



No. S-137436
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

**TLC THE LAND CONSERVANCY OF BRITISH COLUMBIA, INC. NO. S36826
&
TLC THE LAND CONSERVANCY (ENTERPRISES) LTD.**

MONITOR'S SEVENTH REPORT TO THE COURT

MAY 12, 2014

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1. PREAMBLE

1.1. Introduction

- 1.1.1. Wolrige Mahon Limited is the Court appointed Monitor (“**WML**” or the “**Monitor**”) in these CCAA proceedings.
- 1.1.2. On October 7, 2013, the Supreme Court of British Columbia (the “**Court**”) made an Initial Order (the “**Initial Order**”), pursuant to the *Companies’ Creditors Arrangement Act* (the “**CCAA**”), granting a stay of proceedings against TLC The Land Conservancy of British Columbia, Inc. No. S36826 and TLC The Land Conservancy (Enterprises) Ltd. (collectively referred to herein as “**TLC**” or the “**Petitioner**”) until November 4, 2013 (the “**Stay Period**”).
- 1.1.3. On November 4, 2013, the Court confirmed the terms of the Initial Order and extended the Stay Period to January 20, 2014 (the “**Comeback Order**”); on January 20, 2014 the Court further extended the Stay Period to April 25, 2014 (the “**January 2014 Extension Order**”); on April 25, 2014 the Court further extended the Stay Period to June 25, 2014 (the “**April 2014 Extension Order**”);.
- 1.1.4. Copies of the Initial Order, the Comeback Order, the January 2014 Extension Order and the April 2014 Extension Order, together with other information on these CCAA proceedings, are posted on the Monitor’s website at www.wmltrustees.com.

1.2. Purpose of Report

- 1.2.1. The purpose of the Monitor’s Seventh Report to the Court (this “**Report**”) is to advise the Court that, pursuant to Section 23(1)(d) of the CCAA, the Monitor has ascertained that a material adverse change has occurred, which negatively affects TLC’s financial circumstance, as well as expected future cash flow.

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1.3. Restrictions, Limitations & Qualifications of Report

1.3.1. In preparing this Report, WML has relied upon discussions with, representations made by, and information provided by:

1.3.1.1. TLC's management ("**Management**");

1.3.1.2. TLC's directors;

1.3.1.3. Professional advisors and other consultants retained by TLC.

1.3.2. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

1.3.3. Capitalized terms not defined in this Report are defined in the motion materials filed by TLC in connection with these CCAA proceedings.

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2. MATERIAL ADVERSE CHANGE

2.1. Termination of Restructuring Consultant's Services

- 2.1.1. CEL Services Group (the "**Restructuring Consultant**") had been retained by TLC since June 2013 to assist and provide guidance to TLC, with respect to development and implementation of restructuring strategy in CCAA proceedings. Its services were being provided by Mr. Jeff Ayre, CPA, CGA, CIRP.
- 2.1.2. On May 6, 2014, CEL Services Group (the "**Restructuring Consultant**") tendered a termination letter to TLC, sent via email, wherein it terminated (resigned) its consulting services to TLC. A copy of the Restructuring Consultant's termination letter is attached as **Appendix "A"**.
- 2.1.3. On May 7, 2014, the Monitor is advised that the Restructuring Consultant was in receipt of a letter from TLC, via Canada Post, dated May 5, 2014 wherein TLC gave notice of termination of the Restructuring Consultant's services. A copy of TLC's termination letter is attached as **Appendix "B"**.

2.2. Termination of Property Consultants' Services

- 2.2.1. Prior to October 2013, Mr. Simon Joslin and Mr. Ian Atherton (the "**Property Consultants**") provided periodic consulting services to TLC, assessing the value of real properties (the "**Properties**") owned by TLC and identifying alternatives available to TLC in regards to the disposition / transfer of ownership of the Properties. Subsequent to commencement of CCAA proceedings on October 7, 2013, the Property Consultants continued with their contracting services, working closely with the Restructuring Consultant.

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- 2.2.2. On May 8, 2014, the Property Consultants tendered a termination letter to TLC, wherein they terminated (resigned) their consulting services with TLC. A copy of the Property Consultants' termination letter is attached as **Appendix "C"**.
- 2.2.3. On May 9, 2014, TLC's Director of Operations met with the Property Consultants to discuss their termination of services, investigating possible changes / compromises that would convince the Property Consultants to rescind their letter of termination.
- 2.2.4. On May 10, 2014, the Property Consultants confirmed to TLC that they would not rescind their letter of termination.

2.3. Property Group

- 2.3.1. The Property Group at TLC has consisted of the Restructuring Consultant, the Property Consultants and Mr. Scott Harris (a TLC employee).
- 2.3.2. Drawing upon the varied experience and knowledge of these consultants, the Property Group has developed a methodology for the assessment of the Properties (e.g. valuation, alternatives for disposition and recovery of value, identification of appropriate transferees, etc.).
- 2.3.3. The Property Group has developed a specific action plan for the disposition of several of the Properties (primarily Heritage Properties and selected Other Conservation Lands, but not Primary Conservation Lands). The unredacted version of **Appendix "C" to the Monitor's Sixth Report to the Court (dated April 17, 2014)** contains details of the specific action plan recommended by the Property Group for several of the Properties.

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- 2.3.4. All the Properties have unique aspects, features and / or restrictions (“**complexities**”), which have a direct bearing upon TLC’s ability to divest itself of the Properties, and the Property Consultants are intimately familiar with most, if not all, of the complexities.

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3. MONITOR'S CONCLUSIONS

3.1. The services of the Property Group are essential to:

3.1.1. the development of an action plan for disposition of the Properties, as part of TLC's intended restructuring, and

3.1.2. the successful implementation of the action plan for disposition of the Properties.

3.2. The Monitor is of the opinion that the termination of the Restructuring Consultant's services is problematic, but in isolation not necessarily adverse.

3.3. The Monitor is of the opinion that the termination of the Property Consultants' services, when considered in conjunction with the termination of the Restructuring Consultant's services, is material and adverse.

3.4. The Monitor is of the opinion that these terminations of services represent a loss of:

3.4.1. The Property Group's institutional memory and knowledge about the complexities of specific properties, which was acquired before and after the commencement of the CCAA proceedings; and

3.4.2. The Property Group's business relationships and contacts;

all of which are unlikely to be effectively or efficiently replaced.

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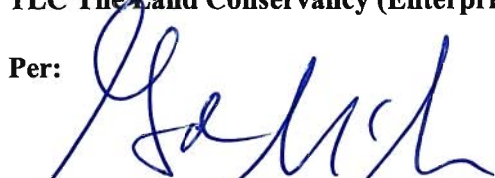
3.5. In the Monitor's opinion the collective termination of these consultants' services is a Material Adverse Change that will:

- 3.5.1. Have a negative impact on TLC's ability to effectively, efficiently, and in a timely manner, optimize recoveries from disposition of the Properties; and
- 3.5.2. In the fullness of time, likely impair the funds available to creditors in any Plan of Arrangement submitted by TLC.

All of which is respectfully submitted on this, the 12th day of May, 2014.

WOLRIGE MAHON LIMITED
in its capacity as Court Appointed Monitor
for TLC The Land Conservancy of British Columbia &
TLC The Land Conservancy (Enterprises) Ltd.

Per:



Gord McMorran, CPA, CA, CIRP
President

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APPENDIX A

RESTRUCTURING CONSULTANT'S TERMINATION LETTER (RESIGNATION)

TO TLC DATED MAY 6, 2014

**CEL SERVICES GROUP
558 Craigmohr Dr.
West Vancouver, BC V7S 1W9**

May 6, 2014

BY EMAIL

TLC The Land Conservancy of British Columbia ("TLC")
PO Box 50054 RPO Fairfield
Victoria, BC V8S 5L8
Attention: Board of Directors c/o Briony Penn, Chair

AND

Wolrige Mahon Limited, Monitor in the CCAA Proceeding
900 - 400 Burrard St.
Vancouver, BC V6C 1M2
Attention: Gord McMorran

Dear Sir or Madam:

**Re: Contract for Services dated July 8, 2013 between TLC The Land Conservancy of
British Columbia ("TLC") and CEL Services Group Inc. ("CEL")**

This is to advise you that CEL, pursuant to the engagement letter duly executed by CEL and TLC and dated July 8, 2013 (the "Contract"), gives you notice of our intention to terminate the Contract effective the end of the day on May 13, 2014. We will provide you with our final invoice and accounting for all amounts owed and outstanding as at May 13 on the 14th of May.

Our reasons to terminate this contract are many and varied, but ultimately CEL believes that after Board changes at TLC, TLC and CEL are no longer able to agree on the proper objectives and strategy for the disposition of the properties held in TLC's land portfolio.

Yours truly,

Per: 
CEL Services Group Inc.

c.c. Steven Dvorak, Counsel to TLC
Jonathan McCullough, Counsel to CEL

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A P P E N D I X B

TLC'S TERMINATION LETTER TO RESTRUCTURING CONSULTANT

DATED MAY 5, 2014

May 5, 2014

CEL SERVICES GROUP
558 Craigmohr Drive
West Vancouver, BC V7S 1W9

Dear Jeff,

NOTICE OF TERMINATION OF SERVICES

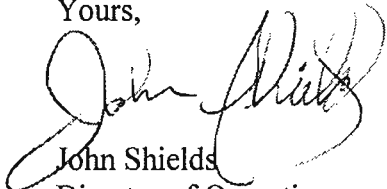
As you know, TLC has been facing a critical cash flow issue as a result of the cost of sustaining the CCAA process. The Board has been reviewing reducing all its expenses with a view of increasing its chance of viability in the face of mounting costs associated with its obligations within the *Companies Creditors Arrangements Act*. The Board has concluded that it can no longer afford your contract for services. Therefore, on their behalf, I am giving you the one-week notice required by our contract.

On Friday, the Board informed the Monitor of its decision to terminate its agreement with you because it can no longer afford to continue the financial burden of your contract. TLC will honour the existing agreement up to and including May 12, 2014.

Jeff, I am aware that you have had extensive involvement in resolving the Kogawa House property issue. We now have a signed memorandum of understanding with the developer and KHS, which you negotiated on TLC's behalf. I am willing to undertake a new agreement with you to complete TLC's responsibility under that memorandum. If you are interested in overseeing TLC's part in that project, and if the cost were reasonable, I would be prepared to engage you for a limited time to see that project through to the conclusion of TLC's role.

If you are not interested in that specific project I would expect that you will honour your duty of confidentiality and responsibility to TLC for any of the projects that have been under your overview.

Yours,



John Shields
Director of Operations
The Land Conservancy of BC

cc.: The Monitor
TLC Board of Directors

nature • heritage • agriculture

Board of Directors: Mel Lehan • Nicole McKay • Fred Newhouse • Bill Pearce
Bronny Penn (Chair) • Frances Pugh (Vice-Chair) • Joan Tarrant (Treasurer) • Tom Watson

Mailing address: PO Box 50054 RPO Fairfield Plaza, Victoria, BC V8S 5L8
Phone: 250-479-8053 | Fax: 250-744-2251 | conservancy.bc.ca

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APPENDIX C

PROPERTY CONSULTANTS' TERMINATION LETTER (RESIGNATION)

TO TLC DATED MAY 8, 2014

May 8, 2014

Simon Joslin, Real Estate Consultant
1327 May Street, Victoria, BC
V8S 1B8

Ian Atherton, Real Estate Consultant
1006 Chamberlain Street
Victoria, BC V8S 4B9

By Email

TLC The Land Conservancy of British Columbia (TLC)
PO Box 50054 RPO Fairfield
Victoria, BC V8S 1L8

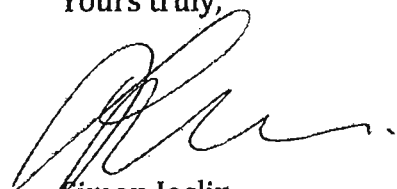
Attention: TLC Board of Directors
c/o Briony Penn, Chairperson

Re: Contracts for Real Estate Consulting Services between Simon Joslin and Ian Atherton (the "Consultants"), and TLC dated July 22, 2013


Please be advised that the Consultants, pursuant to their contracts for provision of real estate consulting services to TLC, hereby give notice of intention to terminate the contracts effective end of day May 15, 2014.

In light of the departure of Jeff Ayre, Chief Restructuring Officer, and after considerable reflection, the Consultants have concluded that continued provision of real estate consulting services to TLC under the CCAA process is untenable. The clear divergence between the Consultants' recommended approach to disposition of properties and the approach being advocated by the TLC Board and its Director of Operations has become a serious impediment to effective provision of services.

Yours truly,



Simon Joslin



Ian Atherton

Copies Gord McMorran, Monitor, Wolridge Mahon Limited (by email)
 John Shields, TLC Director of Operations (by email)

VANCOUVER REGISTRY: No. S-137436

DATED MAY 12, 2014

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IN BANKRUPTCY & INSOLVENCY**

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