



Court file No. S1710393
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

AND

IN THE MATTER OF ALL CANADIAN INVESTMENT CORPORATION

(the "Petitioner")

MONITOR'S THIRD REPORT TO COURT

April 9, 2018

Boale, Wood & Company Ltd.

Monitor appointed in the
Companies' Creditors Arrangement Act proceedings of
All Canadian Investment Corporation

**Suite 1140 – 800 West Pender Street
Vancouver, B.C. V6C 2V6**

TABLE OF CONTENTS

A. INTRODUCTION 2

B. DISCLAIMER AND TERMS OF REFERENCE 3

C. ACTIVITIES OF THE PETITIONER SINCE THE INITIAL ORDER 4

D. ACTIVITIES OF THE MONITOR SINCE THE INITIAL ORDER..... 5

E. MONITOR’S REPORT ON CASH FLOW STATEMENT AND CASH FLOW
FORECAST 6

F. MONITORS REVIEW OF PETITIONER’S ASSETS 7

G. DEBTOR IN POSSESSION FINANCING 11

H. RESTRUCTURING PLAN 12

I. PETITIONER’S REQUEST FOR AN EXTENSION OF THE STAY 13

J. CONCLUSIONS AND RECOMMENDATIONS 14

APPENDIX A - CASH FLOW STATEMENT

A. INTRODUCTION

1. This report (the “Third Report”) is filed by Boale, Wood & Company Ltd. (“BWC”) in its capacity as monitor (the “Monitor”) appointed in a proceeding commenced on November 8, 2017 by All Canadian Investment Corporation (the “Petitioner”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c.-36, as amended (the “CCAA Proceedings”).

2. The purpose of the Third Report is to provide the Court with:
 - a) an update on the Petitioner’s activities;
 - b) an update on the Monitor’s activities since the date of the First Report of the Monitor;
 - c) an updated Cash Flow Statement for the period December 5, 2017 to March 31, 2018 and Cash Flow Forecast;
 - d) The Monitor’s review of the Petitioner’s loan Portfolio and real property;
 - e) the Monitor’s view on the Petitioner’s Restructuring Plan (the “Plan”) and request for a further extension of the Stay;
 - f) the Monitor’s view on the Petitioner’s request for Debtor in Possession (“DIP”) financing; and
 - g) the Monitor’s conclusions and recommendations.

B. DISCLAIMER AND TERMS OF REFERENCE

3. Except as specified, in preparing this report the Monitor has obtained and relied upon unaudited, draft and/or internal information which Management advises has been compiled from the Petitioner's books and records. Where available, the Monitor has reviewed external records and documentation including post-filing banking records, corporate searches and financial statements.
4. Except as otherwise described in this report:
 - a) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information which has been provided in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountant Canada Handbook; and
 - b) the Monitor has not conducted an examination or review of any financial forecast and projections in a manner that would comply with the procedures described in the Chartered Professional Accountant Canada Handbook.
5. This Report have been prepared solely for the purpose described and readers are cautioned that it may not be appropriate for other purposes.

C. ACTIVITIES OF THE PETITIONER SINCE THE INITIAL ORDER

6. Since the date of the Monitor's last report, Management's activities have included the following:
 - a) Preparation of information on the Loan Portfolio and real estate holdings as requested by the Monitor;
 - b) Providing the Monitor with weekly updates of the cash receipts and disbursements;
 - c) Communicating with Borrowers in an effort to expedite payment of both loan interest and principal repayments, including hearing instructed counsel to commence foreclosure proceedings with respect to certain loans;
 - d) Communicating with stakeholders regarding the CCAA proceedings;
 - e) Negotiating terms of DIP financing; and
 - f) Assisting legal counsel with information required in preparation for the applications to Court to extend the stay of proceedings.

7. To date the Monitor has not received sufficient information and documentation to properly comment on each of the loans in the loan portfolio and provide the stakeholders with a meaningful estimate of the net realization from the wind-up of the Petitioner's business.

8. The Monitor would have expected that the information necessary to evaluate the loan portfolio would have been readily available earlier in the Proceedings.

D. ACTIVITIES OF THE MONITOR SINCE THE INITIAL ORDER

9. Since the date of the Initial Order, the Monitor has undertaken, amongst others things, the following activities:
 - a) consulted with Management and reviewed information received with respect to the Loan Portfolio, Real Property, cash flows, the CCAA Proceedings and sought information on Management's proposed Plan;
 - b) monitored the Petitioner's cash flow receipts and disbursements;
 - c) followed up on information requested from the Petitioner and its borrowers with respect to the loan portfolio;
 - d) communicated with the Petitioner's stakeholders, including responding to enquiries as received; and
 - e) prepared the Third Report to the Court in these CCAA Proceedings.

E. MONITOR'S REPORT ON CASH FLOW STATEMENT AND CASH FLOW FORECAST

10. The Monitor has attached as Appendix A to this report a Cash Flow Statement for the period November 27, 2017 to March 31, 2018 comparing the Actual Cash Flow to Management's projected Cash Flow based on the history of payments from Borrowers and Management's communications with Borrowers.
11. Management's projected cash inflows from mortgage interest payments were \$815,000 while actual interest payments received only totalled \$1,746. Based on the Monitor's more detailed review of the payment history of the borrowers, it is evident that most of the borrowers have not been making any payments of interest and that the only payments received appear to be as a result of property sales. Management's projected cash inflows from mortgage payouts/paydowns were \$3,275,000 while actual mortgage payouts/paydowns were \$1,104,000.
12. Actual cash outflows were generally in line with Management's projected cash outflows with the exception of a loan fee that was paid RC Morris and Company, a potential DIP lender.
13. The closing cash balance at March 31, 2018 of \$68,896 will not cover the ongoing management and restructuring costs.
14. The ability of the Petitioner to fund the ongoing management and restructuring costs will be dependent on borrower payments and/or any DIP financing approved by the Court.
15. An updated Cash Flow Forecast for the Petitioner has been attached as Exhibit "A" to Affidavit No. 5 of Don Bergman in these proceedings. The Monitor has not had sufficient time to review this cash flow forecast and therefore provides no comment.

F. MONITORS REVIEW OF PETITIONER'S ASSETS

ASSETS

Loan Portfolio

16. As previously reported the Petitioner has a Loan Portfolio of approximately \$37,200,000 made up as follows:
- Mortgage Loans secured by registered, unregistered and equitable mortgages in the total amount of \$34,800,000 and/or secured against other property belonging to the Borrowers or related parties to the Borrowers. A number of the Mortgage Loans are also secured by general security agreements from the Borrower or parties related to the Borrower and/or unlimited guarantees from principals of the Borrower; and
 - Other Loans in the total amount of \$2,400,000 that are unsecured.

Monitor's Review of the Loan Portfolio

17. The Monitor has requested and received from the Petitioner certain information on each of the loans in the Loan Portfolio including the Borrowers name, real property secured, prior registered encumbrances, security held by the Petitioner and history of the loan advances/repayments.
18. The loans can be broken down into the following three categories: loans to the Censorio Group of Companies, other Secured loans and unsecured loans.

The Monitor's comments on each of the loan categories as follows:

a) *Loans to the Censorio Group of Companies ("Censorio Loans")*

The Petitioner has seven outstanding loans to the Censorio Group of Companies totalling approximately \$27,000,000. The loans are secured by mortgages over five properties (either unregistered Form B Mortgages or equitable mortgages), registered mortgages over four residential units and cross guarantees by related companies.

The Petitioner has commenced foreclosure proceedings with respect to the four residential units and has CPL's registered against title.

In reviewing the payment history on the Censorio Loans it is evident that the borrower has not been making regular monthly interest payments and appears to have only made payments from property sales after completion of construction. A small payment of \$34,000 was recently received from Censorio Group against one of the small unsecured loans.

The Monitor's preliminary estimate of the recovery on the Censorio Loans from the properties is between \$10,000,000 and \$20,000,000. In addition, Mr. Censorio has provided personal guarantees that may result in further recoveries.

The Monitor has advised Mr. Bergman that the unregistered mortgages should be registered immediately and agreement reached with the relevant borrowers to list the properties for sale with the exception of one property that is currently under development with an expected completion date in the fall of 2018. We have information from Mr. Censorio that he has had ongoing discussions with respect to the sale of four properties, namely Sperling, Nanaimo, Altezza and Beta.

b) *Other Secured Loans*

The other secured loans consist of four loans totalling approximately \$6,000,000.

Two of the loans are secured by registered first mortgages over properties located Saskatchewan and the Sunshine Coast. The other two loans are secured by an equitable mortgage over a ½ interest in a residential property in Surrey and an unregistered mortgage over leasehold lands in Alberta.

In reviewing the payment history on these loans there have been virtually no interest payments made with the exception of the Sunshine Coast loan.

We have advised Mr. Bergman that the mortgages should be registered immediately and agreements reached with each of the borrowers to list the properties for sale.

It is the Monitor's view that the two loans secured by registered first mortgages totaling approximately \$2,200,000 should be fully recoverable. The Monitor does not have sufficient information to provide an estimated recovery on the other two loans, however, is advised by Mr. Bergman that the loans should be fully recoverable.

c) *Unsecured loans*

The unsecured loans include three loans to individuals totalling approximately \$700,000 and a loan to Mr. Bergman's management company AFDI in the amount of approximately \$2,400,000. This loan is with respect to a 37.5% interest in a joint venture which holds five Alberta properties cumulatively valued at \$7,605,000. The Petitioner has advised the Monitor that it estimates the Petitioner's equity in the joint venture properties to be approximately \$2,253,750 after repayment of existing mortgages.

In reviewing the payment history on these loans there have been virtually no interest payments made since their inception.

To date the Monitor has not received sufficient information that would assist the Monitor in determining the estimated recovery from these loans.

19. The Monitor is concerned that, based on its review of the loan information received, the Petitioner's management has not been proactive in registering mortgages and/or commencing collection proceedings on any of the loans which loans all appear to be in default.

20. Unless immediate steps are taken to register all unregistered and equitable mortgages, the Monitor is concerned that the potential recovery may be further eroded by other charges/liens being registered.

21. The Monitor is concerned that the information being provided to the Petitioner's investors is not detailed enough to allow them to make a full and accurate assessment of the current status of the Loan Portfolio and potential recoveries.

Real Property

22. The Petitioner is the registered owner of one lot located on or near Lee Road, Garden Bay, Pender Harbour, B.C. which is currently listed for a price of \$99,000; and three lots at Daniel Point, B.C. which are currently listed for a price of \$2,790,000.

G. DEBTOR IN POSSESSION FINANCING

23. The Petitioner has negotiated terms for DIP Financing in the amount of \$2,000,000 with an initial advance of \$1,500,000, subject to Court approval.
24. The purpose of the DIP is firstly to provide funds to payout the outstanding Fisgard loan in the approximate amount of \$850,000 and secondly to fund ongoing restructuring costs.
25. Fisgard has an Order Nisi of Foreclosure with a six month redemption period that expires May 10, 2018. On September 19, 2017 Fisgard has also crystallized its floating charge on lands, created pursuant to a GSA executed by the Petitioner, as a fixed charge on certain lands described in the Order Nisi (attached as Exhibit "B" to the Bergman Affidavit #5).
26. The Petitioner is concerned that once Fisgard has conduct of sale in its foreclosure proceedings it will take immediate steps to sell the Daniel Point properties and New Westminster residential units that may result in sales and prices considerably lower than market thus reducing the recovery to the stakeholders.
27. Although the Monitor agrees there is some risk of this occurring, it has the following reservations:
 - The rate of interest and fees being charged for the DIP are significantly higher than the 8.5% interest rate charged by Fisgard;
 - The Petitioner estimates net cash inflows of \$1,200,000 during the next three months that could be used to pay out Fisgard;
 - Allowing the DIP to proceed will alleviate pressure on the Petitioner to expedite repayment from its borrowers; and
 - The DIP is premature as the Petitioner has not presented a preliminary Plan to the Monitor.

H. RESTRUCTURING PLAN

28. In the Monitor's First Report, the Monitor advised the Petitioner that the CCAA proceedings must include the following:
 - a) Aggressively pursuing the sale of the Real Property which may include reductions in the list prices to facilitate quicker sales that should provide sufficient funds to pay out the secured creditors in full; and
 - b) Further reducing the Management Fee as its only ongoing business activity will be to administer the Loan Portfolio and sell the Real Property.

29. The Monitor is satisfied that the Petitioner has taken appropriate steps to pursue the sale of real properties but has only marginally reduced management fees.

30. Based on the Monitor's review and comments on the loan portfolio, it is very unlikely that the loan portfolio can be sold en bloc or piecemeal. Any Plan will involve specific parameters and timeframes to list and sell each of the properties that the Petitioner has security over which will have to be negotiated with each borrower and monitored thereafter. Terms of repayment will also need to be negotiated for the unsecured loans, absent which legal action will need to be commenced.

31. Should a further short extension of the stay be given, the Monitor would expect considerable progress towards finalizing the Plan.

I. PETITIONER'S REQUEST FOR AN EXTENSION OF THE STAY

32. The Petitioner is seeking a sixty day extension of the Stay Period to Monday, June 11, 2018 in order to allow the time for the Petitioner to develop its Plan.

33. The Monitor is in agreement that a sixty day extension of the stay should be granted provided that the Petitioner agrees to the following:
 - Reduce its management fee to \$25,000 per month effective immediately;
 - Register all unregistered mortgages that it currently holds or may obtain from its borrowers during this stay extension period; and
 - Provide the Monitor with adequate information to properly evaluate each of the loans in the loan portfolio including expected recoveries from guarantors.

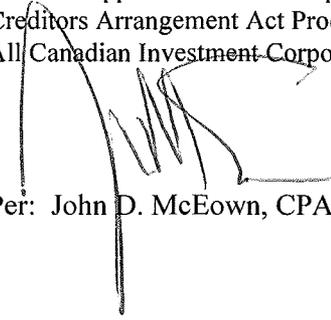
34. The extension should provide sufficient time for the Petitioner to make significant progress towards finalizing its Plan including a claims process.

J. CONCLUSIONS AND RECOMMENDATIONS

35. During this stay period the Monitor is satisfied that the Petitioner has continued to work diligently in providing information requested by the Monitor;
36. The Petitioner has requested that the stay be extended a further sixty days to allow time to develop a Plan for the stakeholders.
37. The Monitor is of the view that the Petitioner has been cooperative and has acted in good faith and with due diligence.
38. Based on the information currently available, the Monitor believes that the extension being sought by the Petitioner is reasonable and appropriate.
39. The Monitor is of the view that the stakeholders will not be prejudiced by the extension of the Stay for sixty days.
40. Accordingly, the Monitor respectfully recommends that the Court grant a further extension of sixty days based on the Petitioner having agreed to the following:
 - Reducing its management fee to \$25,000 per month effective immediately; and
 - Registering all unregistered mortgages that it currently holds or may obtain from its borrowers during the extended stay period.

DATED at the City of Vancouver, British Columbia, this 9th day of April, 2018.

Boale Wood and Company Ltd.
Monitor Appointed in the Companies'
Creditors Arrangement Act Proceedings of
All Canadian Investment Corporation



Per: John D. McEown, CPA, CA, CIR

APPENDIX A

CASH FLOW STATEMENT

ALL CANADIAN INVESTMENT CORPORATION
CASH FLOW STATEMENT
From November 27, 2017 to March 31, 2018

	Projected	Actual	Variance
	Nov 27 to	Nov 27 to	Positive
	Mar-18	Mar-18	(Negative)
Cash Inflows			
Mortgage Interest Payments	\$ 815,000	\$ 1,746	\$ (813,255)
Mortgage Payouts/Paydowns	3,275,000	1,104,000	(2,171,000)
Sale of Lee Road Property	-	395,641	395,641
Total Inflows	4,090,000	1,501,387	(2,588,614)
Cash Outflows			
Operations			
Management Fees (AFDI)	200,000	\$ 190,000	\$ 10,000
Bank Charges	525	385	140
Auditor Fees	10,000	26,250	(16,250)
Monitor's Fees	70,000	33,942	36,058
Legal Fees - Monitor's legal counsel		5,578	(5,578)
Legal Fees - Company's legal counsel	125,000	94,637	30,363
RC Morris & Company (Loan Fee)		50,000	(50,000)
GST Remitted		19,750	(19,750)
Office photocopies		302	(302)
Pest Control		378	(378)
	405,525	421,222	(15,697)
Secured Debt Repayment			
Van Maren Financial	545,000	554,512	(9,512)
Fisgard Capital	1,200,000	525,891	674,109
	1,745,000	1,080,403	664,597
Total Outflows	2,150,525	1,501,625	648,900
Net Cash Inflows (Outflows)	1,939,475	(238)	(1,939,714)
Opening Cash Position	69,134	69,134	-
Closing Cash Position	\$ 2,008,609	\$ 68,896	\$ (1,939,714)*

* AS ROUNDED