

Court File No.: •

**PRE-FILING REPORT OF KPMG INC.,  
IN ITS CAPACITY AS PROPOSED RECEIVER OF**

**Southmount Healthcare Centre Inc. *et al.***

**JUNE 18, 2021**

Court File No.: •

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**AMERICAN GENERAL LIFE INSURANCE COMPANY,  
LEXINGTON INSURANCE COMPANY, AND  
THE VARIABLE ANNUITY LIFE INSURANCE COMPANY**

**Applicants**

**AND**

**SOUTHMOUNT HEALTHCARE CENTRE INC.,  
180 VINE INC.,  
2478658 ONTARIO LTD.,  
2009 LONG LAKE HOLDINGS INC.,  
65 LARCH HOLDINGS INC.,  
100 COLBORNE HOLDINGS INC.,  
240 OLD PENETANGUISSH HOLDINGS INC.,  
GROSS PROPERTIES INC.,  
180 VINE PURCHASER INC., AND  
2413667 ONTARIO INC.**

**Respondents**

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and under Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43**

**PRE-FILING REPORT OF KPMG INC.  
In its capacity as Proposed Receiver**

**DATED JUNE 18, 2021**

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## I. INTRODUCTION

1. KPMG Inc. (“**KPMG**” or the “**Proposed Receiver**”) understands that an application will be made before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) by American General Life Insurance Company, Lexington Insurance Company, and The Variable Annuity Life Insurance Company (collectively, the “**Applicants**”) for an order (the “**Appointment Order**”), *inter alia*, appointing KPMG as receiver and manager (in such capacity, the “**Receiver**”) to exercise the powers and duties set out in the Appointment Order, pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), and section 101 of the *Courts of Justice Act* R.S.O. 1990 c. C.43, as amended, of i) all of the assets, undertakings and properties, including the Real Property (as defined in the Appointment Order) of Southmount Healthcare Centre Inc., 180 Vine Inc. (“**Vine**”), 2478658 Ontario Ltd., 2009 Long Lake Holdings Inc., 65 Larch Holdings Inc., 100 Colborne Holdings Inc., and 240 Old Penetanguish Holdings Inc. (collectively, the “**Legal Owners**”) acquired for, or used in relation to the Legal Owners’ business, including any interest held by Vine to which the Crown may have rights, and ii) 180 Vine Purchaser Inc., Gross Properties Inc. and 2413667 Ontario Inc. (collectively, the “**Beneficial Owners**”) but solely in respect of all of the Beneficial Owners’ right, title and interest in and to Legal Owners’ Property (as defined in the Appointment Order), including the Real Property and all proceeds thereof, whether held directly or indirectly by the Beneficial Owners for themselves or for others.
2. This pre-filing report (the “**Report**”) has been prepared by the Proposed Receiver prior to its appointment as Receiver, should this Court grant the Appointment Order, to provide information to the Court for its consideration in respect of the Applicants’ receivership application.

## II. PURPOSE OF REPORT

3. The purpose of this Report is to provide this Honourable Court with information pertaining to:
  - (i) background on the Legal Owners, KPMG’s involvement as financial advisor to the Applicants, and selected findings in connection with same;
  - (ii) KPMG’s qualifications to act as Receiver pursuant to the proposed Appointment Order;
  - (iii) the Legal Owners’ forecasted cash flows for the next 6 months; and
  - (iv) the Legal Owners’ estimated funding requirements for the next 6 months, the commercial terms associated with a proposed loan by the Applicants to the Receiver pursuant to the Receiver Term Sheet (as hereinafter defined), and comparison to terms of other loans of similar nature.

### III. TERMS OF REFERENCE

4. In preparing this Report and making the comments herein, KPMG has been provided with, or has relied upon certain unaudited, draft, and/or internal financial information, the Legal Owners' records, financial information and projections prepared by the Legal Owners, discussions with the Legal Owners' management (the "**Management**") and information from other third party sources (collectively, the "**Information**"). It should be noted that all of the Information was obtained in our role as financial advisor to the Applicants, which role is discussed below.
5. The Proposed Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Proposed Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants Canada Handbook, and accordingly the Proposed Receiver expresses no opinion or other form of assurance in respect of the Information.
6. Some of the information referred to in this Report consists of financial 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.
7. Certain information referred to in this Report is based on Management's estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable and as a consequence no assurance can be provided regarding the forecasted or projected results. The reader is cautioned that the actual results will likely vary from the forecasts or projections, even if the assumptions materialize, and the variations could be significant.
8. The Proposed Receiver has prepared this Report in connection with the Application to be heard on June 29, 2021. This Report should not be relied on for other purposes.
9. Capitalized terms not otherwise defined herein are as defined in the Applicants' application materials, including the Affidavit of Jacob Baron sworn June 18, 2021 (the "**Baron Affidavit**"). This Report should be read in conjunction with the Baron Affidavit as certain information has not been included herein to avoid unnecessary duplication.
10. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

#### IV. BACKGROUND, PRIOR KPMG INVOLVMENT WITH THE LEGAL OWNERS AND SELECTED FINDINGS

##### *Background*

11. The Legal Owners own and operate seven (7) medical office buildings located in various cities and towns across Ontario, as follows:

Company	Location	Address	Square Feet
Southmount Healthcare Centre Inc.	Stoney Creek	35 Upper Centennial Parkway	98,317
180 Vine Inc.	St. Catharines	180 Vine St. South	27,255
2478658 Ontario Ltd.	Peterborough	849 Alexander Court	29,501
2009 Long Lake Holdings Inc.	Sudbury	2009 Long Lake Road	49,029
65 Larch Holdings Inc.	Sudbury	65 Larch Street	59,482
100 Colborne Holdings Inc.	Orillia	100 Colborne Street West	22,311
240 Old Penetanguish Holdings Inc.	Midland	240 Old Penetanguishene Road	26,300

(collectively, the “**Buildings**”).

12. 100 Colborne Holdings Inc. also owns a parking lot adjacent to the 100 Colborne Street West Property, located at 77 Wyandotte Street, Orillia (and together with the Buildings, the “**Properties**”).
13. The Buildings are tenanted primarily by doctors, clinics, and other medical-related occupants. The Legal Owners rely on Prime Real Estate Group Inc. (“**Prime**”), a property management company, to manage the day-to-day operations of the Buildings.
14. Detailed information with respect to the Legal Owners’ business and operations are detailed extensively in the Baron Affidavit. The information contained in this Report represents only a high-level summary of such details to avoid duplication.

##### *KPMG Prior Involvement with the Legal Owners*

15. On February 26, 2020, KPMG was retained by the Applicants, through their counsel Blake, Cassels & Graydon LLP (“**Blakes**”), as financial advisor to the Applicants regarding the Applicants’ loans to the Legal Owners. Since that time, KPMG’s activities have included, *inter alia*:
- (a) reviewing the Legal Owners’ rent rolls, lease agreements, and financial statements;

- (b) analyzing the Legal Owners' financial situation;
  - (c) performing physical site visits of the Buildings with a view to confirming occupancy rates and revenues of same;
  - (d) evaluating refinancing efforts of Management in respect of the Buildings;
  - (e) assisting the Legal Owners in developing a request for proposal in respect of a leasing agent to market and lease-up vacant units within the Buildings;
  - (f) understanding and monitoring the ongoing cash flows of the Legal Owners, including deferred rents receivable as a result of COVID-19; and
  - (g) planning and preparing for potential formal receivership proceedings.
16. KPMG has worked closely and co-operatively with Management and Prime throughout the period since the time of our engagement.

*Selected Findings*

17. Prior to KPMG's involvement with the Legal Owners, two of the Buildings (35 Upper Centennial Parkway and 849 Alexander Court) were managed by Integrated Medical Office Services Inc. ("**Integrated Medical**" and such Buildings being, the "**Integrated Medical-Managed Buildings**"). The remaining five Buildings were managed by Prime (the "**Prime-Managed Buildings**").
18. In March, 2020, KPMG requested from Prime, the Legal Owners and Integrated Medical, harmonized sales tax ("**HST**") records evidencing that the Legal Owners had been filing HST returns and remitting HST owing on a regular basis.
19. In respect of the Prime-Managed Buildings, based on the documents obtained from Management, it appears that the Legal Owners have been filing HST returns on a regular basis. However, as at February 28, 2020, there were outstanding HST arrears related to certain of the Prime-Managed Buildings. Documents were obtained indicating that the Legal Owners of the Prime-Managed Buildings had developed an agreed-upon payment plan with Canada Revenue Agency to pay such arrears over a period of time.

20. In respect of the Integrated Medical-Managed Buildings, the Legal Owners were unable to provide sufficient HST records to evidence that HST returns were being filed on a regular basis, or that HST remittances were being made.
21. In March, 2020, KPMG also requested from Prime, the Legal Owners and Integrated Medical, municipal tax records in respect of the Properties and determined that the Legal Owners had significant unpaid and overdue municipal real property tax remittances in respect of the Properties.

## V. KPMG'S QUALIFICATIONS TO ACT AS RECEIVER

22. KPMG can provide the following information to the Court regarding its qualifications to act as Receiver in these proceedings:
  - (a) KPMG has extensive knowledge of the Legal Owners' business and assets and the Properties, which should result in significant time and cost efficiencies;
  - (b) KPMG has worked co-operatively with Management and Prime throughout its engagement as financial advisor to the Applicants;
  - (c) the KPMG personnel that will be involved with the receivership include those that were involved in KPMG's earlier role as financial advisor to the Applicants. These individuals have extensive experience in Court-appointed mandates (including acting as Court-appointed receiver and manager), dealing with real estate assets, and designing and implementing Court-supervised sale processes. They understand the nature of a Court-appointed role and the importance of being independent while acting in such capacity;
  - (d) KPMG's fee rates are comparable to other firms with similar capabilities that perform similar work; and
  - (e) KPMG is a trustee within the meaning of section 2(1) of the BIA and has provided its consent to act as receiver (attached hereto as **Appendix "A"**) in these proceedings should the Court grant the Appointment Order.
23. Should the Court grant the Applicants' request to make the Appointment Order, the Receiver intends to engage Applicants' counsel, Blakes, as its counsel in these proceedings, as well as Norton Rose Fulbright Canada LLP ("**Norton Rose**") as its independent counsel on legal matters which the Receiver, in its judgment, determines it requires independent advice. The Receiver will obtain a legal



opinion on the validity and enforceability of the Applicants' security, and any other security interests if necessary, from Norton Rose.

## VI. CASH FLOW FORECAST

24. The Proposed Receiver, based on its knowledge of the Legal Owners' business, has prepared a cash flow forecast (the "**Cash Flow Forecast**") for the purpose of projecting the Legal Owners' estimated liquidity needs for a period of approximately 6 months from the date of the proposed Appointment Order (the "**Forecast Period**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "B"**.
25. A 6-month Forecast Period was chosen to provide the Receiver (if appointed) with time to devise, seek approval of and implement a robust and thorough sale process for the Properties.
26. A condensed version of the Cash Flow Forecast, presented monthly, is shown below.

<b>Cash Flow Forecast</b>							
<b>Month Ending</b>	<b>31-Jul-21</b>	<b>31-Aug-21</b>	<b>30-Sep-21</b>	<b>31-Oct-21</b>	<b>30-Nov-21</b>	<b>31-Dec-21</b>	<b>Total</b>
Receipts	488,254	488,254	483,063	483,063	483,063	477,766	2,903,464
Operating disbursements	(408,306)	(276,524)	(218,715)	(247,855)	(294,708)	(297,689)	(1,743,798)
<b>Operating cash flow</b>	<b>79,948</b>	<b>211,730</b>	<b>264,349</b>	<b>235,208</b>	<b>188,355</b>	<b>180,077</b>	<b>1,159,666</b>
Professional fees	(575,857)	(297,516)	(272,653)	(221,791)	(221,791)	(221,791)	(1,811,400)
<b>Net cash flow</b>	<b>(495,909)</b>	<b>(85,787)</b>	<b>(8,304)</b>	<b>13,417</b>	<b>(33,436)</b>	<b>(41,715)</b>	<b>(651,734)</b>
<b>Opening Cash Balance</b>	<b>29,122</b>	<b>33,214</b>	<b>47,427</b>	<b>39,123</b>	<b>52,540</b>	<b>19,104</b>	<b>29,122</b>
Net Cash Flow	(495,909)	(85,787)	(8,304)	13,417	(33,436)	(41,715)	(651,734)
Receiver's Borrowings	500,000	100,000	-	-	-	50,000	650,000
<b>Closing Cash Balance</b>	<b>33,214</b>	<b>47,427</b>	<b>39,123</b>	<b>52,540</b>	<b>19,104</b>	<b>27,389</b>	<b>27,389</b>

27. The Cash Flow Forecast, which is premised on the Legal Owners continuing to perform financially in a manner consistent with that of the last three (3) months, forecasts the following:
- (a) total receipts of approximately \$2.9 million, related to collections of monthly rent; and
  - (b) total operating disbursements and professional fees of approximately \$3.6 million, related to payments to suppliers and property management in order to manage and maintain the Properties and the fees and disbursements of the Receiver, Blakes (in its capacity as counsel to the Receiver only) and Norton Rose.

28. The Cash Flow Forecast assumes that no sales of the Properties occur during the Forecast Period. In the event that one or more of the Properties are sold, the operating cash flows will be revised accordingly and reported to the Court.
29. The Cash Flow Forecast indicated that the Legal Owners will not generate sufficient liquidity to fund operations and these proceedings going forward.
30. The Proposed Receiver understands that certain of the Properties may require material capital expenditures. For the purposes of the Cash Flow Forecast, such expenditures have been excluded. If appointed, the Receiver will obtain further information and determine what, if any such capital expenditures are required.

## **VII. FUNDING REQUIREMENTS**

31. The Proposed Receiver understands that the Applicants are prepared to fund the Legal Owners' cash requirements throughout the Forecast Period in order to allow the Receiver to thoroughly market the Properties for sale, should the Court see fit to grant the Appointment Order.
32. As shown in the Cash Flow Forecast, it is estimated that commencing immediately after the granting of the Appointment Order, the Legal Owners will require additional liquidity, with required borrowings increasing in each successive month such that total required borrowings reach approximately \$650k by the end of the Forecast Period. Accordingly, it is vital that the Receiver (if appointed) has the ability to borrow additional funds to continue operating the Legal Owners' business, maintaining the Properties and preserving their value, while a sale process is devised and implemented. The Receiver understands that the Applicants are prepared to provide such funding pursuant to the Receiver Term Sheet.
33. As further outlined in the Cash Flow Forecast, it is anticipated that the Receiver will require approximately \$500k as an initial advance immediately following the granting of the Appointment Order.
34. A copy of the proposed Receiver Term Sheet is attached hereto as **Appendix "C"**. Key terms are as follows:
  - (i) purpose: fund the costs of the receivership proceedings, in accordance with the Cash Flow Forecast and as otherwise agreed to between the Applicants and the Receiver;
  - (ii) availability: up to \$750k;

- (iii) interest rate: 8.95% (compounded annually);
- (iv) expenses: the Applicants are entitled to reimbursement of all of their reasonable costs and expenses in connection with the Receiver Term Sheet;
- (v) repayment: upon the realization of net proceeds from the sale of the Properties, in accordance with the Appointment Order and the Receiver's Borrowings Charge (as defined in the Appointment Order) or any subsequent orders of the Court;
- (vi) term: initial 6-month period ending December 29, 2021. Prior to expiry, the Applicants shall determine, at their sole discretion (in consultation with the Receiver), whether they are prepared to provide any additional borrowing availability that may be required for the purposes of continuing to pursue a sale process if necessary at that time;
- (vii) events of default: the occurrence of any one or more of the following constitutes an "Event of Default":
  - a. any termination of the stay of proceedings contained in the Appointment Order;
  - b. any termination of the appointment of the Receiver; or
  - c. any order issued by the Court:
    - 1. granting any other claim or lien in respect of the Property that is *pari passu* with or in priority to the Receiver's Borrowings Charge;
    - 2. modifying the Receiver Term Sheet, without the prior written consent of the Applicants;
    - 3. approving any sale of the Property (or any portion thereof) without the prior written consent of the Applicants which does not provide for sufficient proceeds to fully repay all of the Obligations (as defined in the Receiver Term Sheet); and
    - 4. reversing, modifying, staying or amending the Appointment Order without the written consent of the Applicants; and
- (viii) security: the Receiver's Borrowings Charge, being a charge over all of the Property, which charge is in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person (as defined in the Appointment Order) but subordinate in

priority to the Receiver's Charge (as defined in the Appointment Order) and the charges set out in S 14.06(7), S 81.4(4), and S 81.6(2) of the BIA.

35. The Proposed Receiver is of the view that the proposed quantum of borrowings pursuant to the Receiver Term Sheet is reasonable based on the Cash Flow Forecast, providing some excess availability for dealing with any unanticipated matters. Further, the Proposed Receiver is of the view that the economic terms of the Receiver Term Sheet are reasonable in the circumstances. The Proposed Receiver notes that an Event of Default gives the Applicants the ability to terminate the facility – even if there is remaining undrawn availability at that date – which could create an inability on the part of the Receiver to fund certain post-filing obligations, unless and until the Properties are monetized (the Receiver has a first ranking priority charge over the Properties to secure the Receiver's fees and disbursements, the value of which are expected to significantly exceed the borrowing limit).
36. The Proposed Receiver is of the view that – based on the key economic terms of other super priority (i.e. DIP) loans approved by various Canadian Courts during 2021 to date (a list of which is attached hereto as **Appendix "D"**) – the annual interest rate of 8.95% contemplated in the Receiver Term Sheet is reasonable in the circumstances and on the lower range of DIP loans reviewed.

All of which is respectfully submitted this 18<sup>th</sup> day of June, 2021.

**KPMG Inc.**  
**In its capacity as Proposed Receiver of**

**Southmount Healthcare Centre Inc.**  
**180 Vine Inc.**  
**2478658 Ontario Ltd.,**  
**2009 Long Lake Holdings Inc.**  
**65 Larch Holdings Inc.**  
**100 Colborne Holdings Inc.**  
**240 Old Penetanguish Holdings Inc.**  
**Gross Properties Inc.**  
**180 Vine Purchaser Inc.**  
**2413667 Ontario Inc.**

**And not in its personal or corporate capacity**

Per:



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**Nick Brearton**  
**CPA, CA, CIRP, LIT**  
President



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**George Bourikas**  
**CPA, CA, CIRP, LIT**  
Vice President

**APPENDIX “A” TO THE PRE-FILING REPORT OF KPMG INC.**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

B E T W E E N:

AMERICAN GENERAL LIFE INSURANCE COMPANY,  
LEXINGTON INSURANCE COMPANY, AND  
THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

Applicants

- and -

SOUTHMOUNT HEALTHCARE CENTRE INC., 180 VINE INC., 2478658 ONTARIO  
LTD., 2009 LONG LAKE HOLDINGS INC., 65 LARCH HOLDINGS INC., 100  
COLBORNE HOLDINGS INC., 240 OLD PENETANGUIH HOLDINGS INC.,  
GROSS PROPERTIES INC., 180 VINE PURCHASER INC., AND 2413667 ONTARIO  
INC.

Respondents

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and under section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43**

**CONSENT**

**KPMG Inc.** is a licensed trustee within the meaning of Section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and hereby consents to act as the court-appointed receiver and manager in the above-noted matter.

**DATED this 18<sup>th</sup> day of June, 2021**

**KPMG INC.**



Per: \_\_\_\_\_

**Name: Nick Brearton**

**Title: President**

**APPENDIX “B” TO THE PRE-FILING REPORT OF KPMG INC.**



Cash Flow Forecast														
Semi-Monthly Period Ending	Notes	14-Jul-21	31-Jul-21	14-Aug-21	31-Aug-21	14-Sep-21	30-Sep-21	14-Oct-21	31-Oct-21	14-Nov-21	30-Nov-21	14-Dec-21	31-Dec-21	Total
<b>Receipts</b>	1													
Rent receipts (net)	2	356,244	75,839	356,244	75,839	351,651	75,839	351,651	75,839	351,651	75,839	346,963	75,839	2,569,437
Collection of deferred rent	3	-	-	-	-	-	-	-	-	-	-	-	-	-
HST collected	4	46,312	9,859	46,312	9,859	45,715	9,859	45,715	9,859	45,715	9,859	45,105	9,859	334,027
<b>Total Receipts</b>		<b>402,556</b>	<b>85,698</b>	<b>402,556</b>	<b>85,698</b>	<b>397,366</b>	<b>85,698</b>	<b>397,366</b>	<b>85,698</b>	<b>397,366</b>	<b>85,698</b>	<b>392,068</b>	<b>85,698</b>	<b>2,903,464</b>
<b>Disbursements</b>	1													
Property operating expenses	5	(129,259)	-	(149,343)	-	(129,259)	-	(128,843)	-	(166,616)	-	(149,696)	-	(853,017)
Management fee	6	(28,881)	-	(28,881)	-	(28,881)	-	(28,881)	-	(28,881)	-	(28,881)	-	(173,288)
Initial possession cost	7	(100,000)	-	-	-	-	-	-	-	-	-	-	-	(100,000)
Repairs and maintenance	8	(37,219)	-	(35,514)	-	(51,364)	-	(35,814)	-	(37,014)	-	(49,557)	-	(246,480)
Environmental and building condition reports	9	(35,000)	-	-	-	-	-	-	-	-	-	-	-	(35,000)
HST paid on operating disbursements	10	(42,947)	-	(27,786)	-	(27,236)	-	(25,160)	-	(30,226)	-	(29,657)	-	(183,012)
HST refund / (remittance)	11	-	-	-	-	-	53,025	-	5,843	-	3,029	-	(4,898)	56,999
Municipal realty taxes	12	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingency	13	(35,000)	-	(35,000)	-	(35,000)	-	(35,000)	-	(35,000)	-	(35,000)	-	(210,000)
<b>Total Operating Disbursements</b>		<b>(408,306)</b>	<b>-</b>	<b>(276,524)</b>	<b>-</b>	<b>(271,740)</b>	<b>53,025</b>	<b>(253,698)</b>	<b>5,843</b>	<b>(297,737)</b>	<b>3,029</b>	<b>(292,791)</b>	<b>(4,898)</b>	<b>(1,743,798)</b>
<b>Net Operating Cash Flow</b>		<b>(5,750)</b>	<b>85,698</b>	<b>126,032</b>	<b>85,698</b>	<b>125,626</b>	<b>138,723</b>	<b>143,667</b>	<b>91,541</b>	<b>99,628</b>	<b>88,727</b>	<b>99,276</b>	<b>80,800</b>	<b>1,159,666</b>
Professional fees	14	-	(509,608)	-	(263,289)	-	(241,286)	-	(196,276)	-	(196,276)	-	(196,276)	(1,603,009)
HST paid on professional fees	15	-	(66,249)	-	(34,228)	-	(31,367)	-	(25,516)	-	(25,516)	-	(25,516)	(208,391)
<b>Total Professional Fees</b>		<b>-</b>	<b>(575,857)</b>	<b>-</b>	<b>(297,516)</b>	<b>-</b>	<b>(272,653)</b>	<b>-</b>	<b>(221,791)</b>	<b>-</b>	<b>(221,791)</b>	<b>-</b>	<b>(221,791)</b>	<b>(1,811,400)</b>
<b>Net Cash Flow</b>		<b>(5,750)</b>	<b>(490,159)</b>	<b>126,032</b>	<b>(211,819)</b>	<b>125,626</b>	<b>(133,930)</b>	<b>143,667</b>	<b>(130,251)</b>	<b>99,628</b>	<b>(133,064)</b>	<b>99,276</b>	<b>(140,991)</b>	<b>(651,734)</b>
<b>Opening Cash Balance</b>	16	<b>29,122</b>	<b>523,373</b>	<b>33,214</b>	<b>159,246</b>	<b>47,427</b>	<b>173,053</b>	<b>39,123</b>	<b>182,791</b>	<b>52,540</b>	<b>152,168</b>	<b>19,104</b>	<b>118,380</b>	<b>29,122</b>
Net Cash Flow		(5,750)	(490,159)	126,032	(211,819)	125,626	(133,930)	143,667	(130,251)	99,628	(133,064)	99,276	(140,991)	(651,734)
Advances under Receiver Term Sheet		500,000	-	-	100,000	-	-	-	-	-	-	-	50,000	650,000
<b>Closing Cash Balance</b>		<b>523,373</b>	<b>33,214</b>	<b>159,246</b>	<b>47,427</b>	<b>173,053</b>	<b>39,123</b>	<b>182,791</b>	<b>52,540</b>	<b>152,168</b>	<b>19,104</b>	<b>118,380</b>	<b>27,389</b>	<b>27,389</b>

**Notes:**

- The Cash Flow Forecast assumes that none of the Properties will be sold within the 6-month forecast period.  
Actual cash flow may vary significantly from the Cash Flow Forecast depending on if and when some or all Properties are sold.
- Projected using May 2021 Rent Rolls as a baseline, adjusted based on actual receipts in May 2021 and additional details provided by property management, as necessary.
- Assumed no receipts associated with deferred rents given the uncertainty around collections.
- 13% of projected rent receipts (net) and collection of deferred rent.
- Projected using 2021 operating budgets (include utilities, cleaning etc.) obtained from property management, and adjusted as required.
- Projected using 2021 operating budgets obtained from property management.
- One-time costs associated with the Receiver taking possession of the assets.
- Projected using 2021 operating budgets obtained from property management. Figures do not include contingent capital expenditures of \$722k that may be required after the Receiver performs a fulsome assessment of the properties.
- Assumes Phase I environmental assessment and building condition reports are required as part of sale process. Projected cost of \$5k per building.
- 13% of projected operating disbursements.
- Assumes that HST filings are completed on a monthly basis, with amounts owing paid/received one month thereafter. Includes ITCs on professional fees.
- All outstanding municipal realty taxes to be remitted in full to municipalities on closing of asset sales from sale proceeds.
- Contingency for unanticipated disbursements.
- Professional fees include fees for the Receiver, counsel to the Receiver (Blake, Cassels & Graydon LLP), and independent counsel to the Receiver (Norton Rose Fulbright LLP).  
Fee estimates for the Receiver and counsel to the Receiver do not include additional costs associated with transactions related to sale of Properties.
- HST is calculated as 13% of total professional fees.
- Opening cash balance is an estimated balance as at June 29, 2021.

**APPENDIX “C” TO THE PRE-FILING REPORT OF KPMG INC.**

**TERM SHEET**

**Dated as of JUNE 18, 2021**

**WHEREAS** American General Life Insurance Company, Lexington Insurance Company, and The Variable Annuity Life Insurance Company (collectively, the “**Lenders**”) have sought the appointment of KPMG Inc. (“**KPMG**”), pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as receiver and manager (in such capacity and not in its personal or corporate capacity, the “**Receiver**”) of: (i) all of the assets, undertakings and properties, including the real property described in Schedule “A” hereto (the “**Real Property**”) of Southmount Healthcare Centre Inc., 180 Vine Inc. (“**Vine**”), 2478658 Ontario Ltd., 2009 Long Lake Holdings Inc., 65 Larch Holdings Inc., 100 Colborne Holdings Inc., and 240 Old Penetanguish Holdings Inc. (collectively, the “**Legal Owners**”) acquired for, or used in relation to the Legal Owners’ business, including any interest held by Vine to which the Crown may have rights (collectively, the “**Legal Owners’ Property**”), and (ii) 180 Vine Purchaser Inc., Gross Properties Inc. and 2413667 Ontario Inc. (collectively, the “**Beneficial Owners**”) but solely in respect of all of the Beneficial Owners’ right, title and interest in and to Legal Owners’ Property, including the Real Property and all proceeds thereof, whether held directly or indirectly by the Beneficial Owners for themselves or for others (collectively, the “**Beneficial Owners’ Property**” and together with the Legal Owners’ Property, the “**Property**”).

**AND WHEREAS** the Receiver is to be appointed by Order of the Ontario Superior Court of Justice (the “**Court**”) pursuant to a hearing scheduled on June 29, 2021 (as may be modified, amended or supplemented with consent of the Receiver and the Lenders, the “**Receivership Order**”) to, among other things, conduct a Court-approved sale process for all or substantially all of the Property;

**AND WHEREAS** the Receiver will incur certain costs and obligations in relation to its appointment as Receiver;

**AND WHEREAS** the Lenders have agreed to fund such costs and obligations of the Receiver in accordance with the terms set out herein (such funding facility, the “**Facility**”);

**NOW THEREFORE**, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

**1. PURPOSE OF FACILITY:**

To fund the costs of the receivership proceedings, including, without limitation, (i) the exercise of the powers and duties conferred upon the Receiver by the Receivership Order; (ii) the cost associated with maintaining, preserving and safeguarding of the Property; (iii) the Receiver’s assessment of realization strategies for the Property, including conducting a sale process with respect to same, in consultation with the Lenders; and (iv) the fees and disbursements of the Receiver and its legal counsel in connection with the foregoing and in connection with the application for the Receivership Order; all substantially in accordance with the receivership budget appended hereto as Schedule “**B**” (as may be amended, modified or supplemented from time to time on agreement of the Lenders and the Receiver, the “**Budget**”).

Notwithstanding any provision to the contrary herein, the Lenders shall not be obligated to fund any Advances (as defined below) which, in the aggregate, exceed \$750,000 and, accordingly, the total amount advanced under the Facility shall not exceed \$750,000, unless the Lenders otherwise agree.

**2. AVAILABILITY:** Promptly following the granting of the Receivership Order, the Lenders will make an initial advance under the Facility to the Receiver in the amount of \$500,000 (all figures CAD) (the “**Initial Advance**”).

Thereafter, the Facility may be drawn down by the Receiver in weekly advances in amounts determined by the Receiver (each, an “**Advance**”) to cover anticipated costs and expenses of the receivership. The Receiver shall be entitled to submit a weekly written request (an “**Advance Request**”) for an Advance. Such Advances are to be made substantially in accordance with the Budget, unless otherwise agreed by the Lenders.

Upon receipt of an Advance Request, the Lenders (or their designee) will provide the requested Advance to the Receiver by wire transfer to an account stipulated by the Receiver by the end of the business day that is five (5) business days following the day on which the Advance Request is received by the Lenders. For greater certainty, the Advances (i) may be made from the earnout reserve in respect of the loans previously advanced by the Lenders to the Legal Owners, and (ii) are to be made prior to the time that liability for the anticipated costs and expenses are to be incurred by the Receiver in accordance with the Budget and the Receiver will use reasonable efforts not to incur any material obligation to any party unless and until the Receiver is in receipt of sufficient funds to satisfy such obligation in full.

**3. EXPENSES** The Lenders shall be entitled to reimbursement of all of their reasonable costs and expenses (including the fees and expenses of their counsel, appraisers and other advisors) incurred in connection with this Facility (collectively, the “**Expenses**”).

**4. INTEREST & FEES AND EXPENSES:** Interest shall accrue from the date of the Initial Advance on the outstanding balance of the Initial Advance and any Advance thereafter (collectively and together with all Expenses, the “**Obligations**”) at an annual interest rate of 8.95 %. All interest shall be computed on the basis of a year of 365 days for the actual number of days (including the first day but excluding the last day) elapsed.

**5. REPAYMENT:** The Obligations (including interest thereon) shall be repaid to the Lenders upon the realization of net proceeds from the sale of any Property, in accordance with the Receivership Order and the Receiver’s Borrowings Charge (as defined in the Receivership Order) or any subsequent order of the Court.

For greater certainty, KPMG in its personal or corporate capacity will not have any liability to repay the Obligations (including interest thereon).

**6. TERM:** The Facility will be available to the Receiver for an initial six (6) month period ending December 29, 2021 (the “**Initial Term**”). Prior to the expiry of the Initial Term, the Lenders shall determine, at their sole discretion in consultation with the Receiver, the need to provide additional availability under the Facility for the purposes of continuing to pursue a Court-approved sale process for the Property (or any portion thereof) and/or consummating any successful bid(s) for the Property (or any portion thereof). If the Lenders

so elect to provide additional funding, such additional funding is to be provided for a period of time to be agreed upon by the Lenders and the Receiver in accordance with a revised budget to be agreed upon between the Lenders and the Receiver.

Notwithstanding the foregoing, the Lenders may terminate the Facility at any time following the occurrence of an Event of Default (as defined below) at which point the Initial Term shall be deemed to have expired.

**7. CONDITIONS PRECEDENT:**

The Lenders will not be obligated to make any Advance (including the Initial Advance) under the Facility unless the following conditions precedent have been satisfied or waived by the Lenders in writing:

1. The Receivership Order has been issued by no later than June 29, 2021, in form and substance satisfactory to the Lenders.
2. The Receiver has executed and returned a copy of this Term Sheet.
3. Other than the Initial Advance, the Receiver has delivered an Advance Request to the Lenders by no later than 5:00 pm Toronto time on the day that is five (5) business days prior to the day on which an Advance is to be made.
4. No Event of Default has occurred.

**8. EVENTS OF DEFAULT:**

The occurrence of any one or more of the following constitutes an "Event of Default" under this Term Sheet:

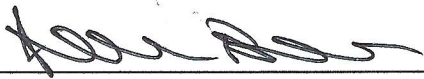
1. Any termination of the stay of proceedings contained in the Receivership Order.
2. Any termination of the appointment of the Receiver.
3. Any order is issued by the Court:
  - (i) granting any other claim or lien in respect of the Property that is *pari passu* with or in priority to the Receiver's Borrowings Charge (as defined in the Receivership Order);
  - (ii) modifying this Term Sheet, without the prior written consent of the Lenders;
  - (iii) approving any sale of the Property (or any portion thereof) without the prior written consent of the Lenders which does not provide for sufficient proceeds to fully repay all of the Obligations; or
  - (iv) reversing, modifying, staying or amending the Receivership Order, without the written consent of the Lenders.

- 9. REMEDIES:** Upon the occurrence of an Event of Default, and at any time thereafter while an Event of Default is continuing, the Lenders may declare, after giving notice to the Receiver, that the Facility is terminated and cancelled. For greater certainty, the Receiver shall be entitled to pay any obligations incurred by the Receiver from the Advances (including the Initial Advance), notwithstanding any Event of Default.
- 10. REIMBURSEMENT:** At the termination of the receivership, the Receiver shall, after paying all obligations incurred by it, reimburse to the Lenders any excess or residual funds in its possession from the Advances (including the Initial Advance).
- 11. GOVERNING LAW:** Ontario and the federal laws of Canada applicable therein.
- 12. SECURITY:** The Receiver's Borrowings Charge (as defined in the Receivership Order), being a court-ordered receiver's borrowings charge over all of the Property as provided for in the Receivership Order, in form and substance satisfactory to the Lenders and the Receiver, as evidenced by Receiver's Certificates (as defined in the Receivership Order). For greater certainty, following the Initial Advance, the Receivership Order shall be registered on title against the real property described on Schedule "A".
- 13. FURTHER ASSURANCES** The Receiver shall, from time to time do, execute and deliver, or cause to be done, executed and delivered, such further acts, documents and things as the Lenders may reasonably request for the purpose of giving effect to this Term Sheet.
- 14. NOTICE:** Any notice or request required or permitted to be given in connection with this Term Sheet shall be in writing and shall be sufficiently given if delivered by email:
- (a) in the case of the Receiver at:
- KPMG Inc.**, as Receiver of Southmount Healthcare Centre. Inc., *et al*  
333 Bay Street, Suite 4600  
Bay Adelaide Centre  
Toronto ON M5H 2S5
- Attention: Nick Brearton / George Bourikas  
Email: [nbrearton@kpmg.ca](mailto:nbrearton@kpmg.ca) / [gbourikas@kpmg.ca](mailto:gbourikas@kpmg.ca)
- (b) in the case of the Lenders at:
- AIG Asset Management (U.S.), LLC**  
777 S. Figueroa Street, 16th Floor  
Los Angeles, CA 90017
- Attention: Michelle Campion / Jacob Baron  
Email: [michelle.campion@aig.com](mailto:michelle.campion@aig.com) / [jacob.baron@aig.com](mailto:jacob.baron@aig.com)


[Signature Page Follows]

If the above terms and conditions contained herein are acceptable to the proposed Receiver, please execute and return a copy of this Term Sheet.


**AMERICAN GENERAL LIFE INSURANCE COMPANY** by its investment advisor, **AIG Asset Management (U.S.), LLC**, a Delaware limited liability company

Per:   
Name: Jacob Baron  
Title: vice president

**THE VARIABLE ANNUITY LIFE INSURANCE COMPANY** by its investment advisor, **AIG Asset Management (U.S.), LLC**, a Delaware limited liability company

Per:   
Name: Jacob Baron  
Title: Vice president

**LEXINGTON INSURANCE COMPANY** by its investment advisor, **AIG Asset Management (U.S.), LLC** a Delaware limited liability company

Per:   
Name: Jacob Baron  
Title: vice president

Acknowledged and accepted as of the \_\_\_\_ day of June, 2021.

**KPMG INC.**, solely in its capacity as proposed court-appointed receiver and manager and not in its personal or corporate capacity, and without personal or corporate liability

Per: \_\_\_\_\_  
Name:  
Title:

If the above terms and conditions contained herein are acceptable to the proposed Receiver, please execute and return a copy of this Term Sheet.

**AMERICAN GENERAL LIFE INSURANCE COMPANY by its investment advisor, AIG Asset Management (U.S.), LLC, a Delaware limited liability company**

Per: \_\_\_\_\_  
Name:  
Title:

**THE VARIABLE ANNUITY LIFE INSURANCE COMPANY by its investment advisor, AIG Asset Management (U.S.), LLC, a Delaware limited liability company**

Per: \_\_\_\_\_  
Name:  
Title:

**LEXINGTON INSURANCE COMPANY by its investment advisor, AIG Asset Management (U.S.), LLC a Delaware limited liability company**

Per: \_\_\_\_\_  
Name:  
Title:

Acknowledged and accepted as of the 18<sup>th</sup> day of June, 2021.

**KPMG INC., solely in its capacity as proposed court-appointed receiver and manager and not in its personal or corporate capacity**

Per:  \_\_\_\_\_  
Name: Katherine Forbes  
Title: Senior Vice President



**APPENDIX “D” TO THE PRE-FILING REPORT OF KPMG INC.**

**Approved Debtor-in-Possession Financing Facilities for Canadian Debtors  
Current as at May 17, 2021**

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment (\$MM)	Fees	Interest Rate	Notes
International Fitness Holdings Inc., International Fitness Holdings LP and World Health North LP	First Canadian Cardio-Fitness Clinics Ltd. (	NOI	KPMG	23-Apr-21	Alberta	Other	10.00	The Borrower is responsible for the Lender's reasonable expenses in connection with the DIP loan, the term sheet and the NOI proceedings.	10	
BioEnergie AE Cote-Nord Canada Inc.	Biogaz SP senc	CCAA	Raymond Chabot	6-May-21	Quebec	Biotech	0.30			
CannTrust	Cortland Credit Lending Corporation	CCAA	EY	6-May-21	Ontario	Cannabis	22.50	Confidential	Confidential	
Spartan Bioscience Inc.	Casa-Dea Financing Ltd.	NOI	EY	4-May-21	Ontario	Biotech	0.60	Facility fee of \$6,000. The Borrower is responsible for the Lender's reasonable expenses incurred in connection with the interim financing.	10%	
Ardenton Capital Corporation	RCM Capital Management Ltd.	CCAA	KSV	5-Mar-21	British Columbia	Financial Services	5.00	n/a	10%	
Just Energy Group Inc. (TSX:JE)	LVS III SPE XV LP, TOCU XVII LLC, HVS XVI LLC and OC II LVS XIV LP	CCAA	FTI	9-Mar-21	Ontario	Oil and Gas	125.00	Commitment fee of \$1.25 million and origination fee of \$1.25 million. The Borrower will be responsible for all of the DIP Lenders' reasonable legal fees incurred in respect of the DIP Financing.	13%	
Change of Scandinavia Canada Retail Inc.	Change of Scandinavia Holding A/S and Change of Scandinavia A/S	NOI	Richter	2-Mar-21	Quebec	Retail	2.00		15%	
Atis Group	BNS	CCAA	Raymond Chabot	24-Feb-21	Quebec	Manufacturing	6.25	Facility fee of \$112,500	Prime plus 3.75%	
TGF Acquisition Parent Ltd., Sun Rich Fresh Foods Inc. and Tiffany Gate Foods Inc.	Cortland Capital Market Services Ltd.	CCAA	EY	17-Feb-21	British Columbia	Food & Accommodation	13.40	Commitment fee of \$516,000.	Either 15% or 12.5%, pursuant to the terms of the Term Sheet	
Rockshield Engineered Wood Products	Hillmount Capital Inc.	NOI	Dodick & Associates	8-Feb-21	Ontario	Manufacturing	1.50	Commitment fee of \$30,000.	11%	
Laurentian University	Firm Capital Corporation	CCAA	EY	1-Feb-21	Ontario	Education	25.00	Commitment fee of \$500,000. The Borrower will be responsible for all of the DIP Lender's reasonable legal fees incurred in respect of the DIP Financing.	Floating at the greater of 8.50% Per Annum or the TD Canada Trust Posted Bank Prime Rate of Interest from time to time plus 6.05% Per Annum	

**Approved Debtor-in-Possession Financing Facilities for Canadian Debtors  
Current as at May 17, 2021**

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment (\$MM)	Fees	Interest Rate	Notes
Tradesmen Enterprises Limited Partnership	BMO	NOI	KSV	1-Feb-21	Alberta	Professional Services	1.90	Closing fee of \$65,000. The Borrower and Guarantor must pay the Lender's fees and expenses incurred in connection with the loan and the NOI proceedings.	12%	
Yatsen Group of Companies	1699803 Ontario Inc.	CCAA	A&M	25-Jan-21	Ontario	Food & Accommodation	5.00	The Borrower and Guarantors must pay the Lender's fees and expenses incurred in connection with the DIP loan and the CCAA proceedings.	3%	
Algold Resources Ltd. (TSX: ALG)	Aya Gold & Silver Inc.	NOI	Raymond Chabot	15-Jan-21	Quebec	Mining	2.40	Commitment fee of \$15,000 and monthly monitoring fee of \$5,000	20%	
FIGR Brands, Inc.	Alliance One Tobacco Canada, Inc.	CCAA	FTI	21-Jan-21	Ontario	Cannabis	13.00	The Borrower and Guarantors must pay the Lender's fees and expenses incurred in connection with the DIP loan and the CCAA proceedings.	8%	Initial DIP loan was \$8 million. Order dated March 31, 2021 increased amount of DIP loan to \$13 million.

source: [insolvencyinsider.ca](http://insolvencyinsider.ca)