



**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 TENTH REPORT TO COURT

DECEMBER 3, 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**

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- A. Court Order extending the stay dated November 22nd 2018

A. INTRODUCTION

1. This report (the “**Tenth 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 Tenth Report is to provide the Court with:
 - a) Recap of November 22, 2018 Court hearing;

 - b) an update on progress being made by the Petitioner with respect to real estate sales/refinancing transactions that, if and when completed, will result in loan repayments by the following borrowers;
 - 1) Stonewater Motel loan
 - 2) Buchmann loan
 - 3) Beta loan

 - c) the Monitor’s conclusions and recommendations with respect to the real estate sale/refinancing transactions.

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 has been prepared solely for the purpose described and readers are cautioned that it may not be appropriate for other purposes.

C. RECAP OF NOVEMBER 22, 2018 COURT HEARING

6. On November 22, 2018, Mr. Justice Walker pronounced an Order in the CCAA proceedings (the “**Order**”), which, among other things, extended the stay to Friday, January 25, 2019 and scheduled the next Court hearing date for this matter on January 13, 2019 (see Appendix A attached hereto).
7. On November 22, 2018, Mr. Justice Walker pronounced an Order with respect to the security for cost application by BDO Canada LLP requiring security for costs to be posted in the amount of \$132,042.
8. In addition, the Order continues to suspend the powers of Mr. Don Bergman in respect of the Petitioner and expand the power and authority of the Monitor.

D. UPDATE ON REAL ESTATE SALE/REFINANCING TRANSACTIONS

9. During the past few weeks the Monitor has been in communication with legal counsel for the Petitioner and certain borrowers of the Petitioner regarding transactions that borrowers have entered into requiring the Monitor's approval and agreement to discharge the Petitioner's security. The Monitor is seeking the Court's approval before it approves the transactions and provides the required discharges of the Petitioner's security. The Monitor's comments and recommendations with respect to these transactions follow.

Stonewater Motel Refinancing

10. The Stonewater Motel refinancing has been approved and is scheduled to fund on December 7, 2018 and it is anticipated that the loan will be paid out in full.
11. The Stonewater loan repayment of approximately \$1,300,000 will be used to repay the DIP loan in full and the residual funds of approximately \$500,000 will be disbursed directly to the Monitor and used to fund currently outstanding and future restructuring costs.

Buchmann Loan

12. Carl Buchmann is in currently negotiates for the sale his property with an expected to closing date before December 31, 2018.
13. It is anticipated that the sale proceeds will be more than sufficient to repay the Buchman loan in full. The current balance owed of the Buchmann loan is approximately \$565,000.

The Beta Property

14. The Beta Loan is in respect of a mixed-use development property located in Burnaby that was completed in 2015 (the “**Beta Property**”). Peter Censorio is the principle of the company that owns the Beta Property. The amount owing to the Petitioner including interest as at December 1, 2018 is approximately \$3,250,000.

15. The Beta Property consists of three strata units. On the second floor there is an office that is leased to Censorio Construction Group Ltd. On the main floor there are two retail tenants, Christophe Chocolat Ltd. and Burnaby Heights Math & Reading Inc.

Listing history and sales negotiated

- In June 2018 the Monitor received a copy of an accepted offer for the Beta Property in the amount of \$5,600,000. The Purchaser subsequently failed to remove its subjects and the sale collapsed;

- On November 1, 2018 the Monitor received a copy of an offer that Peter Censorio had received in the amount of \$2,200,000 for the retail component of the Beta Property. A counter offer was made in the amount of \$2,600,000.
The final sale price agreed to was \$2,250,000 with a sale closing date of December 11, 2018. All subjects were removed on November 27, 2018;

- On November 1, 2018 the Monitor received a copy of an offer that Peter Censorio had received in the amount of \$2,000,000 for the office component of the Beta Property. A counter offer was made in the amount of \$2,850,000.

The final sale price agreed to was \$2,100,000 with a sale closing date of December 11, 2018. The accepted offer was subject to new lease being entered into with the tenant, a company related to Peter Censorio at a lease rate of \$18 instead of \$25/sq ft. Based on our comments below, the Monitor believes that \$18 is more reflective of the current market rate. It is likely the lease rate of \$25/sq ft was reflected in the lease was to assist Peter Censorio for financing purposes and probable not actually being paid by the tenant. All subjects were removed on November 27, 2018.

- The combined contracted sale prices are as follows:

Retail Component	\$2,250,000
Office Component	<u>2,100,000</u>
	<u>\$4,350,000</u>

Monitor's comments on the value of the Beta Property

- The Beta Property was appraised by Garnett Wilson Realty Advisors (“Garnett”) in March 2018 as follows:

Retail Component	\$2,700,000
Office Component	<u>2,950,000</u>
	<u>\$5,650,000</u>

- The 2018 assessed value of the Beta Property is as follows:

Retail Component	\$2,200,000
Office Component	<u>2,512,000</u>
	<u>\$4,712,000</u>

- The Monitor asked a reputable commercial real estate broker at Cushman & Wakefield to provide an estimate of value for the Beta Property. The broker had the following comments:
 - The capitalization rate used by Garnett of 3.75% was lower than the capitalization rate. The broker estimates a capitalization rate of 4.0 to 4.25% for the retail component and 4.25 to 4.75% for the office component;
 - The rental rate used by Garnet of \$23/sq ft for the office component (that is occupied by a related Peter Censorio company) is higher than the current market rate that he believes is between \$18 and \$20/sq ft.;
 - The broker's estimate of value for the office component based on a capitalization rate of 4.25% and using a rental rate of \$18 to \$20/sq ft would be between \$2,200,000 and \$2,444,000. Using a capitalization rate of 4.75% the estimate of value would be between \$1,968,000 and \$2,187,000;
 - The broker's estimate of value for the retail component based on a capitalization rate of 4.0% and using a rental rate of \$28 to \$32/sq ft would be between \$2,289,000 and \$2,616,000. Using a capitalization rate of 4.25% the estimate of value would be between \$2,147,000 and \$2,415,000;
 - To achieve a sale price at the higher end of the range for the office component the purchaser would likely be an owner occupier that would require the existing tenancy to be terminated. The purchaser would also likely discount the price

based on tenant improvements that would have to be completed to suit their requirements.

16. The realtor final estimate of value for the Beta Property is as follows:

Retail Component	\$2,400,000
Office Component	<u>2,250,000</u>
	<u>\$4,650,000</u>

17. Counsel for Mr. Censorio has advised that the estimated distribution of the sale proceeds are as follows:

Gross Sale Proceeds	\$4,350,000
Less 1 st mortgage payout	\$2,846,000
2 nd mortgage payout	1,250,000
prepayment penalties	25,000
property taxes outstanding	118,671
legal fees	<u>10,000</u>
	<u>\$4,249,671</u>
Estimated Repayment of Beta Loan	<u>\$ 100,329</u>

18. The sale will not result in a significant repayment of the Beta loan but will result in the available equity increasing on other Censorio properties that the Petitioner has security against.

19. The Monitor's view is that the Petitioner should allow the sales to proceed for the following reasons:

- 1) The sale prices are within the range of value received by the Monitor from a reputable commercial broker with Cushman & Wakefield;
- 2) The sales do not require the payment of any real estate commissions that will likely exceed \$100,000 based on a commission rate of 2.5%;
- 3) The sales have closing dates within two weeks that will require very little involvement by the Monitor and legal counsel, therefore minimizing professional costs that would otherwise be incurred if the properties are listed for sale and sold in the future;
- 4) The sales will avoid any possibility of future encumbrances against the property that might take priority over the unregistered mortgages of the Petitioner or a reduction in the equity if interest on the prior registered mortgages is not paid by the borrower;
- 5) The sales will eliminate any future risk of adverse market changes that would reduce the recovery to the Petitioner from the sale of the Beta Properties;
- 6) The overall risks and costs associated with not allowing the sales to proceed outweigh the benefit that might be achieved by listing the properties and locating buyers prepared to pay more money; and
- 7) The Petitioner's Investors have generally expressed their concern with respect to the length of time it is taking the Petitioner to realize on its assets and loan portfolio and would not likely support further delays.

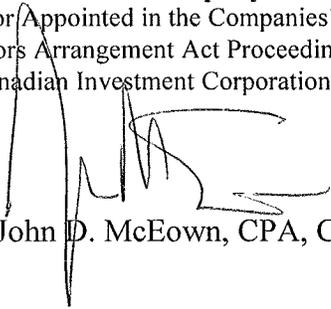
E. CONCLUSIONS AND RECOMMENDATIONS

20. The Monitor is of the view that the sales that the accepted offers for the retail and office components of the Beta Property should proceed and that the Petitioner should undertake to remove the Certificates of Pending litigation registered on title.

DATED at the City of Vancouver, British Columbia, this 3rd day of December, 2018.

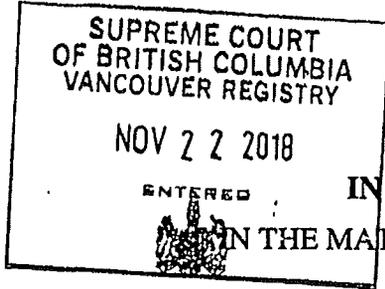
Boale Wood and Company Ltd.

Monitor Appointed in the Companies'
Creditors Arrangement Act Proceedings of
All Canadian Investment Corporation



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

APPENDIX A



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, AS AMENDED**

AND

**IN THE MATTER OF THE CANADA BUSINESS CORPORATIONS ACT,
R.S.C. 1985, c. C-44, AS AMENDED**

AND

**IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF
ALL CANADIAN INVESTMENT CORPORATION**

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)	THURSDAY, THE 22ND
MR. JUSTICE WALKER)	DAY OF NOVEMBER, 2018
)	

ON THE APPLICATION of THE Petitioner coming on for hearing at Vancouver, British Columbia, on the 22nd day of November, 2018; AND ON HEARING Jeremy D. West, counsel for the Petitioner, and Douglas B. Hyndman, counsel for the Monitor, Boale, Wood & Company Ltd., and Kibben Jackson, counsel for DIDS-BC Holdings Ltd.; AND UPON READING the materials filed; AND pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended (the "CCAA"), the *British Columbia Supreme Court Civil Rules* and the inherent jurisdiction of this Honourable Court:

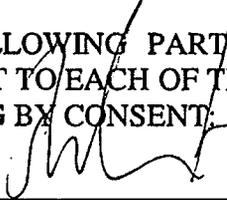
THIS COURT ORDERS that:

1. The time for service of this Notice of Application and the materials herein is abridged such that the application is properly returnable on Thursday, November 22, 2018.
2. Service hereof upon any interested party other than those parties on the service list maintained by the Petitioner and the Monitor in this matter is hereby dispensed with.
3. The stay of proceedings provided for in the order pronounced by this Honourable Court on November 9, 2018 is hereby extended to January 25, 2019; and

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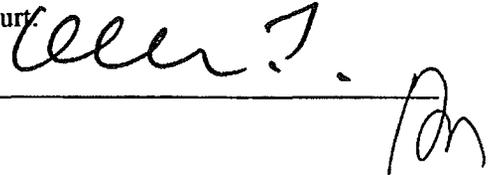
- 4. The approval of counsel as to form listed as Schedule "A" hereto, except for counsel for the Petitioner, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND
CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE
AS BEING BY CONSENT:



Signature of Jeremy D. West
Solicitor for the Petitioner

By the Court



Registrar



Schedule "A" – List of Counsel Appearing

Douglas Hyndman	The Monitor
Kibben Jackson	DIDS-BC Holdings Ltd.