different programs offered – 166 undergraduate programs (including specializations) and 43 graduate programs. While the programs that drive student demand and enrolment have evolved over the years, LU's academic program and course 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:

a. Of the 166 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;

b. Of these same 166 undergraduate programs, only 1% of students are enrolled in the bottom 25 programs and only 5% are enrolled in the bottom 50 programs;

c. 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

d. 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.

66. As set out above, LU has a bi-cameral governance structure and the Senate is responsible for the academic policy of LU necessitating the involvement of Senate in approving any changes to academic programming.

67. In order to fully participate in the Mediation, on February 9, 2021, the Senate passed a resolution appointing the Senate Sub-Committee to represent it in the Mediation. The Senate Sub-Committee was comprised of six Senators including three faculty members, two students and one member of the academic leadership group. The members of the Sub-Committee included Anglophone, Francophone and Indigenous representation. The Senate Sub-Committee retained independent legal counsel, Mario Forte of Goldman Sloan Nash & Haber LLP to advise them through the process.

68. LU's academic restructuring focussed on three areas: (a) programs to be offered; (b) courses and course sections to be offered; and (c) a faculty and department restructuring designed to increase operational efficiency and reduce cost.

69. LU's approach to the academic restructuring was guided by the principle that LU should focus on programs and courses that are either in higher demand today or will likely be in demand in the future to ensure that the suite of programs and courses LU continues to offer can be financially sustainable. It was also a key principle that LU continue to respect its mandate of being a bilingual and tri-cultural university.

70. As part of the process, LU undertook an extensive analysis of all its current programming to identify programs that are not financially viable. This analysis largely focussed on analyzing enrolment data as programs with very low enrolment are not able to cover even the direct faculty teaching cost of the program, let alone other costs of the program. The analysis also took into account the additional bilingualism grants LU receives as a result of its Francophone programming and accordingly, different criteria were used to assess English and French programs. Several other factors were also considered including whether the program contributes to the success of other related programs, obligations pursuant to the *French Language Services Act* and other factors. This resulted in a list of programs that were recommended for closure.

71. In addition to the review of low-enrollment programs, LU undertook a review of the number of courses and course sections to be offered going forward.

72. The Deans of each faculty were asked to review all of the courses offered by their faculty including the number of course sections of each course and make recommendations as to whether these courses should continue to be offered. To do so, the Deans were provided with extensive historical enrolment data with respect to each course or course section.

73. In general, courses attached to terminated programs were assumed to be recommended for closure unless they were also mandatory course for other ongoing programs or if they have very high enrolment (i.e. as a result of being taken as electives by students in other programs). For courses attached to ongoing programs, courses that are not mandatory for the program were examined from an enrolment perspective to determine whether they were viable to offer from a financial perspective or whether they could be terminated, while still leaving a reasonable offering of elective courses for students and ensuring that students could graduate from the program within a four year period.

74. With respect to the faculty and departmental restructuring, Laurentian currently has six Faculties with a Dean managing each Faculty. Within these Faculties, there are 35 schools and departments. To create greater efficiencies and reduce cost, Laurentian proposed the following changes:

a. The number of faculties is to be reduced from six to four;

b. Schools, departments or units in which all programs are proposed to be closed will also be closed; and

c. A number of remaining schools, departments or units will be merged.

75. The above changes will result in a structure with four Faculties and 11 schools, departments or units.

76. The analysis performed by LU in recommending the program and course closures and faculty and departmental restructuring was rigorous and detailed.

77. This analysis was shared with the Monitor, the Court-Appointed Mediator and the Senate Sub-Committee through the Mediation. Extensive ongoing discussions were had over the course of the Mediation in which the Senate Sub-Committee raised a series of questions and provided input on LU's recommendations resulting in further analysis and follow up by LU. The Monitor was present during all of these discussions.

78. The Senate Sub-Committee spent significant amounts of time throughout this period analyzing the data in detail and considering the academic restructuring needs of LU to provide fulsome input. The Senate Sub-Committee's review considered a number of key factors including balancing English and French language offerings and indigenous offerings, consistent with the mandate of LU, amongst other factors. The Monitor was actively involved in the discussions and review of the reports and information exchanged and commends both the Senate Sub Committee and LU for their collective efforts. It is the Monitor's view that the input of the Senate Sub-Committee was not based on individual members' personal interests or views but clearly reflected an independent and objective view that was consistent with and accepted the guiding principle that LU should only offer programs and course with sufficient demand and which permit LU to be financially viable, while protecting the bilingual and tricultural mandate.

79. This process resulted in a finalized list of program and course closures and faculty and departmental restructuring that was approved and supported by the Senate Sub-Committee.

80. On April 6, 2021, the proposed program closure and the faculty and departmental restructuring was brought before the full Senate for approval. The Senate Sub-Committee supported the motion. On this date, the Senate passed a resolution approving the changes as proposed.

81. The program closures include 38 English-language undergraduate programs and 27 French-language undergraduate programs. This means that LU will continue to offer 63 remaining English-language undergraduate programs and 38 remaining French-language undergraduate programs.

82. Although the number of programs identified for closure represents 39% of the total undergraduate programs offered by LU, only approximately 7.5% of LU's current undergraduate students will be affected by the closure of these programs, either directly or indirectly. This represents approximately 772 undergraduate students (557 in English-language programs and 215 in French-language programs). Further, only a subset of the affected undergraduate students will be wholly affected in the sense that their program is closed and there may be no program at LU that they would consider switching over to (for example, midwifery or radiation therapy). Some of the affected students will be partially affected. That could include, as an example, a student who is currently enrolled in a double major and one program is closed while the other will continue to be offered.

83. In addition, LU will close 11 graduate programs (4 in French; 7 in English). This will impact approximately 3.7% of the current graduate student enrollment.

84. A fundamental concern of LU was minimizing disruption to its existing students. As set out above, while there has been much focus on the percentage of programs to be closed (which is 39%), the resulting number of students impacted (which is 7.5%) means that the disruption is minimized. LU is committed to ensuring that each of its students has an academic path towards completion of a degree and has worked diligently to identify those paths for all affected students. The Second Haché Affidavit sets out some of the steps taken to support students through this process.

TERM SHEET WITH LUFA

85. As set out in the Monitor's Pre-Filing Report, at the commencement of the CCAA proceedings, approximately 612 employees were represented by LUFA including 355 full-time faculty, many of whom had tenure pursuant to the collective agreement, 252 sessional faculty or health care professionals and 5 full-time counsellors. The number of sessional employees varies from term to term depending on need.

86. Also as set out in the Monitor's Pre-Filing Report, faculty represented approximately 60% of operating salaries and benefits (excluding research and SNOLab/MIRARCO related salaries and benefits) paid by LU. Therefore, the LUFA CA governs the biggest expense of LU.

87. 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.

88. Prior to the commencement of the CCAA proceedings, LU and LUFA were engaged in discussions with respect to a new collective bargaining agreement since April 2020. In addition, there were 102 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.

89. Shortly after the issuance of the Mediator Appointment Order, LU and representatives of LUFA commenced negotiations under the direction of the Court-Appointed Mediator.

90. The LUFA negotiations included the following areas of focus:

a. Faculty complement – the academic restructuring set out above and the necessity for cost reductions for LU to achieve financial sustainability meant that a substantial reduction in the number of faculty was needed;

b. A new LUFA CA – the parties worked to agree to terms of a new collective agreement to succeed the expired collective agreement;

c. Pension arrangements – the parties negotiated amendments to LU's pension plan arrangements for all employee groups to minimize the risk of future special payments; and

d. Grievances – the parties discussed the resolution of the outstanding grievances.

91. For two months, LU and LUFA actively participated in the Mediation and engaged in negotiations with the assistance of the Court-Appointed Mediator and in separate discussions with LU. The Monitor both observed and assisted in the process. Once again, the commitment and effort made by the parties in the Mediation negotiations was extensive.

92. On April 7, 2021, LU and LUFA signed a term sheet (the "**LUFA Term Sheet**") setting out the key terms and conditions agreed to by the parties. A redacted copy of the LUFA Term Sheet is attached as Exhibit "H" to the Second Haché Affidavit. The redactions are to protect the names of individual faculty members whose positions were made redundant.

93. The key terms of the LUFA Term Sheet are as follows:

a. LU and LUFA agreed a new collective agreement with a five-year term expiring on June 30, 2025;

b. 116 full-time faculty positions and 1 counsellor position were declared redundant some of which have or are to be achieved through voluntary resignations and others which are to be effected through termination of employment;

c. Faculty members who were identified to be terminated and who are teaching courses in the current winter 2021 academic term have an effective termination date of May 15, 2021 to allow for marking of final exams, papers, and communicating grades;

d. Faculty members who were identified to be terminated and who are not teaching courses in the current winter 2021 academic term have an effective termination date of April 30, 2021;

e. Faculty members who elected early retirement by a specified date will receive certain non-financial incentives;

f. Faculty members' salary will decrease by 5% effective May 1, 2021 and a schedule for further salary changes during the life of the new LUFA CA was agreed;

g. Faculty members will each take five unpaid furlough days during the 2021-22, 2022-23, and 2023-24 academic years, resulting in further costs savings for LU;

h. Workload for faculty members in the Science, Engineering, and Architecture Faculty is increased from 12 credits to 15 credits, consistent with the workload of faculty members in other Faculties;

i. The tuition exemption will only apply to active employees and dependents and no longer be available to former employees;

j. Certain gym benefits will be eliminated;

k. Other amendments will be made to terms of the LUFA CA;

l. Certain terms of the collective agreement not agreed by the parties will be decided by binding arbitration to occur no later than June 18, 2021;

m. Pre-CCAA grievances will be determined with the assistance of the Monitor, Court-Appointed Mediator and/or a third-party mediator by no later than May 31, 2021, including the determination of any associated monetary amounts which shall be treated as pre-filing claims to be resolved through a plan of compromise or arrangement; and

n. Changes will be made to LU's pension and post-employment benefits as further described below.

94. On April 12, 2021, LU provided notice to the faculty members identified to be terminated and on April 13, 2021, the LUFA Term Sheet was ratified in a vote by the LUFA members.

TERM SHEET WITH LUSU

95. As set out in the Monitor's Pre-Filing Report, at the commencement of the CCAA proceedings, approximately 268 employees were represented by LUSU. That included all employees of LU in clerical, technical, administrative, service and security positions.

96. On July 1, 2018, LUSU and LU entered into a collective agreement that was set to expire on June 30, 2021. In light of the financial challenges of LU, LUSU agreed in the summer of 2020 to open the existing agreement early for negotiation. Those negotiations resulted in the ratification of a collective agreement that expires on June 30, 2024 (the "**LUSU CA**") and that achieved the following:

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

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

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

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

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

    f. 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.

97. The furlough days negotiated in 2020 provided LU with a one-time cash payment of $450,000, directly from 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.

98. Following the commencement of the CCAA proceedings and concurrently with the LUFA negotiations, LU and LUSU participated actively in the Mediation engaging in negotiations both with the assistance of the Court-Appointed Mediator and in separate discussions with LU. The Monitor both observed and assisted in the process.

99. The focus of the LUSU Mediation was in respect of reductions in LUSU positions and amendments to pension arrangements. These negotiations were with the aim of achieving cost reductions to allow LU to achieve financial sustainability and to effect the changes required following the academic restructuring and the reduction in faculty. The negotiations acknowledged the changes agreed in the summer of 2020.

100. On April 5, 2021, following intensive negotiation, LU and LUSU entered into a term sheet (the "**LUSU Term Sheet**") setting out the key terms and conditions agreed to in the

negotiations. A redacted copy of the LUSU Term Sheet is attached as Exhibit "I" to the Second Haché Affidavit. The redactions are to protect the names of individual faculty members whose positions were made redundant.

101. The key terms of the LUSU Term Sheet are as follows:

a. 42 LUSU members will be terminated with an effective termination date of April 30, 2021;

b. The terminated LUSU members will have preferential recall rights for a two-year period following the date of termination;

c. The tuition exemption in the LUSU CA will only apply to active employees and dependents and no longer be available to former employees;

d. Certain gym benefits will be eliminated; and

e. Changes will be made to LU's pension and post-employment benefits as further described below.

102. On April 12, 2021, LU provided notice to the affected LUSU Members that their employment was being terminated and on April 13, 2021, the LUSU Term Sheet was ratified in a vote by the LUSU members.

NON-UNIONIZED EMPLOYEES

103. As set out in the Monitor's Pre-Filing Report, at the commencement of the CCAA proceedings, the remainder of LU's full-time employees that are not represented by a union included 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.

104. In addition to the termination of LUFA and LUSU positions, LU reviewed all non-union positions and identified a number of positions that could be consolidated or eliminated. This resulted in the elimination of 37 non-union positions (24 of which were management and executive positions). Certain of these positions were as a result of implementing the Faculty and department restructuring described above.

105. In addition, LU intends to make changes to compensation and benefits for non-union employees to reflect certain common amendments agreed in the LUFA Term Sheet and the LUSU Term Sheet. These include:

a. A 3% salary roll-back implemented in 2020 will be continued and further planned salary rollbacks will occur to ensure equitable distribution of salary reductions between LUFA, LUAPS and LU's senior leadership group;

b. The tuition exemption that is consistent with the LUFA CA and LUSU CA will only apply to active employees and dependents and no longer be available to former employees;

c. Certain gym benefits will be eliminated; and

d. Changes will be made to LU's pension and post-retirement benefits as further described below.

106. On April 12, 2021, LU provided notice to the affected non-union employees whose positions were made redundant. On this date, notice of termination was also provided to the Vice-President, Administration.

PENSION AND POST-EMPLOYMENT BENEFITS

Background

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

108. The SuRP and RHBP are currently unfunded. Payments pursuant to the SuRP and RHBP have been stayed in accordance with the terms of the Amended & Restated Initial Order.

109. The DB Pension Plan is a plan registered with the Financial Services Regulatory Authority of Ontario ("**FSRA**") under the Ontario *Pension Benefits Act* R.S.O. 1990, c. P.8 (the "**PBA**") and related regulations (the "**Regulations**") and the Income Tax Act. LU is the sponsor and administrator of the DB Pension Plan. The DB Pension Plan is open to all eligible employees of LU along with eligible employees of the Federated Universities, SNOLab, MIRARCO and CEMI.

110. Current service contributions to the DB Pension Plan have continued to be made by LU since February 1, 2021. Current service contributions and going concern special payments to the DB Pension Plan have continued to be made by or in respect of the other participating employers since February 1, 2021.

111. There are currently 406 individuals collecting a lifetime pension from the DB Pension Plan. Prior to the implementation of the terminations provided for as set out above, there were 981 active members contributing to the DB Pension Plan but not yet collecting a benefit. In addition, 544 members have deferred (or former member) status, meaning they have left employment with their employer 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.

112. The most recent actuarial valuation of the DB Pension Plan was made as of January 1, 2020 and filed in December 2020. Pursuant to this actuarial valuation, the DB Pension Plan was 104.7% funded on a going concern basis excluding the provision for adverse deviation and 99.0% funded on a going concern basis including the provision for adverse deviation, representing a going concern deficiency of approximately $4.5 million. The DB pension Plan was 85.4% funded on a solvency basis resulting in a $75.3 million solvency deficit and 65.8% (the "**Transfer Ratio**") funded on a hypothetical wind-up basis resulting in a $237.3 million hypothetical wind-up deficit.

113. Pursuant to the PBA and Regulations, the going concern 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). As a result, the actuary concluded that an annual special payment of $505,000 was required to be made, payable in monthly instalments of approximately $42,083. Pursuant to the Amended & Restated Initial Order, LU's portion of these payments has been stayed. There are currently no special payments required in respect of the solvency deficit.

114. The actuarial valuation also 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. As a result, total current service contributions of approximately 15.75% of pensionable earnings are currently required, which is comprised of approximately 7.41% of employee contributions and 8.34% of employer contributions. Currently, LU makes monthly payments in respect of LU and SNOLab, MIRARCO and CEMI employees (which are reimbursed to LU). The Federated Universities make payments in respect of their employees.

115. On March 17, 2021, the Court granted the Pension Order which among other things provided that LU shall apply a transfer ratio of 65.8% for any commuted value transfer requests by any individual who had received a retirement or termination statement and election form and for whom such transfers had not yet been made. This affected 27 individuals (the "**Interim CV Applicants**").

116. Pursuant to the Pension Order, each of the Interim CV Applicants was subsequently provided with a copy of the Pension Order and an updated pension statement and options package reflecting the application of the 65.8% transfer ratio in respect of commuted value transfers. The Interim CV Applicants were invited to make a revised election for either (a) a commuted value transfer; or (b) an immediate or deferred pension. Interim CV Applicants were advised that they had 30 days in which to make such an election, failing which they would be deemed to have withdrawn any prior request for commuted value transfer and shall retain the right to a deferred pension. The deadline for the Interim CV Applicants to make the election was April 19, 2021.

117. The Monitor understands that as of April 16, 2021, 16 of the 27 individuals had made or confirmed a revised election.

DB Pension Plan Amendments

118. As set out above, the most recent actuarial valuation of the DB Pension Plan reflected a significant solvency deficit and hypothetical wind-up deficit. As a result, as part of LU's negotiations in the Mediation with LUFA and LUSU, LU sought amendments to the DB Pension Plan to ensure that it would be sustainable moving forward and to minimize the risk that LU's funding obligations in the future would jeopardize LU's financial viability.

119. In connection with the Mediation, the DB Pension Plan's actuary, Eckler, undertook comprehensive modelling to assess what potential changes might be required to ensure that LU contributions to the DB Pension Plan are predictable, to limit the risk of special payments arising in the future and to ensure the DB Pension Plan's long-term sustainability.

120. The DB Pension Plan amendments that were formulated based on the Eckler modelling include changes to the availability of commuted value transfers, changes to the DB Pension Plan benefit formula described below, and associated changes to the DB Pension Plan's governance structure. These changes are set out in a term sheet dated April 7, 2021 between LU and each of LUFA and LUSU (the "**Pension Term Sheet**"), which forms part of the LUFA Term Sheet and LUSU Term Sheet.

121. While negotiated with LUFA and LUSU, the DB Pension Plan amendments will be made to the DB Pension Plan as a whole and therefore will apply to all members including non-union employees and employees of the other entities participating in the DB Pension Plan.

122. Pursuant to the Pension Term Sheet, the DB Pension Plan will be amended as follows:

a. Commuted Value Transfers - Commuted value transfer payments will cease to be available to terminated members who have attained their early retirement date (the first day of July coincident with or next following their 55th birthday) upon leaving employment. For terminated members who have not attained their early retirement date, there will be a one-time opportunity to elect a commuted value transfer in accordance with PBA requirements.

Certain transitional measures were put in place: (i) LU faculty members who provided an irrevocable notice of intention to retire pursuant to a one-time retirement incentive offered prior to the execution of the LUFA Term Sheet are able to elect to receive a commuted value transfer regardless of their age, provided the election is made before May 15, 2021, and (ii) current deferred vested members, who were advised at the time of their resignation / termination that they could elect a commuted value transfer at any time in the future will be given a one-time option to elect a commuted value transfer.

b. Modified Early Retirement Provisions - Currently, the DB Pension Plan allows all members to retire on an unreduced early retirement pension at age 62. If a member retires before that, their pension is reduced by 0.5% per month from age 62. The age 62 early retirement date is eliminated for LUFA members, Senior Leaders and Designated Executives effective July 1, 2021. Effective July 1, 2021, if these members retire early, their pension entitlements will be actuarially reduced from their normal retirement date. LUSU members and other employees who participate in the DB Pension Plan will continue to be eligible for unreduced early retirement at age 62, but if they retire earlier than that, their pension will be actuarially reduced from age 62.

c. Receipt of Pension While Employed - Effective July 1, 2021, members of the DB Pension Plan will no longer be entitled to commence receipt of their pension from the DB Pension Plan while employed after their normal retirement date, except as required under the Income Tax Regulations C.R.C., c. 945 ("**ITR**").

d. Freeze Best Average Pensionable Earnings - Currently, members' defined benefit pension entitlements are calculated using "Best Average Pensionable Earnings" which is the average of a member's five highest earnings years. The DB Pension Plan will be amended to freeze Best Average Pensionable Earnings on June 30, 2021.

e. Career Average Earnings Benefit Formula & Integration with Enhanced CPP - Effective July 1, 2021, members will accrue benefits based on a career average earnings formula (i.e. calculations will be based on pensionable earnings in each year of credited service). Members' benefits will be integrated with the increased pensionable earnings ceiling under the enhanced Canada Pension Plan, in advance of the Canada Pension Plan enhancement being fully implemented in 2025.

f. Post-Retirement Indexation - For service on and after July 1, 2021, post-retirement indexation will not be provided unless granted in accordance with a new Benefits and Funding Policy as described below.

g. Contributions - Starting July 1, 2021, members will contribute an average of 8% of pensionable earnings to the DB Pension Plan. LU will also contribute a minimum of 8% of pensionable earnings to the DB Pension Plan.

h. Benefits and Funding Policy - The Pension Term Sheet includes the key terms of a new Benefits and Funding Policy which will govern the financial management of the DB Pension Plan including how contributions to the DB Pension Plan are used to build reserves and grant benefit improvements to members. Under the Benefits and Funding Policy, benefit improvements may only be granted if: (i) the DB Pension Plan is at least 95% funded on a solvency basis; (ii) the DB Pension Plan is at least 105% funded on a going concern basis, including provision for adverse deviation, (iii) the granting of any benefit improvement does not cause the funded status of the DB Pension Plan to fall below 90% on a solvency basis or 103% on a going concern basis, including provision for adverse deviation, and (iv) the benefit improvement poses a low risk of requiring total contributions to exceed 16% of pay. No benefit improvements can be granted until at least July 1, 2025 so that reserves can build in and help stabilize the DB Pension Plan.

123. The Pension Term Sheet also provides for the establishment of a new Joint Committee on the Benefits and Funding Policy and Long-Term Sustainability (the "**Joint Committee**"). The mandate of the Joint Committee is to: (a) monitor and advise LU's Pension Committee on the administration and implementation of the Benefits and Funding Policy, and (b) study possible long-term sustainability options for the DB Pension Plan.

124. The Pension Term Sheet also provides for changes to the membership and terms of reference of LU's Pension Committee to incorporate the Benefits and Funding Policy and Joint Committee into its governance structure and remove representation of the Federated Universities on the Pension Committee.

125. LU is in the process of preparing the amendments to the DB Pension Plan to give effect to the changes described above. LU intends to file DB Pension Plan amendments to address the changes described in paragraph 122 (a) with FSRA and Canada Revenue Agency prior to May 1, 2021 and DB Pension Plan amendments to address the changes described in paragraphs 122 (b) through (g) prior to July 1, 2021. DB Pension Plan amendments required discussion with LU's Pension Committee and adoption by the Finance Committee and Board of Governors.

SuRP

126. 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 qualified for the SuRP were automatically included in the plan and received either an annual or monthly payment. There are also two individual SuRPs in respect of which this section of the Report applies equally.

127. All of the SuRP obligations are unfunded. Historically, LU 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.

128. All payments from the SuRP ceased on February 1, 2021, as a result of the CCAA stay of proceedings.

129. The LUFA Term Sheet and LUSU Term Sheet provide that all SuRPs will be immediately terminated. Accrued obligations will be dealt with in a plan of compromise or arrangement. No additional obligations will accrue going forward given the termination of the SuRP. SuRP arrangements in respect of current or former non-union employees will also be terminated.

RHBP

130. As set out in the Monitor's Pre-Filing Report, since 1998, LU has provided the RHBP to eligible employees. In addition to LU employees, the RHBP has been 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 and surviving spouses who are eligible to collect benefits.

131. To be eligible to participate in the RHBP, employees had to satisfy the following conditions:

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

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

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

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

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

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

134. The RHBP Policy that had been communicated to employees provided that LU would 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.

135. Rather than establishing a separate trust account, LU 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. As at April 30, 2020, the accrued benefit obligation in respect of the RHBP was estimated at $7.2 million.

136. In December 2020, pursuant to a direction of the Board of Governors, LU began segregating RHBP contributions.

137. The LUFA Term Sheet and LUSU Term Sheet provide that the RHBP will be immediately terminated. The termination of the RHBP means that it will also no longer be available to all other participants including LU's current or former non-union employees and current or former employees of the Federated Universities, SNOLab, MIRARCO and CEMI.

138. LU is currently working to refund employee contributions made to the RHBP and placed in the segregated account since it was established in December 2020. This will include a refund of contributions made by employees of the Federated Universities and employees of the other affiliated entities.

MONITOR'S COMMENTS ON RESTRUCTURING EFFORTS TO DATE

139. As set out above, the quantum of savings required for LU to potentially achieve financial sustainability is formidable. The Monitor recognizes that achieving such savings has significant impacts for many stakeholders. The restructuring of academic programming, while focussed on low enrolment programs, will still affect students, faculty, employees and other stakeholders. The Monitor also recognizes that despite the difficulty of the situation, both LUFA and LUSU acknowledged the significance of the challenges faced by LU and worked constructively with LU through the Mediation to find solutions.

140. While these solutions have required considerable sacrifice on the behalf of LUFA and LUSU members, they understood the difficult decisions that must be made with a view to preserving LU as an important part of the Sudbury community and protecting students and remaining faculty and employees. The Monitor also notes that while not directly involved in the Mediation, material sacrifices are also being made by the non-union employee group including senior management.

141. While the net estimated savings achieved to date is significant, LU still requires additional savings in order to potentially achieve a successful restructuring. Resolution was not achieved with two of the Federated Universities and this model must be addressed to maximize the opportunity for a successful restructuring. LU will also need to address the repayment of the DIP Facility and develop a viable plan of compromise or arrangement to address the significant claims of its creditors.

FEDERATED UNIVERSITIES

<u>Background</u>

142. As described in the Monitor's Pre-Filing Report, LU has a federated school structure whereby it has formal affiliations with the Federated Universities: SU, Huntington and Thorneloe.

143. 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.

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

145. 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.

146. LU and the Federated Universities are affiliated through a variety of historical relationships and contractual arrangements. Each of the Federated Universities is a separate legal entity and each is governed by a board of governors independent of LU.

147. The Federated Universities do not admit or register their own students, nor do they grant their own degrees (with the exception of Theology at Huntington and Thorneloe). All Federated University programs and courses are offered through LU, and all students apply to LU. Students who enroll in a program at LU may take elective courses 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 are 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 and Thorneloe). For students, since credit is granted for courses towards their degree from LU regardless of whether the course is offered by LU or the Federated Universities, there is no distinction between being enrolled in a program or course at LU or one of the Federated Universities. LU provides certain services to the Federated Universities, however, each of the Federated Universities is separately governed and manages its finances separately from LU and each other.

148. The Federated Universities do not currently have the ability to confer degrees, and they do not receive and are not eligible to receive operating grants directly from the Province. With the exception of $1.2 million of special purpose-francophone grants specifically allocated by the Province to SU, Laurentian does not receive grant funding that is in any way designated for the Federated Universities. The structure of grant funding is complex but in general involves three categories of grant funding:

a. Core enrolment-based grants which are based upon enrolment (weighted to account for discipline) falling within a targeted "corridor" or range. Enrolment is measured considering all LU students, with no specific allocation for students who enrol in programs or take courses through the Federated Universities;

b. Differentiation-based grants which are based upon meeting certain performance metrics and targets as set out in the Strategic Mandate Agreement 3 ("**SMA3**") between LU and the Province; and

c. Special purpose grants for certain priorities such as northern university grants, bilingualism grants and access grants.

149. Pursuant to SMA 3, the current government grant structure provides that over the next five years, the proportion of core enrolment-based funding will significantly decline with the proportion of differentiation-based funding increasing. The result of this is that funding will be largely weighted to meeting performance metrics and targets established by the government to be important and less weighted on any enrolment basis.

150. Similarly, as all students are students of LU regardless of whether they are enrolled in programs or take courses at one of the Federated Universities, the Federated Universities do not directly bill or collect tuition. Students cannot apply directly to the Federated Universities for admission into any programs (with the exception of Theology at Huntington and Thorneloe) nor can they register directly with the Federated Universities for courses. Students apply to LU regardless of program. LU manages admission.

Students are billed tuition by LU. Students then choose courses from an LU course catalog which includes courses offered through the Federated Universities.

151. While LU does not receive grant revenue or tuition revenue that is directly intended for the benefit of the Federated Universities (other than $1.2 million for SU as described above), LU and the Federated Universities have certain financial agreements in place pursuant to which LU receives, allocates and distributes a portion of LU's revenue to the Federated Universities in accordance with a funding formula (the "**Federated Funding Formula**"). Through this Federated Funding Formula, LU compensates the Federated Universities for delivering programs and services to LU students. The key terms of the Federated Funding Formula include the following:

a. A portion of provincial grants received by LU are distributed to the Federated Universities based on the proportion of students enrolled in the Federated Universities' programs;

b. A portion of tuition fees received by LU are distributed to the Federated Universities based upon student enrolment in courses offered through the Federated Universities; and

c. 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).

152. Each of the Federated Universities owns certain buildings on land that is owned by LU and leased to the Federated University by LU. LU provides a number of non-academic services to the Federated Universities, which include but are not limited to: (a) student fee collection and accounting; (b) central computing services; (c) administration of all pension and employee benefits; (d) campus security; and (e) student support services.

153. Most of the faculty of the Federated Universities are represented by the same labour union as LU's faculty, LUFA, but each of the Federated Universities has their own collective agreement with LUFA.

154. 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.

Mediation and Notices of Disclaimers

155. Shortly after the issuance of the Mediator Appointment Order, LU and the Federated Universities commenced extensive negotiations. The focus of this aspect of the Mediation was to seek a consensual resolution to the termination of LU's current relationship with the Federated Universities with a view to exploring terms that would allow the historical legacy and identities of the Federated Universities to be maintained, while allowing LU to become financially sustainable.

156. After several weeks of Mediation, the parties were unsuccessful in reaching a consensual resolution. Accordingly, on April 1, 2021, with the approval of the Monitor, LU delivered Notices to Disclaim or Resiliate to each of the Federated Universities pursuant to section 32 of the CCAA (the "**Notices of Disclaimer**"). The Notices of Disclaimer disclaim the Federation Agreements and the Financial Distribution Notices with each of the Federated Universities and, subject to the outcome of the motions brought by SU and Thorneloe, will become effective on May 1, 2021. Copies of the Notices of Disclaimer to SU, Thorneloe, and Huntington are attached as Exhibits "L", "M", and "N" to the Second Haché Affidavit.

Huntington

157. Subsequent to the issuance of the Notice of Disclaimer to Huntington, LU and Huntington continued negotiations with a view to achieving a consensual resolution.

158. On April 5, 2021, LU and Huntington entered into a term sheet setting out the terms of a consensual resolution and providing that the parties would enter into definitive documentation. On April 16, 2021, LU and Huntington entered into a transition agreement (the "**Huntington Transition Agreement**") formalizing the terms contained in the term sheet between LU and Huntington. A copy of the Huntington Transition Agreement is attached as Exhibit "Q" to the Second Haché Affidavit.

159. The Huntington Transition Agreement includes the following terms:

a. Huntington will not oppose the Notice of Disclaimer;

b. Huntington will cease to have the ability or responsibility to deliver academic courses or programs as credit towards LU degrees, and LU will no longer transfer funding to Huntington on any basis;

c. If Thorneloe and/or SU are permitted to continue to receive funding from LU to teach courses or programs and receive funding from LU, Huntington shall be similarly entitled, at its election;

d. Huntington's current courses and programs will be discontinued by LU and LU will offer affected students enrollment in other courses or programs offered by LU;

e. Huntington will transfer to LU its rights relating to the Gerontology program in consideration for LU's assumption of Huntington's retiree wind-up liabilities under the DB Pension Plan;

f. Huntington will pay the amount of $1,200,000 into the DB Pension Plan in respect of the wind-up deficit for its active and deferred members by no later than June 30, 2021, which amount will be notionally segregated for the benefit of such Huntington members until such time as Huntington former members who elect to receive commuted value transfer payments receive their final installment of such commuted value payments. Upon receipt of the $1,200,000 payment and the transfer of the Gerontology program, Huntington will receive a release from LU for its obligations under the DB Pension Plan;

g. Huntington will cease to be a participating employer in the DB Pension Plan and the RHBP effective on June 30, 2021;

h. Huntington will continue to maintain its building and related facilities for its own benefit and use on LU's land. In turn, LU agrees that the Huntington Transition Agreement and the terms thereof do not trigger the termination rights under the Indenture; and

i. LU will continue to provide certain services to Huntington with the amount to be paid by Huntington for those services to be agreed by the parties.

160. The Huntington Transition Agreement results in LU ceasing to pay Huntington to teach programs and courses, thereby retaining its grant and tuition revenue. It includes LU and Huntington working cooperatively to allow Huntington to continue to have a presence on campus through the operation of a student residence and preserve its historic legacy.

University of Sudbury

161. On March 12, 2021, SU made a public announcement, in collaboration with the AFO, that SU's Board of Regents had passed a Resolution declaring that SU would become a Francophone-only university.

162. As stated above, on April 1, 2021, LU delivered a Notice of Disclaimer to SU.

163. On April 12, 2021, SU sent a letter to LU requesting that all French-language programs offered by LU be transferred to SU. The same day, LU's counsel responded to SU indicating that LU was fully committed to its status as a bilingual and tri-cultural institution providing academic programs in both English and French, and therefore would not be transferring any French-language programs to SU.

164. On April 14, 2021, SU delivered a Motion Record opposing the Notice of Disclaimer issued to SU (the "**SU Disclaimer Motion**"). A supplemental affidavit was served on April 18, 2021 and a further supplemental affidavit was served on April 23, 2021.

165. As SU requested a bilingual hearing, following a schedule set at a case conference held on April 20, 2021, the SU Disclaimer Motion will proceed before Justice Gilmore on April 30, 2021.

166. Among other things, the SU Disclaimer Motion cites the following arguments in opposition to the disclaimer:

a. The disclaimer will likely cause significant financial hardship for SU;

b. LU is not acting in good faith; and

c. The disclaimer will not enhance the prospects of a viable compromise being made by LU.

<u>Thorneloe</u>

167. As stated above, on April 1, 2021, LU delivered a Notice of Disclaimer to Thorneloe. On April 15, 2021, Thorneloe delivered a Motion Record opposing the Notice of Disclaimer issued to Thorneloe (the "**Thorneloe Disclaimer Motion**", and collectively with the SU Disclaimer Motion, the "**Disclaimer Motions**"). On April 19, 2021, Thorneloe served a Supplementary Motion Record containing two additional affidavits and on April 22, 2021, Thorneloe and SU served a Joint Cross-Motion.

168. Among other things, the Thorneloe Disclaimer Motion cites the following arguments in opposition to the disclaimer:

a. Thorneloe did not cause LU's financial problems;

b. The disclaimer will result in significant financial hardship for Thorneloe and result in Thorneloe having to make an insolvency filing pursuant to the CCAA or*Bankruptcy and Insolvency Act*;

c. Thorneloe is immaterial to LU and therefore, the disclaimer would not result in a material improvement to LU's financial situation;

d. The relationship between LU and Thorneloe is not a commercial relationship to which the disclaimer provisions of the CCAA were intended to apply; and

e. LU is acting in bad faith contrary to section 18.6 of the CCAA.

Monitor's Comments

169. The Monitor approved the issuance of the Notices of Disclaimer. For the reasons outlined below, it is the Monitor's view that the Notices of Disclaimer will enhance the prospects of a viable compromise or arrangement being made in respect of the Applicant. In fact, it is the Monitor's view that without the Notices of Disclaimer, the Applicant is unlikely to be able to complete a viable plan of compromise or arrangement.

170. As set out above, the restructuring initiatives to date have resulted in the elimination of close to 200 faculty and employee positions. The estimated annual savings from these reductions, net of any anticipated revenue loss from the academic restructuring is estimated to be approximately $30.3 million growing to $33.5 million over the next few years. A summary of the impact of the savings on LU's forecast deficit is attached at Appendix "**B**" to this Third Report.

171. LU has and continues to review its other cost items, however, many of the remaining cost elements are fixed (i.e. occupancy costs such as utilities, property taxes and insurance) or have little room for discretionary reduction without significantly impacting students and the ability to maintain revenue (i.e. scholarships, library subscriptions, computer and software costs).

172. While the net estimated savings achieved to date is significant and addresses the Applicant's operational deficit, it is unlikely to be sufficient to cover among other items: (a) the repayment of the DIP Facility (even if refinanced over time) and (b) payment of distributions to creditors pursuant to a plan of compromise or arrangement in connection with the compromise of their claims.

173. As a not-for-profit, LU is unable to issue equity to creditors. It has no or limited ability to service additional debt beyond the refinancing of the DIP. As set out above, LU has limited opportunity to drive increased revenue. Therefore, LU must, through its restructuring, generate sufficient savings to provide for the ability to make payments over time to its creditors in in partial satisfaction of their claims. The savings generated to date through the LUFA Term Sheet, LUSU Term Sheet and non-union employee savings represent a significant component of the required savings, but not the entirety.

174. The Federated Universities model represents a significant cost to LU. In Fiscal 2020, LU transferred approximately $7.7 million to the Federated Universities as a result of LU students taking programs and courses offered through the Federated Universities. This included the transfer of approximately $3.5 million of grants received by LU, $5.3 million in net tuition collected from LU students and $0.3 million in material fees in respect of Federated Universities courses all offset by a 15% service fee of approximately $1.4 million. A summary of LU's payments to the Federated Universities is attached hereto as Appendix "**C**".

175. The Monitor understands that the majority of the funds transferred to the Federated Universities relates to the delivery by the Federated Universities of elective courses taken by students enrolled in LU programs as opposed to students enrolled in programs offered through the Federated Universities.

176. In conducting its review of its academic offerings and operational restructuring model, LU determined that it has the ability and capacity to offer a comprehensive list of programs and courses to LU students from the suite of programs and courses delivered by LU faculty in the absence of continuing the Federated Universities relationship. As a result, LU determined that it could retain the vast majority of the funds transferred to the Federated Universities and continue to support students without incurring those incremental costs.

177. As a result, LU is of the view that savings estimated in the range of $7.1 to $7.3 million annually can be generated through the disclaimer of the Federated Universities as part of this restructuring.

178. The Monitor recognizes the potential financial hardship that the Notices of Disclaimer may have for the Federated Universities. However, given the additional savings required for LU to have a reasonable opportunity to put forward a viable plan of compromise or arrangement and effect a successful restructuring, the Monitor is of the view that the disclaimer of the Federated Universities agreements is necessary.

ACTUAL RECEIPTS AND DISBURSEMENTS

179. The Amended and Restated Initial Order approved the DIP Facility on terms set out in a term sheet executed by the Applicant and Firm Capital Mortgage Fund Inc. (the "**DIP Lender**") and to be set out in a definitive agreement (the "**DIP Agreement**"). The DIP Agreement was executed by the parties on February 10, 2021, and two draws pursuant to the DIP Agreement were made on February 16 and March 26, 2021.

180. The Applicant's weekly cash flow forecast for the period from March 6, 2021 to April 30, 2021 (the "**Cash Flow Forecast**") was appended to the Second Report.

181. Attached at Appendix "**D**" to this Third Report is a summary of the Applicant's actual receipts and disbursements for the Reporting Period. Appendix "**E**" to this Third Report contains a variance analysis with respect to some of the larger variances from the Cash Flow Forecast.

182. The Applicants had net disbursements of approximately $3.2 million during the Reporting Period net of $3.6 million in receipts from restricted funds directed to the Segregated Accounts and $0.2 million in reimbursements from the Segregated Accounts. The

Applicant made a draw of $15 million against the $25 million DIP Facility available pursuant to the DIP Agreement.

183. Net receipts were $17.1 million vs. a previous forecast of $11.1 million. Approximately $1.3 million of the $6.0 million variance relates to a permanent positive difference resulting from the collection of a number of miscellaneous receivables that were not forecast. The remaining $4.7 million is a timing difference as a result of earlier than forecast collection of grants, student amounts, reimbursements and other receipts.

184. Net disbursements were $20.3 million compared to a forecasted amount of $32.3 million resulting in a positive variance of $12.0 million. The majority of this difference relates to certain delays in processing invoices as well as the deferral of expenditures where possible as a result of the previous uncertainty around whether LU would be able to continue operations post April 30, 2021. Given the current status of efforts to reduce costs and the Applicant's request for an extension of the stay of proceedings, it is expected that the majority of these expenditures will resume in the coming weeks.

185. Overall, while the Applicant's actual net cash inflow was materially better than forecast, although much of this is timing and expected to reverse in the next few months.

REVISED CASH FLOW FORECAST

186. The Revised Cash Flow Forecast, attached as Appendix "**F**" to this Third Report, has been prepared by Management, using the probable and hypothetical assumptions set out in the notes to the Revised Cash Flow Forecast (the "**Assumptions**") and represents the estimates of Management of the projected cash flow during the Forecast Period on a weekly basis.

187. The Revised 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.

188. The Monitor has reviewed the Revised Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings.

189. Pursuant to this standard, the Monitor's review of the Revised 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 Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Revised Cash Flow Forecast. The Monitor also reviewed the support provided by

Management for the Assumptions and the preparation and presentation of the Revised Cash Flow Forecast.

190. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:

   a. The Assumptions are not consistent with the purpose of the Revised Cash Flow Forecast;

   b. As at the date of this Third Report, the Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Revised Cash Flow Forecast, given the Assumptions; or

   c. The Revised Cash Flow Forecast does not reflect the Assumptions.

191. The Revised Cash Flow Forecast projects that during the Forecast Period, the Applicant will have estimated total combined receipts of approximately $56.0 million, net of $4.0 million in receipts from restricted funds to be directed to the Segregated Accounts. Estimated total combined disbursements are forecast to be approximately $82.7 million, net of reimbursements from the Segregated Accounts of $5.2 million. This results in projected net cash outflow (net of Segregated Account activity) of approximately $26.7 million. The Applicant projects that it will need to draw the full $10 million of additional financing pursuant to the proposed DIP Amendment. The Revised Cash Flow Forecast projects that with the increase in the DIP facility, LU will have access to sufficient liquidity during the Forecast Period.

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

   a. Academic teaching operations, the provision of ancillary services and certain in-process research activity continues in the ordinary course, uninterrupted, with the academic restructuring approved by the Senate being implemented;

   b. The faculty and employee reductions and other terms contained in the LUFA and LUSU term sheets are implemented;

   c. The Notices of Disclaimer in respect of the Federated Universities become effective on May 1, 2021 and the Huntington Agreement is implemented;

   d. Payment by the Applicant of its portion of assessments due to the Pension Benefit Guarantee Fund as well as special payments to the Applicant's defined benefit pension plan continue to be stayed as per previous orders granted by this Court; and

   e. All payments in respect of goods and services supplied pre-filing and principal and interest payments on pre-filing debt continue to be stayed with the following limited exceptions (and as further discussed later in this Third Report);

i. customary exceptions with respect to wages and benefits (but not termination and severance or pre-filing vacation pay) owing to active employees;

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

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

AMENDMENTS TO THE DIP AGREEMENT AND DIP LENDER'S CHARGE

193. The Amended and Restated Initial Order approved a term sheet (the "**DIP Term Sheet**") dated January 19, 2021, between LU and Firm Capital Corporation for the provision of a debtor-in possession loan (the "**DIP Facility**") in the principal amount of $25 million. After executing the DIP Term Sheet, Firm Capital Corporation assigned its interest to Firm Capital Mortgage Fund Inc. (the "**DIP Lender**"). In addition, as contemplated by the DIP Term Sheet, LU and the DIP Lender executed a definitive agreement dated February 10, 2021 (the "**DIP Agreement**") to formally document the terms and conditions set out in the DIP Term Sheet.

194. LU has drawn on the full $25 million available pursuant to the DIP Facility. The DIP Facility currently has a maturity date of May 1, 2021. The DIP Agreement provides that it can be extended for up to 90 days if LU achieves the following milestones, to the satisfaction of the DIP Lender in its sole and unfettered discretion:

a. LU reaches a consensus among all necessary stakeholders on an academic restructuring and reduction of LU's program offerings;

b. LU enters into a negotiated settlement with LUFA with respect to terminations to be effected, resolution of outstanding grievances, and the terms of a new collective agreement between LUFA and LU; and

c. LU provides the DIP Lender with a revised cash flow forecast and a multi-year budget demonstrating to the DIP Lender, in its sole and unfettered discretion, that LU is financially sustainable.

195. As set out above, the Revised Cash Flow Forecast projects that LU will require an additional $10 million of financing for the period of the requested stay extension.

196. Accordingly, on April 20, 2021, LU and the DIP Lender entered into an Amended DIP Term Sheet (the "**DIP Amendment**"), pursuant to which the DIP Lender has agreed to increase the maximum principal amount available under the DIP Facility by a further $10

million subject to the terms and conditions described therein (the "**Amended DIP Facility**"). A copy of the DIP Amendment is attached as Exhibit "Z" to the Second Haché Affidavit.

197. The key terms of the DIP Amendment are as follows:

a. The DIP Lender will increase the total amount available under the DIP Facility by the principal amount of $10 million;

b. The Amended DIP Facility will have a maturity date of August 31, 2021;

c. Interest will accrue at the same rate as pursuant to the DIP Agreement;

d. A Loan Amendment Fee of $200,000 shall be earned and payable to the DIP Lender on the date that the Court approves the DIP Amendment; and

e. The Court shall grant an increase in the super-priority charge (the "**DIP Lender's Charge**") on all the Property (as defined in the Amended and Restated Initial Order) of the Applicant from $25 million to $35 million. The priority of the DIP Lender's Charge shall otherwise remain unchanged.

198. Advances pursuant to the DIP Amendment are also conditional on the satisfaction of several conditions including:

a. The ratification of the LUFA Term Sheet and the LUSU Term Sheet (which condition has been met);

b. An Order is granted in form and substance satisfactory to the DIP Lender:

i. Approving the DIP Amendment;

ii. Increasing the DIP Lender's Charge to $35 million;

iii. Extending the stay of proceedings to August 31, 2021;

iv. Approving the LUFA Term Sheet and LUSU Term Sheet; and

v. Approving the Huntington Agreement.

c. The Notices of Disclaimer issued to the Federated Universities become effective, binding and final on May 1, 2021;

d. No further academic restructuring, other than the academic restructuring described above and approved by Senate on April 6, 2021shall occur without the DIP Lender's consent;

e. LU shall have provided a revised cash flow forecast and multi-year financial forecast to the DIP Lender, demonstrating to the DIP Lender, in its sole discretion, that LU will be financially sustainable and achieve operational stability upon emergence from the CCAA Proceeding;

f. No material changes to LU's governance or senior leadership shall occur that, in the DIP Lender's sole discretion, creates a situation of increased instability during the term of the DIP Facility;

g. No report is filed by the Monitor advising of a material adverse event;

h. Other than as may be requested by LU with the consent of the DIP Lender and with the Monitor's support, no court order is issued which affects LU or its business;

i. The DIP Lender shall not be obligated to advance funds if: (i) the Amended and Restated Initial Order has been vacated, stayed or otherwise caused to become ineffective or is amended in a manner not acceptable to the DIP Lender; or (ii) an order is granted by the Court at any time which the DIP Lender does not support; and

j. LU shall have sought and obtained a claims process order from the Court by May 31, 2021, or such later date as the DIP Lender may agree on terms acceptable to the DIP Lender.

199. The Applicant has made significant accomplishments in the first few months of the CCAA proceedings to address its cost structure as reflected by the execution of the LUFA Term Sheet, LUSU Term Sheet and Huntington Agreement and issuance of the Notices of Disclaimer to the Federated Universities. The Applicant needs time to implement these changes and address next steps in the restructuring. The cyclical nature of the Applicant's cash inflows means that it will need additional financing during the next four months. Without access to the additional DIP financing, the Applicant will be unable to maintain operations and address its operational and financial restructuring needs through the next phase. Approval of the DIP Amendment will provide LU with the necessary funds to continue operating through the spring/summer semester while working with its stakeholders to advance its restructuring. Accordingly, the Monitor is of the view that the Applicant's request for approval of the DIP financing and the DIP Term Sheet is required and reasonable.

STAY EXTENSION

200. The Stay Period is currently set to expire on April 30, 2021. The Applicant requests an extension of the Stay Period up to and including August 31, 2021.

201. The Monitor is of the view that the requested extension of the Stay Period is appropriate for the following reasons:

a. The extension of the Stay Period will provide comfort to LU's existing and new incoming students that the Applicant will continue in the ordinary course for the duration of the spring/summer semester and beyond – i.e the fall semester of 2021;

b. The Applicant requires the extension in order to undertake a number of steps necessary to advance its restructuring including:

   i. completing the implementation of the workforce changes contemplated by the LUFA Term Sheet and LUSU Term Sheet and in respect of the non-union employees;

   ii. implementing the termination of the Federated Universities arrangements, if the Disclaimer Motions are dismissed;

   iii. commencing and carrying out a claims process for creditors to establish claims;

   iv. exploring potential opportunities to realize on assets that are considered not critical to LU's ongoing operations; and

   v. conducting negotiations with significant creditors in respect of the potential terms of a Plan of Arrangement; and

c. The Applicant continues to operate in good faith and with due diligence since the date of the Initial Order.

202. Based on the Revised Cash Flow Forecast, and with the approval of the DIP Amendment and increase to the DIP Lender's Charge, the Monitor is of the view that the Applicant should have sufficient liquidity to fund its operations until August 31, 2021. If there are any material events to report upon in the interim period, the Applicant and the Monitor will return to the Court.

203. For the foregoing reasons, the Monitor supports the Applicant's request for an order extending the Stay Period to August 31, 2021.

CONCLUSIONS AND RECOMMENDATIONS

204. As set out above, the Monitor is of the view that the savings resulting from the Notices of Disclaimer issued to the Federated Universities are necessary to enable LU to make a viable plan of compromise or arrangement.

205. For the reasons stated herein, the Monitor supports the relief sought by the Applicant including the approval of:

a. The LUFA Term Sheet and LUSU Term Sheet;

b. The Huntington Agreement;

c. the increase in the maximum permitted loan pursuant to the DIP Agreement and corresponding DIP Lender's Charge; and

d. the extension of the stay of proceedings to August 31, 2021.

206. Accordingly, the Monitor recommends that the Court grant the relief sought by the Applicant.

All of which is respectfully submitted this 26th day of April, 2021.

ERNST & YOUNG INC., in its capacity as
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”

PRE – RESTRUCTURING MULTI-YEAR PROJECTIONS

Laurentian University
Pre-Restructuring Multi Year Projections (Fiscal 2022-2026)
in $CAD (000's)

	Notes	2021-22	2022-23	2023-24	2024-25	2025-26
Operating Surplus / (Deficit)						
Forecast Operating Revenue	1	141,847	147,187	149,304	151,710	156,331
Forecast Operating Expenses	1	(155,559)	(162,369)	(164,805)	(167,722)	(170,356)
Forecast Pre Restructuring Operating Surplus / (Deficit)	1	(13,712)	(15,182)	(15,501)	(16,012)	(14,025)
Provision for Sustainability Measures	2	(7,092)	(7,359)	(7,465)	(7,586)	(7,817)
Completion of Deferred Contributions Obligations	3	(16,087)	(3,107)	(3,107)	(3,107)	(3,107)
Restructuring Costs		(6,000)	-	-	-	-
Forecast Pre Restructuring Adjusted Operating Surplus / (Deficit)	4	(42,891)	(25,648)	(26,073)	(26,705)	(24,949)

Notes

1. Represents operating revenues and expenses from teaching and ancillary activities excluding research. Excludes any payment in respect of pre-filing obligations.

2. Represents provisions for necessary go forward expenditures including: (a) costs to invest in new governance, operational controls and processes; (b) investments in initiatives to protect and grow revenues such as development of new programming or courses, recruitment of students etc.; and (c) establishment of reserves to avoid a future liquidity crisis as a result of future unforeseen events. Provision is estimated at 5% of revenues.

3. Represents estimated cost of completing research or other committed projects. These represent post-filing costs to be incurred for which funding was provided in advance prior to the CCAA.

4. This forecast deficit does not include any provision for repayment of the DIP Facility or any distributions on account of pre-filing claims.

APPENDIX “B”

POST – RESTRUCTURING MULTI-YEAR PROJECTIONS

Laurentian University
Post-Restructuring Multi Year Projections (Fiscal 2022-2026)
in $CAD (000's)

	Notes	2021-22	2022-23	2023-24	2024-25	2025-26
Operating Surplus / (Deficit)						
Forecast Pre Restructuring Adjusted Operating Surplus / (Deficit)	1	(42,891)	(25,648)	(26,073)	(26,705)	(24,949)
Net Estimated Restructuring Savings Achieved to Date	2	30,358	33,368	33,517	33,216	33,492
Forecast Post-Savings Operating Surplus / (Deficit)	3	(12,533)	7,719	7,444	6,512	8,543
Forecast Savings from Feds	4	7,163	7,213	7,160	7,212	7,288
Anticipated Restructuring Savings after Feds		(5,370)	14,932	14,604	13,724	15,831
Other Cash Flow Needs						
Repayment of the DIP Facility	5	35,000 - 40,000				
Payments to pre-filing creditors	6	TBD				

Notes

1. Forecast deficit as described at Appendix A.

2. Represents forecast net estimated savings from academic restructuring, labour agreements and other miscellaneous items. Excludes any savings arising from the termination of the Federated Universities relationship.

3. Represents forecast operating surplus or deficit from savings achieved to date assuming the termination of the Federated Universities relationship does not occur and transfers of funds to the Federated Universities continue.

4. Represents improvement in operating surplus / (deficit) assuming the Notices of Disclaimer become effective on May 1, 2021 and LU retains revenues historically transferred to Federated Universities.

5. Represents the anticipated principal amount owing on the DIP Facility. The Low end of the range assumes the Court approves the current increase in the maximum permitted DIP Facility to $35 million. The High end of the range assumes an additional $5 million is needed to fund the forecast deficit for FY22. A plan will need to be developed to repay this amount. As there are unlikely to be funds available to repay it in full at one time, this plan assumes the DIP is re-financed and repaid over a longer period of time. For illustration, using the range of $35-$40M in principal, a term of 5-15 years and an interest rate of 6-8%, annual debt servicing (principal and interest) would be in the range of $4 to $10 million.

6. In order to complete a viable Plan of Arrangement, there will need to be some provision for payments to creditors at once or over time. At the current time, the total quantum of claims is unknown. However, at a minimum, this will include: (a) claims of the Lenders in excess of $100 million; (b) significant claims of terminated employees in respect of termination and severance; and (c) claims of other pre-filing creditors.

APPENDIX “C”

DISTRIBUTION TO FEDERATED UNIVERSITIES

Laurentian University
Distribution to Federated Universities For Fiscal Year Ended April 30, 2020
in $CAD

	U of Sudbury	Huntington	Thorneloe	Total
Total Grants	1,849,034	1,125,781	551,205	3,526,020
Net Tuition	2,417,652	1,283,652	1,570,964	5,272,268
Course Material Fees	133,848	109,181	64,922	307,951
Administrative Fee	(630,350)	(398,791)	(369,060)	(1,398,200)
Net Distribution to Federated Universities	3,770,184	2,119,823	1,818,031	7,708,039

APPENDIX “D”

SUMMARY OF ACTUAL RECEIPTS AND DISBURSEMENTS

Laurentian University

Cash Flow - Actuals

For the 6 weeks ended April 16, 2021

(in 000s CAD$)	Actual 06-Mar-2021 12-Mar-2021	Actual 13-Mar-2021 19-Mar-2021	Actual 20-Mar-2021 26-Mar-2021	Actual 27-Mar-2021 02-Apr-2021	Actual 03-Apr-2021 09-Apr-2021	Actual 10-Apr-2021 16-Apr-2021	**Actual 06-Mar-2021 16-Apr-2021**
Receipts							
Operating Grants	$ -	$ 3,470	$ -	$ 2,934	$ 181	$ 4,066	**$ 10,652**
Research Grants	30	130	364	2,668	232	5	**3,429**
Student Fees	257	263	280	256	296	212	**1,564**
Reimbursements	475	620	334	88	462	826	**2,805**
Donations	(100)	1	190	0	0	1	**92**
Other Receipts	37	475	749	703	180	38	**2,181**
Less Restricted Receipts	(30)	(130)	(555)	(2,668)	(232)	(6)	**(3,621)**
Total Receipts	**668**	**4,829**	**1,362**	**3,982**	**1,118**	**5,143**	**17,103**
Operating Disbursements							
Payroll & Benefits	(1,022)	(1,378)	(4,923)	(28)	(3,876)	(944)	**(12,173)**
Pension	-	-	(1,106)	-	-	-	**(1,106)**
Occupancy Costs	(274)	65	(199)	(54)	(84)	-	**(546)**
Other Operating Costs	(367)	(93)	(66)	(55)	(947)	(1)	**(1,528)**
Information Technology	(8)	-	(2)	-	(16)	-	**(26)**
Professional Fees	(137)	-	(100)	(101)	(229)	-	**(567)**
Student Refunds	(157)	-	(66)	-	(146)	(11)	**(380)**
Transferred Research Grants	-	-	-	-	-	-	**-**
Transfers to Federated Universities	(415)	-	(94)	(27)	-	-	**(536)**
Transfers to NOSM	-	-	-	-	-	-	**-**
Transfers to the Students' Associations	(1,186)	-	-	-	-	(471)	**(1,658)**
Transfers from / (to) Segregated Accounts	273	(36)	(24)	-	(9)	-	**204**
Total Operating Disbursements	**(3,296)**	**(1,442)**	**(6,579)**	**(265)**	**(5,306)**	**(1,427)**	**(18,315)**
Net Operating Cash Flow	**(2,628)**	**3,387**	**(5,216)**	**3,717**	**(4,188)**	**3,716**	**(1,212)**
Non operating Receipts/ (Disbursements)							
Capital Project Grants	-	766	-	-	-	-	**766**
Capital Projects	-	-	-	(8)	-	-	**(8)**
Debt Service	-	-	-	-	-	-	**-**
Restructuring Costs	(1,487)	-	(148)	(964)	(147)	-	**(2,747)**
Total Non-Operating Disbursements	**(1,487)**	**766**	**(148)**	**(972)**	**(147)**	**-**	**(1,989)**
Total Disbursements	(4,783)	(676)	(6,727)	(1,237)	(5,453)	(1,427)	**$ (20,303)**
Net Cash Receipts/(Disbursements)	**$ (4,115)**	**$ 4,153**	**$ (5,365)**	**$ 2,745**	**$ (4,335)**	**$ 3,716**	**$ (3,201)**
Cash Balance							
Beginning cash balance	$ 20,090	$ 15,976	$ 20,128	$ 29,763	$ 32,415	$ 28,080	**$ 20,090**
Adjustment to Actual, fx adjustment	-	-	-	-	-	-	**-**
Cash Receipts/(Disbursements)	(4,115)	4,153	(5,365)	2,745	(4,335)	3,716	**(3,201)**
DIP Financing Draw/(Interest Payments)	-	-	15,000	(93)	-	-	**14,907**
Ending cash balance	**$ 15,976**	**$ 20,128**	**$ 29,763**	**$ 32,415**	**$ 28,080**	**$ 31,796**	**$ 31,796**
DIP Financing							
Opening Balance	$ 10,000	$ 10,000	$ 10,000	$ 25,000	$ 25,000	$ 25,000	**$ 10,000**
Draw/(Payback)	-	-	15,000	-	-	-	**15,000**
Interest and Other Fees	-	-	-	93	-	-	**93**
Repayment of Interest and Other Fees	-	-	-	(93)	-	-	**(93)**
Ending Balance	**$ 10,000**	**$ 10,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**
Available Liquidity	**$ 30,976**	**$ 35,128**	**$ 29,763**	**$ 32,415**	**$ 28,080**	**$ 31,796**	**$ 31,796**
Endowment Fund							
Beginning balance	$ 55,736	$ 55,736	$ 55,736	$ 55,736	$ 61,034	$ 61,034	**$ 55,736**
Transfers in/(out)	-	-	-	-	-	-	**-**
Change in Market Value	-	-	-	5,298	-	-	**5,298**
Ending Balance	**$ 55,736**	**$ 55,736**	**$ 55,736**	**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**
Segregated Accounts							
Beginning balance	$ 4,281	$ 4,038	$ 4,205	$ 4,783	$ 7,452	$ 7,693	**$ 4,281**
Restricted Receipts	30	130	555	2,668	232	6	**3,621**
Transfers from / (to) Operating Account	(273)	36	24	-	9	-	**(204)**
Ending Balance	**$ 4,038**	**$ 4,205**	**$ 4,783**	**$ 7,452**	**$ 7,693**	**$ 7,699**	**$ 7,699**

APPENDIX “E”

CASH FLOW VARIANCE ANALYSIS

Laurentian University
Cash Flow - Variance Report
For the six weeks ended April 16, 2021

(in 000s CAD$)	Actual 06-Mar-2021 16-Apr-2021	Forecast 06-Mar-2021 16-Apr-2021	Variance 06-Mar-2021 16-Apr-2021
Receipts			
Operating Grants	$ 10,652	$ 8,980	$ 1,672
Research Grants	3,429	2,828	601
Student Fees	1,564	699	866
Reimbursements	2,805	1,218	1,588
Donations	92	51	41
Other Receipts	2,181	171	2,010
Less Restricted Receipts	(3,621)	(2,879)	(743)
Total Receipts	**17,103**	**11,068**	**6,035**
Operating Disbursements			
Payroll & Benefits	(12,173)	(12,205)	32
Pension	(1,106)	(2,451)	1,345
Occupancy Costs	(546)	(3,040)	2,494
Other Operating Costs	(1,528)	(3,546)	2,019
Information Technology	(26)	(1,038)	1,012
Professional Fees	(567)	(1,098)	531
Student Refunds	(380)	(2,590)	2,210
Transferred Research Grants	-	(1,188)	1,188
Transfers to Federated Universities	(536)	(697)	161
Transfers to NOSM	-	(200)	200
Transfers to the Students' Associations	(1,658)	(1,671)	13
Transfers from / (to) Segregated Accounts	204	1,273	(1,069)
Total Operating Disbursements	**(18,315)**	**(28,450)**	**10,135**
Net Operating Cash Flow	**(1,212)**	**(17,382)**	**16,170**
Non operating Receipts/ (Disbursements)			
Capital Project Grants	766	-	766
Capital Projects	(8)	(300)	292
Debt Service	-	-	-
Restructuring Costs	(2,747)	(3,537)	790
Total Non-Operating Disbursements	**(1,989)**	**(3,837)**	**1,848**
Total Disbursements	(20,303)	(32,287)	11,984
Net Cash Receipts/(Disbursements)	**$ (3,201)**	**$ (21,219)**	**$ 18,018**
Cash Balance			
Beginning cash balance	$ 20,090	$ 20,090	$ 0
Adjustment to Actual, fx adjustment	-	-	-
Cash Receipts/(Disbursements)	(3,201)	(21,219)	18,018
DIP Financing Draw/(Payback)	14,907	14,905	2
Ending cash balance	**$ 31,796**	**$ 13,776**	**$ 18,020**
DIP Financing			
Opening Balance	$ 10,000	$ 10,000	$ -
Draw/(Payback)	15,000	15,000	-
Interest and Other Fees	93	95	(2)
Repayment of Interest and Other Fees	(93)	(95)	2
Ending Balance	$ 25,000	$ 25,000	$ -
Available Liquidity	**$ 31,796**	**$ 13,776**	**$ 18,020**
Endowment Fund			
Beginning balance	$ 55,736	$ 55,736	$ -
Transfers in/(out)	-	-	-
Change in Market Value	5,298	-	5,298
Ending Balance	**$ 61,034**	**$ 55,736**	**$ 5,298**
Segregated Accounts			
Beginning balance	$ 4,281	$ 4,281	$ 0
Restricted Receipts	3,621	2,879	743
Transfers from / (to) Operating Account	(204)	(1,273)	1,069
Ending Balance	**$ 7,699**	**$ 5,887**	**$ 1,811**

Variance Analysis

The following paragraphs set out LU's explanations for the more significant variances between LU's actual cash flows and those included in the cash flow forecast in the Second Report for the period March 6, 2021 to April 16, 2021:

1. Collections related to Operating Grants were higher than forecast by approximately $1.7 million. This variance is primarily due to the following:

    a. Approximately $0.1 million net negative permanent difference due to operating grants forecast but not received; and

    b. Approximately $1.8 million positive timing difference in operating grants received earlier than forecast.

2. Collections related to Research Grants were higher than forecast by approximately $0.6 million primarily due to timing differences in the receipt of restricted research grants;

3. Collections related to Student Fees were higher than forecast by approximately $0.9 million primarily due to timing differences in the receipts from students;

4. Collections related to Reimbursements were higher than forecast by approximately $1.6 million primarily due to timing differences in the receipt of reimbursable expenses earlier than forecast;

5. Collections related to Other Receipts were higher than forecast by approximately $2.0 million. This variance is primarily due to the following:

    a. Approximately $1.3 million positive permanent difference primarily due to greater collection of other receivables than forecast; and

    b. Approximately $0.7 million positive timing difference in other receipts being received earlier than forecast.

6. Collections related to Restricted Receipts were higher than forecast by approximately $0.7 million due to timing differences in receipt of restricted research grants and donations;

7. Disbursements related to Pension were lower than forecast by approximately $1.3 million. This variance is primarily due to the following:

    a. Approximately $0.3 million positive permanent difference due to lower pension contributions than forecast; and

    b. Approximately $1.0 million positive timing difference due to the timing of pension contribution remittances.

8. Disbursements related to Occupancy Costs were lower than forecast by approximately $2.5 million primarily due to the timing of payments to suppliers and timing of maintenance spending;

9. Disbursements related to Other Operating Costs were lower than forecast by approximately $2.0 million primarily due to the timing of payments to suppliers;

10. Disbursements related to Information Technology were lower than forecast by approximately $1.0 million primarily due to the timing of payments to suppliers and timing of IT equipment and software license purchases;

11. Disbursements related to Professional Fees were lower than forecast by approximately $0.5 million primarily due to the timing of payments to suppliers;

12. Disbursements related to Student Refunds were lower than forecast by approximately $2.2 million primarily due to the timing of student refund applications;

13. Disbursements related to Transferred Research Grants were lower than forecast by approximately $1.2 million primarily due to the timing of research grant transfers to research partners;

14. Disbursements related to Transfers to Federated Universities were lower than forecast by approximately $0.2 million. This variance is primarily due to the following:

    a. Approximately $0.1 million positive permanent difference due to expense chargebacks which partially offset forecast disbursements; and

    b. Approximately $0.1 million positive timing difference of payments to the Federated Universities.

15. Disbursements related to Transfers to NOSM were lower than forecast by approximately $0.2 million primarily due to expense chargebacks which partially offset forecast disbursements.

16. Transfers from Segregated Accounts were lower than forecast by approximately $1.1 million primarily due to the timing differences related to Transferred Research Grants;

17. Collections related to Capital Project Grants were higher than forecast by approximately $0.8 million due to the collection of a capital grant receivable which had not been forecast;

18. Disbursements related to Capital Projects were lower than forecast by approximately $0.3 million primarily due to the timing of scheduled work and payments to suppliers; and

19. Disbursements related to Restructuring Costs were lower than forecast by approximately $0.8 million primarily due to the timing of payments to Assistants.

APPENDIX “F”

REVISED CASH FLOW FORECAST

Laurentian University
Cash Flow Forecast

(in 000s CAD$)	Notes	Week: 1 17-Apr-2021 23-Apr-2021	2 24-Apr-2021 30-Apr-2021	3 01-May-2021 07-May-2021	4 08-May-2021 14-May-2021	5 15-May-2021 21-May-2021	6 22-May-2021 28-May-2021	7 29-May-2021 04-Jun-2021
Receipts								
Operating Grants	1	$ -	$ 3,426	$ -	$ -	$ 2,876	$ 500	$ 4,354
Research Grants	2	180	254	-	-	-	-	119
Student Fees	3	84	84	1,392	1,392	1,392	1,392	542
Reimbursements	4	-	-	-	-	-	1,011	538
Donations	5	-	-	-	-	-	-	-
Other Receipts	6	-	-	5	905	5	5	230
Less Restricted Receipts	21	(180)	(1,242)	-	-	-	-	(119)
Total Receipts		**84**	**2,523**	**1,397**	**2,297**	**4,273**	**2,908**	**5,663**
Operating Disbursements								
Payroll & Benefits	7	(5,624)	(661)	(4,425)	(1,213)	(1,236)	(4,250)	(3,347)
Pension	8	(1,063)	-	-	-	(1,063)	-	-
Occupancy Costs	9	(230)	(671)	(671)	(671)	(671)	(671)	(671)
Other Operating Costs	10	(518)	(595)	(595)	(595)	(595)	(595)	(595)
Information Technology	11	(80)	(351)	(351)	(351)	(351)	(351)	(351)
Professional Fees	12	(58)	(146)	(146)	(146)	(146)	(146)	(146)
Student Refunds	13	(124)	(497)	(497)	(497)	(497)	(497)	(497)
Transferred Research Grants	14	-	(1,188)	-	-	-	-	-
Transfers to Federated Universities	15	(87)	(443)	-	-	-	-	-
Transfers to NOSM	16	(3)	-	-	-	-	-	-
Transfers to the Students' Associations	17	-	-	-	-	-	-	-
Transfers from / (to) Segregated Accounts	23	-	1,188	219	16	16	416	16
Total Operating Disbursements		**(7,787)**	**(3,365)**	**(6,467)**	**(3,457)**	**(4,544)**	**(6,094)**	**(5,592)**
Net Operating Cash Flow		**(7,703)**	**(842)**	**(5,069)**	**(1,160)**	**(271)**	**(3,186)**	**72**
Non operating Receipts/ (Disbursements)								
Capital Project Grants	18	-	988	-	-	-	-	-
Capital Projects	18	(192)	(100)	(16)	(16)	(16)	(16)	(16)
Debt Service	19	-	-	-	-	-	-	-
Restructuring Costs	22	(1,044)	(1,044)	(450)	(375)	(375)	(375)	(375)
Total Non-Operating Disbursements		**(1,236)**	**(157)**	**(466)**	**(391)**	**(391)**	**(391)**	**(391)**
Total Disbursements		(9,024)	(3,521)	(6,932)	(3,848)	(4,934)	(6,485)	(5,982)
Net Cash Receipts/(Disbursements)		**$ (8,939)**	**$ (999)**	**$ (5,535)**	**$ (1,551)**	**$ (662)**	**$ (3,577)**	**$ (319)**
Cash Balance								
Beginning cash balance		$ 31,796	$ 22,857	$ 21,658	$ 15,948	$ 14,397	$ 13,735	$ 10,158
Adjustment to Actual, fx adjustment		-	-	-	-	-	-	-
Cash Receipts/(Disbursements)		(8,939)	(999)	(5,535)	(1,551)	(662)	(3,577)	(319)
DIP Financing Draw/(Interest Payments)		-	(200)	(175)	-	-	-	(175)
Ending cash balance		**$ 22,857**	**$ 21,658**	**$ 15,948**	**$ 14,397**	**$ 13,735**	**$ 10,158**	**$ 9,664**
DIP Financing	23							
Opening Balance		$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Draw/(Payback)		-	-	-	-	-	-	-
Interest and Other Fees		-	200	175	-	-	-	175
Repayment of Interest and Other Fees		-	(200)	(175)	-	-	-	(175)
Ending Balance		**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**
Available Liquidity		**$ 32,857**	**$ 31,658**	**$ 25,948**	**$ 24,397**	**$ 23,735**	**$ 20,158**	**$ 19,664**
Endowment Fund	20							
Beginning balance		$ 61,034	$ 61,034	$ 61,034	$ 61,034	$ 61,034	$ 61,034	$ 61,034
Transfers in/(out)		-	-	-	-	-	-	-
Change in Market Value		-	-	-	-	-	-	-
Ending Balance		**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**
Segregated Accounts								
Beginning balance		$ 7,699	$ 7,879	$ 7,932	$ 7,713	$ 7,697	$ 7,682	$ 7,266
Restricted Receipts	21	180	1,242	-	-	-	-	119
Transfers from / (to) Operating Account		-	(1,188)	(219)	(16)	(16)	(416)	(16)
Ending Balance		**$ 7,879**	**$ 7,932**	**$ 7,713**	**$ 7,697**	**$ 7,682**	**$ 7,266**	**$ 7,369**

(in 000s CAD$)	Notes	8 05-Jun-2021 11-Jun-2021	9 12-Jun-2021 18-Jun-2021	10 19-Jun-2021 25-Jun-2021	11 26-Jun-2021 02-Jul-2021	12 03-Jul-2021 09-Jul-2021	13 10-Jul-2021 16-Jul-2021	14 17-Jul-2021 23-Jul-2021
Receipts								
Operating Grants	1	$ -	$ 2,876	$ -	$ 2,876	$ -	$ 2,876	$ -
Research Grants	2	119	119	1,688	80	80	80	80
Student Fees	3	542	542	542	242	242	242	242
Reimbursements	4	-	-	110	1,058	-	-	98
Donations	5	-	-	-	-	-	-	-
Other Receipts	6	5	5	5	230	5	5	5
Less Restricted Receipts	21	(119)	(119)	(1,688)	(80)	(80)	(80)	(80)
Total Receipts		**547**	**3,422**	**657**	**4,405**	**247**	**3,123**	**345**
Operating Disbursements								
Payroll & Benefits	7	(395)	(1,863)	(3,366)	(2,596)	(367)	(1,564)	(367)
Pension	8	-	-	(1,065)	-	-	-	(970)
Occupancy Costs	9	(230)	(230)	(230)	(250)	(250)	(250)	(250)
Other Operating Costs	10	(518)	(518)	(518)	(274)	(274)	(274)	(274)
Information Technology	11	(260)	(80)	(80)	(80)	(80)	(80)	(80)
Professional Fees	12	(58)	(58)	(58)	(46)	(46)	(46)	(46)
Student Refunds	13	(124)	(124)	(124)	(71)	(71)	(71)	(71)
Transferred Research Grants	14	-	-	(1,188)	-	-	-	-
Transfers to Federated Universities	15	-	-	-	-	(53)	-	-
Transfers to NOSM	16	-	-	-	-	-	-	-
Transfers to the Students' Associations	17	-	-	-	-	-	-	-
Transfers from / (to) Segregated Accounts	23	16	16	1,188	506	106	106	106
Total Operating Disbursements		**(1,569)**	**(2,857)**	**(5,440)**	**(2,811)**	**(1,034)**	**(2,179)**	**(1,952)**
Net Operating Cash Flow		**(1,022)**	**565**	**(4,783)**	**1,595**	**(787)**	**943**	**(1,607)**
Non operating Receipts/ (Disbursements)								
Capital Project Grants	18	-	-	-	-	-	-	-
Capital Projects	18	(16)	(16)	(16)	(106)	(106)	(106)	(106)
Debt Service	19	-	-	-	-	-	-	-
Restructuring Costs	22	(375)	(375)	(375)	(375)	(375)	(375)	(375)
Total Non-Operating Disbursements		**(391)**	**(391)**	**(391)**	**(481)**	**(481)**	**(481)**	**(481)**
Total Disbursements		(1,960)	(3,248)	(5,831)	(3,292)	(1,515)	(2,660)	(2,433)
Net Cash Receipts/(Disbursements)		**$ (1,413)**	**$ 175**	**$ (5,174)**	**$ 1,114**	**$ (1,268)**	**$ 462**	**$ (2,088)**
Cash Balance								
Beginning cash balance		$ 9,664	$ 8,252	$ 14,427	$ 9,253	$ 10,176	$ 8,907	$ 13,369
Adjustment to Actual, fx adjustment		-	-	-	-	-	-	-
Cash Receipts/(Disbursements)		(1,413)	175	(5,174)	1,114	(1,268)	462	(2,088)
DIP Financing Draw/(Interest Payments)		-	6,000	-	(191)	-	4,000	-
Ending cash balance		**$ 8,252**	**$ 14,427**	**$ 9,253**	**$ 10,176**	**$ 8,907**	**$ 13,369**	**$ 11,282**
DIP Financing	23							
Opening Balance		$ 25,000	$ 25,000	$ 31,000	$ 31,000	$ 31,000	$ 31,000	$ 35,000
Draw/(Payback)		-	6,000	-	-	-	4,000	-
Interest and Other Fees		-	-	-	191	-	-	-
Repayment of Interest and Other Fees		-	-	-	(191)	-	-	-
Ending Balance		**$ 25,000**	**$ 31,000**	**$ 31,000**	**$ 31,000**	**$ 31,000**	**$ 35,000**	**$ 35,000**
Available Liquidity		**$ 18,252**	**$ 18,427**	**$ 13,253**	**$ 14,176**	**$ 12,907**	**$ 13,369**	**$ 11,282**
Endowment Fund	20							
Beginning balance		$ 61,034	$ 61,034	$ 61,034	$ 61,034	$ 61,034	$ 61,034	$ 61,034
Transfers in/(out)		-	-	-	-	-	-	-
Change in Market Value		-	-	-	-	-	-	-
Ending Balance		**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**
Segregated Accounts								
Beginning balance		$ 7,369	$ 7,472	$ 7,574	$ 8,075	$ 7,649	$ 7,623	$ 7,596
Restricted Receipts	21	119	119	1,688	80	80	80	80
Transfers from / (to) Operating Account		(16)	(16)	(1,188)	(506)	(106)	(106)	(106)
Ending Balance		**$ 7,472**	**$ 7,574**	**$ 8,075**	**$ 7,649**	**$ 7,623**	**$ 7,596**	**$ 7,570**

Laurentian University
Cash Flow Forecast

(in 000s CAD$)	Week:	15	16	17	18	19	20	Forecast
		24-Jul-2021	31-Jul-2021	07-Aug-2021	14-Aug-2021	21-Aug-2021	28-Aug-2021	10-Apr-2021
	Notes	30-Jul-2021	06-Aug-2021	13-Aug-2021	20-Aug-2021	27-Aug-2021	03-Sep-2021	03-Sep-2021
Receipts								
Operating Grants	1	$ 2,876	$ -	$ -	$ 2,876	$ -	$ 2,891	$ **28,424**
Research Grants	2	80	20	20	20	20	20	**2,978**
Student Fees	3	242	1,000	1,000	2,763	3,184	3,632	**20,694**
Reimbursements	4	1,306	-	-	-	1,297	592	**6,010**
Donations	5	-	-	-	-	-	-	**-**
Other Receipts	6	230	5	5	5	5	230	**1,890**
Less Restricted Receipts	21	(80)	(20)	(20)	(20)	(20)	(20)	**(3,965)**
Total Receipts		**4,653**	**1,005**	**1,005**	**5,644**	**4,487**	**7,345**	**56,031**
Operating Disbursements								
Payroll & Benefits	7	(4,288)	(1,909)	(1,140)	(993)	(3,905)	(1,808)	**(45,317)**
Pension	8	-	-	-	(994)	-	-	**(5,156)**
Occupancy Costs	9	(250)	(235)	(235)	(235)	(235)	(235)	**(7,375)**
Other Operating Costs	10	(274)	(343)	(343)	(343)	(343)	(343)	**(8,721)**
Information Technology	11	(80)	(75)	(75)	(75)	(75)	(75)	**(3,383)**
Professional Fees	12	(46)	(58)	(58)	(58)	(58)	(58)	**(1,624)**
Student Refunds	13	(71)	(40)	(40)	(40)	(40)	(40)	**(4,035)**
Transferred Research Grants	14	-	-	-	-	-	-	**(2,376)**
Transfers to Federated Universities	15	-	-	-	-	-	-	**(583)**
Transfers to NOSM	16	-	-	-	-	-	-	**(3)**
Transfers to the Students' Associations	17	-	-	-	-	-	-	**-**
Transfers from / (to) Segregated Accounts	23	506	85	85	85	485	8	**5,167**
Total Operating Disbursements		**(4,503)**	**(2,575)**	**(1,806)**	**(2,653)**	**(4,171)**	**(2,551)**	**(73,406)**
Net Operating Cash Flow		**150**	**(1,570)**	**(801)**	**2,991**	**316**	**4,795**	**(17,376)**
Non operating Receipts/ (Disbursements)								
Capital Project Grants	18	-	-	-	-	-	-	**988**
Capital Projects	18	(106)	(85)	(85)	(85)	(85)	(85)	**(1,372)**
Debt Service	19	-	-	-	-	-	-	**-**
Restructuring Costs	22	(375)	(375)	(375)	(375)	(375)	(375)	**(8,914)**
Total Non-Operating Disbursements		**(481)**	**(460)**	**(460)**	**(460)**	**(460)**	**(460)**	**(9,298)**
Total Disbursements		(4,984)	(3,035)	(2,266)	(3,113)	(4,631)	(3,010)	**(82,704)**
Net Cash Receipts/(Disbursements)		**$ (331)**	**$ (2,030)**	**$ (1,261)**	**$ 2,531**	**$ (144)**	**$ 4,335**	**$ (26,674)**
Cash Balance								
Beginning cash balance		$ 11,282	$ 10,950	$ 8,683	$ 7,422	$ 9,953	$ 9,809	$ **31,796**
Adjustment to Actual, fx adjustment		-	-	-	-	-	-	**-**
Cash Receipts/(Disbursements)		(331)	(2,030)	(1,261)	2,531	(144)	4,335	**(26,674)**
DIP Financing Draw/(Interest Payments)		-	(238)	-	-	-	(224)	**8,797**
Ending cash balance		**$ 10,950**	**$ 8,683**	**$ 7,422**	**$ 9,953**	**$ 9,809**	**$ 13,919**	**$ 13,919**
DIP Financing	23							
Opening Balance		$ 35,000	$ 35,000	$ 35,000	$ 35,000	$ 35,000	$ 35,000	$ **25,000**
Draw/(Payback)		-	-	-	-	-	-	**10,000**
Interest and Other Fees		-	238	-	-	-	224	**1,203**
Repayment of Interest and Other Fees		-	(238)	-	-	-	(224)	**(1,203)**
Ending Balance		**$ 35,000**	**$ 35,000**	**$ 35,000**	**$ 35,000**	**$ 35,000**	**$ 35,000**	**$ 35,000**
Available Liquidity		**$ 10,950**	**$ 8,683**	**$ 7,422**	**$ 9,953**	**$ 9,809**	**$ 13,919**	**$ 13,919**
Endowment Fund	20							
Beginning balance		$ 61,034	$ 61,034	$ 61,034	$ 61,034	$ 61,034	$ 61,034	$ **61,034**
Transfers in/(out)		-	-	-	-	-	-	**-**
Change in Market Value		-	-	-	-	-	-	**-**
Ending Balance		**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**	**$ 61,034**
Segregated Accounts								
Beginning balance		$ 7,570	$ 7,144	$ 7,080	$ 7,015	$ 6,950	$ 6,485	$ **7,699**
Restricted Receipts	21	80	20	20	20	20	20	**3,965**
Transfers from / (to) Operating Account		(506)	(85)	(85)	(85)	(485)	(8)	**(5,167)**
Ending Balance		**$ 7,144**	**$ 7,080**	**$ 7,015**	**$ 6,950**	**$ 6,485**	**$ 6,497**	**$ 6,497**

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 Monitor, for the purpose of the CCAA proceedings, 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 Agreement dated February 10, 2021 and the proposed DIP facility extension.
- 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.
- LU's portion of Special Payments (as defined in the Amended and Restated Initial Order dated February 11, 2021) with respect to the DB Pension Plan are suspended.
- Payments related to amounts owing to Pension Benefit Guarantee Fund 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.
- The disclaimer of each of the Federation Agreements and Financial Distribution Notices is forecast to become effective May 1, 2021.

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:

- Due to cash conservation measures taken by LU, most capital projects have been deferred but expenditures may be necessary on a critical basis for maintenance and repairs.

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 pursuant to the proposed DIP facility extension.