NO. VLC-S-S205095
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,

R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,

S.B.C. 2002, c.57, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF

PORT CAPITAL DEVELOPMENT (EV) INC. and EVERGREEN HOUSE DEVELOPMENT LIMITED PARTNERSHIP

ELEVENTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

May 12, 2022

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INTRODUCTION

Background and Origin of this CCAA Proceeding

1. Port Capital Development (EV) Inc. (the "**General Partner**") and Evergreen House Development Limited Partnership ("**Evergreen LP**"), (each a "**Petitioner**", and collectively, the "**Petitioners**") own a real estate development project called the "**Terrace House Project**".

2. The Terrace House Project is a high-rise luxury residential strata development located at 1250 West Hastings St. (Coal Harbour area), Vancouver, BC. It is a 19-storey mixed-use development, providing a total of 20 residential units and 2 commercial retail units ("**CRU**"), above a 3-level underground parkade. The Terrace House Property is unique in that its primary structural material is timber.

3. The General Partner is the Bare Trustee that holds title to the real property owned by the Petitioners with a legal description as follows:

   PID: 006-721-397; LOT 18, EXCEPT THAT PART OF THE CANADIAN PACIFIC RAILWAY RIGHT-OF-WAY AS DESCRIBED IN ABSOLUTE FEE PARCELS BOOK, VOLUME 9, FOLIO 317, NO. 1154C, AND EXCEPT THE SOUTH 7 FEET NOW ROAD, BLOCK 29 DISTRICT LOT 185 PLAN 92

4. The Petitioners are subsidiaries of the "**Port Capital Group**", which is in the business of real estate development and management primarily in British Columbia. Mr. Macario (Tobi) Reyes is Port Capital Group's principal.

5. The Petitioners initially sought and obtained creditor protection under the CCAA pursuant to an Order (the "**Initial Order**") which also, *inter alia*:

   a) appointed Ernst & Young Inc. ("**EY**") as monitor of the Petitioners (the "**Monitor**") in these CCAA proceedings (the "**CCAA Proceedings**"); and

b) granted the Monitor "**Enhanced Powers**" to execute control over the Petitioners and to explore restructuring opportunities for the Terrace House Project and administer a "dual-track" sale and investment solicitation process (the "**SISP**") to obtain an equity investment, a refinancing or alternatively a sale of the Terrace House.

6. At the onset of these CCAA Proceedings, CMLS Financial Ltd ("**CMLS**") was the Terrace House Project's construction lender pursuant to a commitment letter dated July 4, 2019 (the "**Construction Loan**"). The Construction Loan was secured by, among other things, a first ranking mortgage against the Terrace House Project.

7. Desjardins Financial Security Life Assurance Company (the "**Original DIP Lender**") provided the Petitioners access to a debtor-in-possession financing facility (the "**Original DIP Facility**") to finance the within proceedings.

8. On September 22, 2021, the British Columbia Court of Appeal (the "**BCCA**") granted an order (the "**BCCA Order**") approving an offer (the "**129 Offer**") submitted by 1296371 B.C. Ltd. ("**129**") to purchase and take assignment of the loan and security held by CMLS and to repay the Construction Loan and the Original DIP Lender. The 129 Offer was completed in three tranches with $14,700,000 provided by Domain Facility Corp. ("**Domain**") (the "**Initial Domain Loan**"), $8,399,060 provided by 129 and $2,150,000 provided by 1260780 B.C. Ltd. ("**126**" and together with 129, the "**Junior Lender**"). 126 and 129 are related to the Petitioners.

9. The Initial Domain loan matured on May 1, 2022, however the Petitioners obtained an extension of the maturity date to July 1, 2022 for an extension fee of $98,000.

10. The BCCA Order removed the Enhanced Powers granted to the Monitor and reverted operational control of the Terrace House Project back to the Petitioners.

11. The Initial Domain Loan was almost entirely used to complete the 129 Offer and left very little cash available to the Petitioners to pay for working capital and site preservation expenses. To fund these costs through to the expiry of the current Stay Period, on February 15, 2022 this Honourable Court granted the Further Amended and Restated Initial Order ("**FARIO**") and approved an additional $1,800,000 tranche to the Domain facility (the "**Second Domain Loan**" and collectively with the Initial Domain Loan, the "**Domain Facility**") to provide working capital to the Petitioners for this proceeding.

12. As note in the Monitor's Tenth Report, the Petitioners have identified a development partner, Enso Holdings Ltd. ("**Enso**") that has agreed with the Petitioners that it will co-develop the Terrace House Project, become the majority General Partner, and provide its covenant and an equity investment to support the necessary construction financing to exit these proceedings. The Petitioners together with Enso negotiated a commitment letter dated April 19, 2022 (the "**Initial Mandate Commitment Letter**") with Mandate Management Corporation ("**Mandate**"). which was attached to the Monitor's Tenth Report, for a proposed $20,000,000 mortgage financing (the "**Proposed Mandate Loan**") to repay the Domain Facility and provide working capital for these CCAA Proceedings. The Proposed Mandate Loan remains subject to approval from this Honourable Court

13. The Monitor estimates the current secured debt stack against the Terrace House Project, ranking in order of priority, as:

Secured Creditor	Amount	Cumulative
Domain Facility Corp:		
- Initial Domain Loan	$14,700,000	$14,700,000
- Second Domain Loan	$1,800,000	$1,800,000
	$16,500,000	$16,500,000
1296371 B.C. Ltd.	$8,399,060	$24,899,060
Aviva Insurance Company of Canada (“**Aviva**”) – Deposit Insurance Protection Policy **(See Note #1)**	$14,700,000	$39,599,060
1260780 B.C. Ltd.	$2,150,000	$41,749,060
Note #1: Aviva has insured $14.7 million of Pre-Sale deposits that were released into the Terrace House Project. Aviva’s claim is contingent on those Pre-Sale buyers filing claims to recover their deposits should the Petitioners fail to complete the Terrace House Project and deliver those units to the Pre-Sale Purchasers. Aviva also represents approximately 35% of the 129 Secured Charge.		

14. The Stay of Proceedings has been extended from time to time in the within CCAA Proceedings and the current Stay Period expires on May 13, 2022.

15. The Monitor has previously filed eleven (11) reports in these CCAA proceedings: the “**Proposed Monitor’s Report**”, the “**First Report**”, the “**Second Report**”, the “**Third Report**”, the “**Fourth Report**”, the “**Fifth Report**”, the “**Sixth Report**”, the “**Seventh Confidential Report**”, the “**Eighth Report**”, the “**Ninth Report**”, and the “**Tenth Report**”. These reports, with the exception of the Seventh Confidential Report, are posted on the Monitor’s website at www.ey.com/ca/terracehouse.

16. The purpose of this “**Eleventh Report**” is to provide information to this Honourable Court with respect to the following:

    a) an update to the Proposed Mandate Loan refinancing;

    b) the Petitioner’s post-filing obligations and its correspondence to is suppliers;

c) the updated cash flow forecast of the Petitioners;

d) the request for an extension to the Stay Period to September 30, 2022; and

e) the Monitor's conclusions and recommendations.

17. This Eleventh Report should be read in conjunction with the Petitioners' Notice of Application filed on May 11, 2022.

TERMS OF REFERENCE

18. In preparing this Eleventh Report and making the comments herein, the Monitor has been provided with and has herein relied upon, unaudited financial information, books, records and financial information prepared by the Petitioners, discussions with management of the Petitioners ("**Management**"), and information from other third party sources (collectively, the "**Information**"). Except as described in this Eleventh Report in respect of the 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 such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the 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 Eleventh Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

19. Future oriented financial information referred to in this Eleventh Report was prepared based on Management's and the Monitor's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not readily and currently ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be material.

20. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Eleventh Report concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Monitor.

21. All capitalized terms used herein that are undefined have the meanings ascribed thereto in the Proposed Monitor's Report, the First Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report, the Sixth Report, the Seventh Confidential Report, the Eighth Report, the Ninth Report, the Tenth Report and the Further Amended and Restated Initial Order.

22. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.

CONDITIONAL REFINANCING OF THE DOMAIN LOAN

23. The Tenth Report described that the Petitioners had:

    a) identified Enso as a development partner to co-develop the Terrace House Project, become the majority General Partner, and provide its covenant and an equity investment to support the necessary construction financing to exit these proceedings; and

b) negotiated a commitment letter for a loan (the "**Proposed Mandate Loan**") which contemplates a proposed $20,000,000 refinancing to repay the Domain Facility and provide the Petitioners with working capital to fund these CCAA Proceedings.

24. On May 12, 2022, the Petitioners provided the Monitor with a revised Mandate commitment letter (the "**Revised Mandate Commitment Letter**"), a copy of which is attached hereto as **Appendix "A"**. The Monitor notes the following key changes to the Revised Mandate Commitment Letter from the Initial Mandate Commitment Letter (as appended to the Tenth Report):

a) the interest rate for the first eleven months has increased 1%, from RBC Prime + 5.30% to RBC Prime + 6.30%;

b) the monthly interest only payment has increased from $141,667 to $158,333 for the first eleven months;

c) the amount to be deducted from funding to service the loan for six months has increased from $850,000 to $950,000;

d) the minimum interest payable under the loan has increased from $708,000 to $791,667;

e) the addition of a term and condition that all proceeds of the Mandate loan in excess of repaying Domain be held in the trust account of Mandate's legal counsel and advanced to pay trades and suppliers & consultants expenses at the direction of Enso Developments Inc on the funding date; and

f) the addition of a funding condition that Mandate and their legal counsel being satisfied with the final syndication of co-lenders documents

25. A material condition to the Initial Mandate Commitment Letter was Aviva's consent and approval of the Proposed Mandate Loan. The Monitor understands that Aviva has since provided its consent.

26. The Proposed Mandate Loan is scheduled to close the week ended May 20, 2022.

27. Based on the Revised Mandate Commitment Letter, the Petitioners forecast that the Proposed Mandate Loan will provide working capital of $1,713,333, a reduction from the previously estimated $2 million and is calculated as follows:

Total Proceeds	**$20,000,000**
Less:	
Fees (Broker, Lender)	$420,000
Interest reserve (1)	791,667
Legal fees	75,000
Administration Charge	100,000
Payment to Yu Hin (Hilbert) Ng (2)	200,000
Payment to Philip Shih-Han Chou (2)	200,000
Net Proceeds	**$18,213,333**
Repayment of Domain Facility	$16,500,000
Estimated Working Capital	**$1,713,333**

Note (1): Pursuant to the Revised Mandate Commitment Letter, the minimum interest payment is 5 months or $791,667. This amount is not consistent to the stated amount of $950,000 to be deducted from the loan. The Petitioners have informed the Monitor that they have discussed this with Mandate and understand that the amount to be deducted from the loan on closing to be $791,667.

Note (2): Mr. Ng and Mr. Chou are representatives of Enso and guarantors of the Proposed Mandate Loan. These payments represent fees of 1% payable to each of the individuals as customary compensation for those guarantees.

28. The remaining conditions precedent to the Revised Mandate Commitment Letter include:

a) Notice of Assessments for 2019 and 2020 confirming no income tax owing. This has not yet been received by all Covenantors. Mr. Reyes has provided such information;

b) copies of agreements with Urban One Builders and relevant consultants and trades;

c) satisfactory review of all CCAA documents; and

d) Mandate and their legal counsel's satisfaction with the final syndication and co-lender documents.

Monitor's Comments

29. The Monitor met with representatives of the Petitioners and Enso and their legal advisors; and Vanterre Capital Corp who is the broker of the Proposed Mandate Loan. The Monitor is of the view that the remaining conditions precedent to the Mandate Loan are customary and consistent with industry practices and that the parties to the transaction including Mandate, Enso, Mr. Ng and Mr. Chui are credible. The Monitor is of the view that there is a high degree of likelihood this Proposed Mandate Loan, if approved by this Honourable Court, will be funded in the near future. The Monitor understands that Aviva, who is the fulcrum creditor in these proceedings, believes this Proposed Mandate Loan is capable of closing.

30. The Monitor is also positioned to report a Material Adverse Change to this Honourable Court in the event the Proposed Mandate Loan does not complete in the intended timeframe.

PAYMENT OF POST-FILING OBLIGATIONS

31. The Tenth Report described that Petitioners have not made any payments to is suppliers for post-filing obligations since April 11, 2022, including not making payments to Doka Canada Ltd. ("**Doka**") for the Doka Equipment (as defined in the Tenth Report).

32. On April 29, 2022, this Honourable Court directed the Petitioners to, no later than May 2, 2022, write to those suppliers with accounts in arrears (the "**Post-Filing Suppliers**") to provide them with an update and notification that the Petitioners did not currently possess the funding to pay the Post-Filing Suppliers. The Monitor provided comments on the draft correspondence as directed by the Court.

33. The Petitioners emailed a letter to the Post-Filing Suppliers on May 2, 2022 in accordance with this Honourable Court's direction. A copy of this letter is attached hereto as **Appendix "B"**.

34. The Monitor estimates that the current amount owing to the Post-Filing Suppliers is $170,088, which includes the amount owing to Doka which the Monitor understands the Petitioners dispute. This amount is comprised of the following:

	Amount
Doka (for the rental of the Doka Equipment)	$118,000
Other Suppliers	52,088
Estimated Amount Post-Filing Suppliers	**$170,088**

35. The Petitioners intend to pay all Post-Filing Suppliers upon receipt of the Proposed Mandate Loan proceeds except for Doka. The Petitioners have advised the Monitor that they dispute the amounts owing to Doka on the basis that, a) they do not require the Doka Equipment, b) the Petitioners have not signed a renewed equipment rental agreement, and c) Doka is at liberty to collect the Doka Equipment or continue to store it on-site at the Terrace House Project free of charge.

ELEVENTH REPORT CASH FLOW

36. In support of the Petitioner's request for an extension of the Stay Period to September 30, 2022, Management has prepared the "**Eleventh Report Cash Flow**" for period ending September 30, 2022 (the "**Cash Flow Period**").

37. The Monitor received a draft of the initial Eleventh Report Cash Flow on May 11, 2022 and after providing comments to Management, received the finalized Eleventh Report Cash Flow from the Petitioners in the early afternoon on May 12, 2022.

38. The Petitioners project that they will have sufficient working capital to meet their ongoing obligations through to September 30, 2022, including payment of post-filing obligations outstanding, should the Proposed Mandate Loan close. As of the date of this Report, the Monitor understands that the Petitioners have no funds and cannot meet their obligations unless they obtain funding through the Proposed Mandate Loan.

39. A copy of the Eleventh Report Cash Flow, together with assumptions, is attached hereto as **Appendix "C"** and is summarized below:

	Forecast May 14 to Sept 30
Beginning Cash	**-**
GST Refund	**59,054**
Site Maintenance Disbursements	**(493,079)**
Insurance	(207,285)
Site preservation	(17,132)
Glass storage	(31,185)
Consultants – city requirements	(22,183)
Crane lease	(40,425)
Formwork rentals	-
Permit costs	-
Showroom rental	(37,780)
Post-Filing Supplier arrears	(52,088)
Contingency	(85,000)
Restructuring Disbursements	**(424,500)**
Aviva top-up	(134,000)
Restructuring costs	(290,500)
Pre-construction Disbursements	**(845,391)**
Property tax	(40,000)
Pre-construction activity	(394,641)
Development fees (admin charges)	(160,750)
Pre-sale marketing materials	(70,000)
Loan fees	(100,000)
Construction loan conditions	(60,000)
Project accounting	(20,000)
Total Cash before DIP Financing	**(1,703,916)**
Mandate draw	1,713,333
Ending Cash after DIP Financing	**9,418**

40. Site maintenance costs are anticipated to continue and are consistent to the costs incurred throughout these CCAA Proceedings. The Petitioners have informed the Monitor that they have obtained an extension to the property insurance and have obtained a financing agreement to repay the premiums over time, as contemplated in the Eleventh Report Cash Flow.

41. The Petitioners contemplate spending $845k related to pre-construction disbursements, which includes payments to various consultants and trades required for the remobilization of the Terrace House Project and to acquire construction financing. The Monitor notes that included

within this $845k pre-construction disbursements, the Petitioners contemplate making the following payments:

a) $395k in pre-construction activity, $135k of which is contemplated to be paid to two consultants who the Petitioners' have advised have played critical roles in assisting the Petitioners throughout these restructuring proceedings; and

b) $160k in management fees payable to the General Partner and Enso. The Monitor understands that there are ongoing discussions with the Petitioners, Enso and other stakeholders around payment of management fees and that while the budget does contemplate such payment, there is no agreement at this time on what, if any, fees will be paid.

42. As detailed above, the Petitioners contemplate payment of $134k to Aviva required to garner their support of the Proposed Mandate Loan.

REQUEST FOR AN EXTENSION OF THE STAY OF PROCEEDINGS

43. The Stay Period is currently set to expire on May 13, 2022. The Petitioners are requesting an extension of the Stay Period until September 30, 2022, being the estimated timeline to acquire construction financing, prepare a Plan and exit from these CCAA Proceedings.

44. The Monitor has considered the onus that resides with the Petitioners to demonstrate that an extension of the Stay of Proceedings by this Honourable Court is warranted, having regard to:

a) the circumstances that justify the making of an extension order;

b) the good faith efforts of the Petitioners to effect the restructuring; and

c) the due diligence with which the Petitioners are advancing the restructuring.

Circumstances that justify the extension sought

45. In the Monitor's view, an extension of the Stay of Proceedings is necessary in order for the Petitioners to:

    a) maintain operational control and preserve the Terrace House Project; and

    b) advance these restructuring proceedings and the development of the Terrace House Project, including to obtain construction financing and the development of a Plan of Arrangement.

46. Moreover, as is depicted in the Eleventh Report Cash Flow, the Petitioners project that they will have sufficient liquidity to fund their ongoing obligations through to September 30, 2022 under the Proposed Mandate Loan, subject to approval from this Honourable Court.

Good Faith Efforts and Due Diligence

47. Since the Tenth Report, Management has informed the Monitor that the Petitioners:

    a) have been working diligently to satisfy the conditions precedent to the Proposed Mandate Loan and the Monitor is of the view that the Proposed Mandate Loan is capable of Closing;

    b) have continued discussions with creditors, various consultants, presale purchasers and stakeholders to advance these restructuring proceedings and the Terrace House Project; and

    c) have undertaken various other operational, restructuring and administrative activities.

48. Should the Proposed Mandate Loan complete, the Petitioners will have sufficient funding to pay the undisputed amounts owing to the Post-Filing Suppliers and are expected to be able to

meet their post-filing obligations although the Petitioners do not intend to pay Doka going forward.

49. The Monitor further understands that the Petitioners are making good faith efforts to advance these restructuring proceedings and they are supported by their Secured Creditors and specifically Aviva.

50. On the above basis, the Monitor believes that Management is acting in good faith and with due diligence with respect to these proceedings. The Monitor notes that should this Honourable Court grant an order extending the Stay Period and approving the Proposed Mandate Loan, the Monitor will issue a Material Adverse Change report should Proposed Mandate Loan not close within a reasonable period of time or should the Petitioners not meet their obligations pursuant to the FARIO.

CONCLUSIONS AND RECOMMENDATIONS

51. For the reasons stated herein, the Monitor respectfully recommends that this Honourable Court grant the following orders:

    a) extending the Stay Period from May 13, 2022 up to and including September 30, 2022; and

    b) approving the Proposed Mandate Loan and authorizing the repayment of the Domain Facility.

All of which is respectfully submitted this 12th day of May, 2022.

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

Per:

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

Appendix A

MANDATE MANAGEMENT CORPORATION

505 - 1195 West Broadway, Vancouver, B.C. V6H 3X5
Telephone: (604) 731-2899 Fax (604) 734-5546 e-mail: mandate@telus.net

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May 11, 2022 Expiry Date: May 11, 2022

Port Capital Development (EV) Inc.
c/o Vanterre Capital Corp.
2-2888 Birch St,
Vancouver, BC V6H 2T6

Attn: Craig Pretto Via Email: craig@vanterre.com

Dear Sirs:

Your application for a 1st mortgage in the amount of $20,000,000.00 is being processed based on the following terms and conditions subject to final Credit Committee and their solicitor's approval:

BORROWERS:	Port Capital Development (EV) Inc. Evergreen House Development Limited Partnership
COVENANTORS:	Port Capital Development Inc. Enso Holdings Ltd. Enso Developments Inc. Macario Teodoro Reyes Philip Shih-Han Chou Yu Hin Ng AKA Hilbert Ng Joint and Several
MORTGAGE AMOUNT:	$20,000,000.00
INTEREST RATE:	RBC Prime + 6.30%; minimum 9.50% for the first eleven (11) months; RBC Prime + 8.80%; Minimum 12.0% thereafter
FEES:	$420,000.00 (See Terms & Conditions #1)
TERM:	Twelve (12) months; Open after five (5) months
PAYMENTS:	$158,333.33 per month; interest only; compounded monthly for the first eleven (11) months; $200,000.00 per month thereafter; $950,000.00 to be deducted from funding to service the loan for six (6) months;
PURPOSE:	To refinance the existing first mortgage, interest reserve, fees, closing costs, and working capital.
PREPAYMENT:	This loan may be paid back at any time without notice, bonus or penalty after the Lender has earned the greater of five (5) months interest or $791,666.67

RENEWAL OPTION: Provided the Loan is not in default the Lender remains satisfied with the security, the Lender may offer to renew this loan for a further term of six (6) months upon receipt of a renewal fee of 1.0% of the principal balance payable as follows: 50% to the Lender and 50% to Mandate Management Corporation (See Terms & Conditions #7)

SECURITY

1) A valid and registered 1st Mortgage and Assignment of Rents charge against the following property:

   CIVIC: 1250 W Hastings Street, Vancouver, BC

   LEGAL: Lot 18 Block 29 Plan VAP92 District Lot 185 Land District 36 EXC THAT PT OF CANADIAN PACIFIC RAILWAY SRW AS DESCRIBED IN ABSOLUTE FEE PARCELS BOOK, VOLUME 9, FOLIO 317, NO. 1154C, & EXC S 7 FT NOW RD
   PID: 006-721-397

2) Title Insurance;

3) General Security Agreement;

4) Assignment of Plans and Permits;

And such other security as the Lender's Lawyers deem necessary.

TERMS AND CONDITIONS

1) Fees totaling $420,000.00 will be deducted from funding and payable as follows: $120,000.00 Broker Fee to Vanterre Capital Corp., $200,000.00 Broker/Application Fee to Mandate Management Corporation and $100,000.00 Exempt Market Dealer Fee to Mandate Mortgage Management Corporation. All fees will be earned at such time the mortgage has been instructed for funding;

2) Prior to Solicitor Instruction, the Borrower will pay a $25,000.00 Good Faith Deposit to Redpoint Law LLP in Trust. This deposit will be used to cover any fees that have been incurred whether the loan funds or not. If the loan funds, the deposit will be credited towards Legal Fees and Mandate Management Corporation's Broker Fee **REC'D**

3) No funds will be advanced until all documentation requested is provided and is satisfactory to the Lender's Credit Committee and to the Lender's Lawyers;

4) The Borrower will not encumber the property offered as security with any further charges without the express written consent of the Lender, not to be unreasonably withheld;

5) Upon approval, the mortgage commitment will be non-assignable;

6) Time is of the essence;

7) An Offer to Renew will be issued to the Borrower prior to the date of maturity at the sole discretion of the Lender. If the Borrower does not either accept the offer or repay the loan by 5:00 PM on the maturity date, then the loan will automatically renew for an additional term and the renewal fee stated above on the Commitment Letter will be due and capitalized to the principal balance;

8) All shareholders' loans to be postponed and subordinated to the Lender until this loan is repaid in full;

9) Lender to erect a financing sign at the Lender's expense until this loan is repaid in full;

10) Enso Holdings Ltd. shall have a right of first refusal to buy this loanand/or purchase the subject property for an amount equal to fully discharge this loan whichever the Lenders legal counsel recommends to their satisfaction. To be prepared and executed before funding.

11) Any and all proceeds of this loan in excess of repaying Domain Lending, interest reserve, fees, and closing costs to be held in the Lender's Lawyer's trust and advanced to Borrowers legal counsel to pay trades and suppliers & consultants expenses due and payble relating to the project located at 1250 W. Hastings St., Vancouver, B.C. **at the direction of Enso Developments Inc. on the funding date.**

<u>FUNDING CONDITIONS</u>

1) Inspection of the subject property and interview Macario Teodoro Reyes, Philip Shih-Han Chou, and Hilbert Ng (the "Applicants"); **DONE**

2) Current Credit Bureau Reports for the Applicants; **REC'D**

3) Applicants to complete Lender's Net Worth Statement as attached; **REC"D**

4) Proof of Income from all sources including Notice of Assessments for 2019 & 2020 for the Applicants with confirmation of no income tax owing;

5) Current Market Value Appraisals by appraisal firm approved by the Lender stating an AS IS market value of no less than $40,000,000 together with a Letter of Transmittal addressed to the Lender for first mortgage financing purposes; **REC'D**

6) Current Financial Statements for all companies with confirmation of no GST or Payroll Tax owing; **REC'D**

7) Organizational Chart; **REC'D**

8) Copy of Environmental Phase 1 Report and Geotechnical Report;**REC'D**

9) Current Quantity Surveyor Report; **REC'D**

10) Copy of current Disclosure Statement for the sale of strata lots and all Presale Contracts with confirmation they are all valid; **REC'D**

11) Copy of Limited & General Partnership Agreements;**REC'D**

12) Executed Joint Venture Agreement between Enso Developments Inc. & Port Capital Developments Inc.; **REC'D**

13) Detailed Business Plan and Timeline to exit CCAA; **REC'D**

14) Copy of Agreement with BakerWest Real Estate for the sale of strata lots, if Applicable

15) Copy of Agreement with Urban One Builders & all relevant consultants and trades;

16) Copy of current working drawings and all relevant Permits inclusive of Building Permit; **BUILDING PERMIT REC'D**

17) Detailed status of all current litigation between Macario Teodora Reyes and related parties per Schedule "A" attached; **TO FOLLOW**

18) Satisfactory review of all CCAA documents and status by the Lender's Lawyer to specifically confirm that no charges of any kind can rank in priority to this mortgage

19) Confirmation that the Administration Charge to the Receiver will have a maximum amount of $100,000.00 which will be deducted from the proceeds of this loan and held in the Lender's Lawyer's Trust; and

20) The Lender and their lawyer being satisfied with the final syndication & Co-Lenders documents.

<u>ANTI-MONEY LAUNDERING</u>

The Borrowers consent and agree to provide the Lender and or its solicitor with such documentation and information, including identification, as the Lender or its solicitor may require to ensure compliance with the "Proceeds of Crime (money laundering)" and "Terrorist Financing Act (Canada) regulations and that provision of such documentation shall be a pre-condition to funding.

<u>INSURANCE</u>

A Fire insurance policy in an amount equal to the replacement value of the building(s) showing the Lender as **FIRST LOSS PAYEE AND SUBJECT TO THE STANDARD MORTGAGE CLAUSE** will be required for the full term of the loan. Additionally, Liability coverage in the amount of **$2,000,000.** will be required for the full term of the loan on all properties. **No coinsurance coverage will be acceptable to the Lender.** Earthquake coverage is required on all properties. Our Insurance Agent, **HUB International TOS Limited** is available for your insurance needs. HUB International is located at 3875 Henning Drive, Burnaby, B.C. Telephone # (604) 293-1481, Fax #(604) 293-1493

Yours truly,

MANDATE MANAGEMENT CORPORATION

"Alan Long"

Alan E. R. Long
President

I/WE HEREBY AGREE TO ACCEPT THE PROPOSED TERMS AND CONDITIONS AS SET OUT HEREIN. WE AGREE TO PAY ALL COSTS INCURRED BY THE LENDER INCLUDING LEGAL AND APPRAISAL FEES WHETHER OR NOT THE LOAN IS MADE.

DATED AT ________________ THIS ____ DAY OF _______________, 2022

____

(BORROWER) Port Capital Development (EV) Inc. by its authorized signatory

____

(BORROWER) Evergreen House Development Limited Partnership by its authorized signatory

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(COVENANTOR) Port Capital Development Inc. by its authorized signatory

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(COVENANTOR) Enso Holdings Ltd. by its authorized signatory

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(COVENANTOR) Enso Developments Inc. by its authorized signatory

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(COVENANTOR) Macario Teodoro Reyes

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(COVENANTOR) Philip Shih-Han Chou

____

(COVENANTOR) Yu Hin Ng AKA Hilbert Ng

The aforementioned hereby irrevocably authorizes the Lender to withhold from the first advance under this Mortgage the balance of fees and costs due to the Lender/Brokers as described above. Whether or not the Principal amount is Disbursed and notwithstanding retention of the Commitment Fee by the Lender, all of the Lender's costs and expenses, including without limitation all legal fees and disbursements including any third-party daylight loan arrangement fees and legal fees associated therewith and the cost of all reports, appraisals, inspections and investigations incurred by the Lender in relation to the loan and / or this Mortgages shall be paid by the Borrower(s). The Borrower(s) shall also be responsible for any commission or brokers/finder's fee payable in connection with this Mortgage. All such amounts are payable forthwith, on demand by the Lender, and may be added to the principal balance of the Mortgage and shall bear interest the Interest Rate. The Lender may, at its sole discretion, register a caveat or other instrument against the land and/or property and/or any personal property to protect its interest therein.

Acceptance: Please indicate your acceptance of the terms of this Commitment Letter by signing and returning to us the original copy, together with applicable fees, on or before the expiry date specified herein, at which time this commitment will expire and be of no further effect unless extended in writing at the option of the Lender.

Authorization: The applicant hereby authorized the Lender to obtain information from any credit reporting agency or credit granting organization as required at any time and consents to the disclosure of such information at any time to any credit reporting agency or credit granting organization.

Confidentiality: The applicant acknowledges and agrees the terms and conditions of this letter are confidential between the applicant and the Lender. The applicant agrees not to disclose the information contained herein to a third party without the consent of the Lender.

Syndication: The applicant acknowledges that the lender must syndicate this loan with individual co-lenders or investors and as a result any or all information contained in the loan application including but not limited to corporate and personal financial information may be disclosed to these individual co-lenders or investors. The syndication must be completed prior to the first advance of funds.

Marketing: From time to time, the Lender published advertisements of completed transactions. The advertisements include, but are not limited to, email, social media, magazine prints, and website, and brochures. The Borrower(s) and Covenantor(s) consent to the publication of an advertisement of the transaction contemplated by this commitment letter, which may include photos of the subject property and basic details of the transaction.

Privacy Policy: This will confirm that you have consented to provide certain confidential information with respect to the above described loan. This information will be governed by the terms of the Mandate National Mortgage Corporation Privacy Policy, a copy of which is available at our offices.

Non-Merger and Conflict between Letter of Intent and any Documents: It is understood and agreed that the execution, delivery and registration of the Security shall in no way merge or extinguish this Letter or the terms and conditions hereof, which shall survive and continue in full force and effect. However, in case of any inconsistency or conflict with the provisions of this Letter and the Security, the Lender shall determine which of the provisions shall prevail.

Section 28 Notice: Pursuant to Section 28 of the Property Law Act, prior to registration the Lender will require a signed written acknowledgement of a Section 28 Notice from any and all mortgage charge holders which rank in priority of this mortgage over all related properties.

Fees and Costs: The Borrower will pay all costs including legal fees and disbursements, survey and appraisal costs incurred by the Lender in connection with this loan, and preparation of the loan security. In addition, the Borrower will pay the following fees to the Lender:

$150.00 for any interest payments not received by the first of each month.
$150.00 service fee on all monthly payments that are not honoured by the Borrower's bank.
$250.00 per occurrence for each time Lender's signature is required
$250.00 to discharge a commercial security during the term of the mortgage
$75.00 to discharge a residential security during the term of the mortgage

Lenders Lawyers: **Redpoint Law LLP**
Barristers & Solicitors
#660 - 335 Burrard Street
Vancouver, BC, V6C 2G8
Attn: Timothy Lack
Email: tlack@redpointlaw.ca
604-307-8655

THIS LETTER IS NOT VALID UNLESS SIGNED BY THE LENDER

Appendix B

portliving

May 2nd, 2022

To Vendors of Terrace House

Port Capital Development (EV) Inc. and Evergreen House Development LP (together referred to as "**Port**") has been rebuilding a team to complete the Terrace House Project. Port is working with its partner Enso Group Developments ("**Enso**") to secure interim financing to pay all costs required during these CCAA proceedings. Port and Enso, in consultation with Ernst & Young Inc. (the "**Monitor**"), have developed a preliminary restructuring timetable to exit these CCAA proceedings.

Upon Port's request, the Court has granted an order approving a short extension to the Stay of Proceedings (until May 13, 2022) to give Port and its secured creditors time to clear the conditions precedent and review the terms of a proposed new interim financing facility for Terrace House.

Port and Enso currently have a draft commitment letter from Mandate Mortgage Corporation (the "**Proposed Mandate Loan**") to repay the current interim financing facility provided by Domain Mortgage Corp and provide an additional approximate $2.3 million (net of fees and interest) in working capital to fund these CCAA proceedings and the contemplated exit from CCAA. Port and Enso are working diligently to clear all conditions precedent for the Proposed Mandate Loan prior to May 13, 2022 with the intent to seek a further extension to the Stay of Proceedings and Court approval of the Proposed Mandate Loan on May 13, 2022.

While Port and Enso work to close the Proposed Mandate Loan, there is insufficient cash and borrowing availability under the current financing facility to make any payments to vendors of Terrace House for post-filing amounts owing. Should Port and Enso obtain financing from the Proposed Mandate Loan, they intend to pay outstanding post-filing amounts owing and fund ongoing services. The Proposed Mandate Loan remains conditional and is subject to:

portliving

- Port satisfying the conditions precedent;
- approval from Aviva Insurance Company of Canada (one of Port's secured creditors); and
- approval from the Court.

If the Proposed Mandate Loan does not close, or another source of financing is not found, there will be insufficient funds to pay any outstanding post-filing amounts owing.

Should you have further questions, please contact Marc Durian at (778) 833 1357 or marc.durian@portliving.com, a representative of Port. For further information from the Monitor, please refer to the Tenth Monitor's Report available at www.ey.com/ca/TerraceHouse or contact Jason Eckford, a representative of the Monitor, at 604-648-3671 or jason.eckford@parthenon.ey.com.

I appreciate your patience during this transitionary period.

Regards,

Tobi Reyes
Evergreen Development House LP/Port Capital Development (EV) Inc.

Appendix C

Terrace House - CCAA exit plan
Weekly Cash Flow Projection for the Period May to September, 2022
$CAD

Week		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	38	39	40	41	
	Beginning	9-May-22	16-May-22	23-May-22	30-May-22	6-Jun-22	13-Jun-22	20-Jun-22	27-Jun-22	4-Jul-22	11-Jul-22	18-Jul-22	25-Jul-22	1-Aug-22	8-Aug-22	15-Aug-22	22-Aug-22	29-Aug-22	5-Sep-22	12-Sep-22	19-Sep-22	26-Sep-22	Total
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Receipts	**Notes**																						
GST Refund	1	3,810	-	-	-	7,014	-	35,000	-	4,410	-	-	-	4,410				4,410					**59,054**
		3,810	**-**	**-**	**-**	**7,014**	**-**	**35,000**	**-**	**4,410**	**-**	**-**	**-**	**4,410**				**4,410**					**59,054**
Site maintenance disbursements (inc GST)																							
Insurance	2	(41,457)	-	-	-	(41,457)	-	-	-	(41,457)	-	-	-	(41,457)	-	-	-	(41,457)		-	-	-	**(207,285)**
Site preservation	3	(3,426)	-	-	-	(3,426)	-	-	-	(3,426)	-	-	-	(3,426)	-	-	-	(3,426)		-	-	-	**(17,132)**
Glass storage costs	4	(6,237)	-	-	-	(6,237)	-	-	-	(6,237)	-	-	-	(6,237)	-	-	-	(6,237)		-	-	-	**(31,185)**
Consultants - city requirements	5	(4,437)	-	-	-	(4,437)	-	-	-	(4,437)	-	-	-	(4,437)	-	-	-	(4,437)		-	-	-	**(22,183)**
Crane lease	6	(8,085)	-	-	-	(8,085)	-	-	-	(8,085)	-	-	-	(8,085)	-	-	-	(8,085)		-	-	-	**(40,425)**
Formwork rentals	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	**-**
Permit costs	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	**-**
Showroom Rental	9	(7,556)	-	-	-	(7,556)	-	-	-	(7,556)	-	-	-	(7,556)	-	-	-	(7,556)		-	-	-	**(37,780)**
Outstanding payables	10	(52,088)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	**(52,088)**
Contingency	11	(17,000)	-	-	-	(17,000)	-	-	-	(17,000)	-	-	-	(17,000)	-	-	-	(17,000)		-	-	-	**(85,000)**
		(140,287)	**-**	**-**	**-**	**(88,198)**	**-**	**-**	**-**	**(88,198)**	**-**	**-**	**-**	**(88,198)**	**-**	**-**	**-**	**(88,198)**	**-**	**-**	**-**	**-**	**(493,079)**
Restructuring Disbursements (exc GST)																							
Aviva top up	12	(134,000)																					**(134,000)**
Restructuring costs	13	(90,500)	-	-	-	(50,000)	-	-	-	(50,000)	-	-	-	(50,000)	-	-	-	(50,000)		-	-	-	**(290,500)**
		(224,500)	**-**	**-**	**-**	**(50,000)**	**-**	**-**	**-**	**(50,000)**	**-**	**-**	**-**	**(50,000)**	**-**	**-**	**-**	**(50,000)**	**-**	**-**	**-**	**-**	**(424,500)**
Pre-construction disbursements (exc GST)																							
Property Tax	14	-	-	-	-	-	-	-	-	(40,000)	-	-	-	-	-	-	-	-	-				**(40,000)**
Pre construction activity	15	-	-	-	(135,000)	-	-	-	(91,547)	-	-	-	(91,547)	-	-	-		(76,547)					**(394,641)**
Development Fees	16	(110,500)	-	-	-	-	-	(16,750)		-	-	(16,750)	-	-	-	-	(16,750)	-			-		**(160,750)**
Pre-sale marketing materials	17	(25,000)	-	-	-	-	-	-	(45,000)	-	-	-	-	-	-	-	-	-	-				**(70,000)**
Loan fees	18	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	-	-	-	-				**(100,000)**
Construction loan conditions	19	(15,000)	-	-	-	(15,000)	-	-	(15,000)	-	-	-	-	(15,000)	-	-	-	-	-				**(60,000)**
Project accounting	20	(4,000)	-	-	-	(6,000)	-	-	-	(4,000)	-	-	-	(4,000)				(2,000)					**(20,000)**
		(154,500)	**-**	**-**	**(135,000)**	**(21,000)**	**-**	**(16,750)**	**(251,547)**	**(44,000)**	**-**	**(16,750)**	**(91,547)**	**(19,000)**	**-**	**-**	**(16,750)**	**(78,547)**	**-**	**-**	**-**	**-**	**(845,391)**
Net Cash Flow		**(515,477)**	**-**	**-**	**(135,000)**	**(152,184)**	**-**	**18,250**	**(251,547)**	**(177,788)**	**-**	**(16,750)**	**(91,547)**	**(152,788)**	**-**	**-**	**(16,750)**	**(212,335)**	**-**	**-**	**-**	**-**	**(1,703,916)**
Cash Balance																							
Opening Available Cash Balance		-	1,197,857	1,197,857	1,197,857	1,062,857	910,673	910,673	928,923	677,376	499,588	499,588	482,838	391,291	238,503	238,503	238,503	221,753	9,418	9,418	9,418	9,418	**-**
Net Cash Flow		(515,477)	-	-	(135,000)	(152,184)	-	18,250	(251,547)	(177,788)	-	(16,750)	(91,547)	(152,788)	-	-	(16,750)	(212,335)	-	-	-	-	**(1,703,916)**
Mandate Funds	21	1,713,333	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1,713,333**
Closing Available Cash Balance		**1,197,857**	**1,197,857**	**1,197,857**	**1,062,857**	**910,673**	**910,673**	**928,923**	**677,376**	**499,588**	**499,588**	**482,838**	**391,291**	**238,503**	**238,503**	**238,503**	**221,753**	**9,418**	**9,418**	**9,418**	**9,418**	**9,418**	**9,418**

In the Matter of CCAA of the Port Capital Development (EV) Inc. and Evergreen House Development Limited Partnership (the "Petitioners")

Notes to the Unaudited Cash Flow Forecast of the Petitioners

Disclaimer:

In preparing this cash flow forecast (the "**Cash Flow Forecast**"), the Petitioners have relied upon unaudited financial information and the Petitioners have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the operations of the Petitioners and additional assumptions discussed below with respect to the requirements and impact of a Companies' Creditor Arrangement Act ("**CCAA**") filing. Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Cash Flow Forecast includes the receipts and disbursements of all the Petitioners during the Cash Flow Forecast Period (the "**Period**"). The Petitioners have prepared the Cash Flow Forecast based primarily on estimated receipts and disbursements related to the CCAA proceedings and the ongoing construction project (Terrace House).

The Cash Flow Forecast assumes that the Petitioners obtain a stay of proceedings under the CCAA until September 30, 2022. The Cash Flow Forecast covers the period from May 9, 2022 to September 30, 2022 (the "**Period**").

1. **GST Refund**: The estimated refund for GST paid on disbursements incurred during these CCAA proceedings.

2. **Insurance:** Property insurance policy renewed to September 30, 2022 and CGL renewed to April 15, 2023.

3. **Site Preservation:** Includes site security, scaffolding and fence rental and other items related to site preservation.

4. **Glass Storage Costs**: Costs associated with the storage of acquired glass and related materials.

5. **Consultants – City Requirements**: Represents management's estimates of required cash outlay to meet basic city requirements.

6. **Crane Lease** – Costs associated with the lease for the crane that remains on site.

7. **Formwork Rentals** – Costs associated with the rental of formwork equipment that remains on site. There are no formwork rental costs anticipated in the period.

8. **Permit Costs –** Costs associated with City of Vancouver permitting required for site preservation. There are no permit costs anticipated in the period.

9. **Showroom rental**: Represents payment to the landlord of the showroom.

10. **Outstanding Payables**: Includes vendor costs carried forward from the previous period.

11. **Contingency:** A weekly contingency is built into the Cash Flow Forecast for unforeseen expenses.

12. **Aviva top up:** Payment to Aviva to increase their claim provision from $366,000 to $500,000.

13. **Restructuring Costs**: Represents professional fee payments to counsel to the Petitioners, the Monitor and the Monitor's counsel.

14. **Property Tax:** Represents the final instalment for 2022 property taxes.

15. **Pre construction activity:** Consists of consultants fees in preparation for construction.

16. **Development Fees**: Fees paid to the General Partner and Enso, and associated staff and consultants, related to ongoing support of the project. Development management fees have been partially deferred to ensure the project has funding through the Period.

17. **Pre-Sale Marketing Materials:** Represents fees associated with marketing material to assist in the pre-sale campaign.

18. **Construction Loan Fees:** Initial fees expected to be paid to lenders for construction finance.

19. **Construction Loan Consultants:** Represents fees and costs of various consultants that are anticipated as requirements to construction financing. These consultants include appraisers and quantity surveyors.

20. **Project Accounting:** Represents fees associated with on going book keeping services for the Terrace House Project.

21. **Mandate Funds:** Represents the net advance on the Mandate Loan.