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SUPREME COURT SCHEDULING

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 SIXTEENTH REPORT TO THE COURT

OCTOBER 9, 2015

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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**”) and on January 20, 2014 the Court further extended the Stay Period to April 25, 2014 (the “**January 2014 Extension Order**”).
- 1.1.4. On March 4, 2014, the Court made an Order setting out the procedure for the determination of validity and values of claims by the Petitioner’s creditors, together with a dispute resolution process (the “**Claims Process Order**”).
- 1.1.5. Further extensions to the Stay Period have been granted by the Court as follows:
 - 1.1.5.1. On April 25, 2014 the Court extended the Stay Period to June 25, 2014;
 - 1.1.5.2. On June 25, 2014 the Court extended the Stay Period to October 17, 2014;

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- 1.1.5.3. On October 17, 2014 the Court extended the Stay Period to February 2, 2015;
- 1.1.5.4. On February 2, 2015 the Court extended the Stay Period to April 30, 2015;
- 1.1.5.5. On February 18, 2015 TLC filed a Notice of Motion with regard to TLC's Plan of Compromise and Arrangement ("**the Plan**");
- 1.1.5.6. On February 23, 2015 the Court issued a Meeting and Process Order, confirming that TLC was to convene a meeting of creditors to consider the Plan on March 30, 2015;
- 1.1.5.7. On April 2, 2015 the Court issued a Sanction Order, approving the Plan and directing TLC to provide the Monitor with quarterly updates as to TLC's progress in implementation of the Plan;
- 1.1.5.8. Copies of all Orders made by the Court, 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 Sixteenth Report to the Court (this "**Report**") is to provide the Court with the Monitor's 2nd quarterly report on TLC's progress with implementation of the Plan.

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1.3. Restrictions, Limitations & Qualifications of Report

- 1.3.1. In preparing this Report, WML has relied upon discussions with and representations made by TLC's management ("**Management**"), together with other documents and information provided by TLC's staff.
- 1.3.2. WML has not audited or otherwise verified the information contained herein as to its accuracy or completeness. Accordingly, WML does not express any form of assurance about the information contained herein.
- 1.3.3. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.
- 1.3.4. 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. IMPLEMENTATION OF THE PLAN

2.1. Tranche 1

2.1.1. As reported in the Monitor's Thirteenth Report to the Court, most of the proposed transactions identified in Tranche 1 of the Plan have a relatively high degree of certainty:

2.1.1.1. In regards to completion within 6 months of Court Approval (i.e. during the period April 2 to September 30, 2015); and

2.1.1.2. In regards to the estimated value to be recovered.

2.1.2. As at September 30, 2015, Management confirm that:

2.1.2.1. On July 28, 2015 TLC obtained the Court's approval for TLC's sale of 26 ecologically sensitive properties (Core Properties) to Nature Conservancy of Canada ("NCC") and The Nature Trust of British Columbia ("TNTBC"), for \$1.5 million, as contemplated in the Plan. This transaction was completed on September 30, 2015;

2.1.2.2. TLC delayed making an application to the Court on July 28, 2015, for approval of TLC's sale of the property known as Monk's Point to the District of Tofino for \$1.25 million (\$1 million in debt forgiveness of a secured lender and \$250,000 cash). However, TLC subsequently obtained Court approval for this transaction (as contemplated in the Plan), and it closed on September 30, 2015. At that time, a further \$75,000 of debt owing to an unsecured creditor was also forgiven, as contemplated in the Plan;

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- 2.1.2.3. The transfer of the property known as Hardy Mountain Doukhobor Village to the Regional District of Kootenay Boundary closed on July 16, 2015, with the Regional District of Kootenay Boundary assuming the debt owing to Grand Forks Credit Union, as contemplated in the Plan;
- 2.1.2.4. TLC's sale and transfer of the property known as Ross Bay Villa to the Ross Bay Villa Society, wherein the Ross Bay Villa Society is assuming the mortgage debt owing to Coast Capital Savings & Credit Union (as contemplated in the Plan), has been contingent upon the TLC's completion of both the NCC / TNTBC and Monk's Point transactions. Given that both of these transactions closed on September 30, 2015, the Ross Bay Villa transfer is set to complete in the near future;
- 2.1.2.5. TLC is awaiting receipt of the final distribution of funds from the Poole Estate (approximately \$250,000), but the timing of this final distribution remains uncertain;
- 2.1.2.6. Management continues in discussions with to the Executors of the Will of Jessie Binning (deceased) and University of British Columbia as to TLC's recovery of legal costs, as directed by the British Columbia Court of Appeal in the Binning House decision. Recovery appears reasonably certain, although the timing and the precise amount remain uncertain;
- 2.1.2.7. Management is seeking to raise sufficient funds so as to facilitate a paydown of the 1st mortgage (approximately \$45,000) on the property known as the Qualicum Bat House and then pursue a transfer of this property to the 2nd ranking mortgage holder, as contemplated in the Plan.

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2.2. Tranche 2

2.2.1. As reported in the Monitor's Thirteenth Report to the Court, most of the proposed transactions identified in Tranche 2 of the Plan have a lesser degree of certainty than transactions in Tranche 1 (in regards to both the estimated value to be recovered and the estimated time required to complete the transactions).

2.2.2. As at September 30, 2015, Management confirm that:

2.2.2.1. The Maltby Lake Watershed Society ("MLWS") is continuing in its fund raising activities, with the goal of raising \$250,000 for the purchase of the remainder of TLC's undivided interest in the Maltby Lake property (17% of TLC's former 35% undivided interest), as contemplated in the Plan. Management advise that MLWS is reporting that it has received pledges for 60% (\$180,000) of the requisite \$250,000;

2.2.2.2. A sale of the Lohbrunner Farm for a projected \$500,000 remains uncertain. There is no offer in hand, nor real estate listing at this time, and, as well, TLC still must clarify potential legal and trust issues. This activity and the uncertainty associated with it is contemplated in the Plan;

2.2.2.3. TLC has been pursuing expressions of interest in connection with the potential sale of the property known as Wildwood. Management is cautiously optimistic about a positive outcome over the next short while. The Plan allowed for an extended time to complete a transaction involving Wildwood, due to the uncertainty arising from potential legal and trust issues.

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2.3. Tranche 3

- 2.3.1. As reported in the Monitor's Thirteenth Report to the Court, most of the proposed transactions identified in Tranche 3 of the Plan have a high degree of uncertainty attached to them (in regards to both the value to be recovered as well as the estimated time required to complete the transactions).
- 2.3.2. As at September 30, 2015, Management confirm that:
- 2.3.2.1. In Victoria, a transfer of all excess site densities for both Abkhazi properties (Abkhazi Gardens and Abkhazi Lot #2 - the adjacent vacant lot), continues to be a work-in-progress. As contemplated in the Plan, TLC and the municipal government seek an appropriate developer and suitable development project for the proposed density transfers;
- 2.3.2.2. TLC has received a \$539,000 donation that is linked to Abkhazi Lot #2, which was previously to be sold for this amount. The purpose of the donations (instead of a sale transactions) is to assist TLC in its redemption of the mortgage security on Abkhazi Gardens and Abkhazi Lot #2, while enabling TLC to retain possession of Abkhazi Lot #2. This contribution (instead of a sale of Abkhazi Lot #2) is contemplated in the Plan;
- 2.3.2.3. In Vancouver, TLC continues to pursue a Heritage Revitalization Agreement transaction involving the property known as Joy Kogawa House, as well as other potential real estate developments in the vicinity of Joy Kogawa House. This activity is contemplated in the Plan.

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3. INTERIM DISTRIBUTION OF FUNDS

3.1. Secured Creditors

3.1.1. The \$2.75 million proceeds from the NCC / TNTBC and the Monk's Point transactions have been used to:

3.1.1.1. Pay out mortgages and encumbrances registered on the title of the lands transferred in these two transactions;

3.1.1.2. Repay, in full, the principal balance owing on the Debtor in Possession ("DIP") loan, together with accrued interest and the DIP lender's legal fees;

3.1.1.3. Make an installment payment of \$771,300 to the professionals (shared pro-rata by various of TLC's legal counsel, the Monitor and the Monitor's legal counsel), thereby reducing the balance collectively owing to the professionals to approximately \$285,000 which is secured by the Administration Charge,

3.1.2. Excluding the 2nd ranking secured mortgage on the Qualicum Bat House and Administration Charge, TLC currently owes approximately \$750,000 to various secured creditors for either mortgages or charges (e.g. property taxes) on the remaining properties including: Abkhazi Gardens (2 lots), Joy Kogawa House, Qualicum Bat House and Ross Bay Villa.

3.2. Unsecured Creditors

3.2.1. With the completion of the Monk's Point transaction, one (1) of TLC's 144 unsecured creditors has now forgiven her proven claim of \$75,000, thereby reducing the proven claims by unsecured creditors from \$3.592 million to \$3.517 million.

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- 3.2.2. The abovementioned \$75,000 forgiveness of unsecured debt will reduce the Convenience Class payment to \$495,733 for the remaining 143 unsecured creditors. Further, after the Convenience Class payment has been made, the unsecured claims will be reduced to \$3.022 million and the total number of unsecured claimants will be reduced from 143 to less than 40.

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4. CONCLUSION

- 4.1. Management is on track with respect to its completion of the transactions contemplated in Tranche 1 of the Plan, both in regards to timeliness of its activities and the recovery of values contemplated in the Plan.
- 4.2. The Tranche 2 transactions contemplated by the Plan have complicating factors, some of which are outside TLC's control. Notwithstanding that the issues TLC has encountered are taking time to work through, Management has been making progress, particularly with respect to the Wildwood property.
- 4.3. The Tranche 3 transactions contemplated by the Plan have several complicating factors, most of which are outside of TLC's control. As expected, the complicating factors and issues are not easily resolved, but Management is optimistic given the progress that has been made with the City of Victoria in connection with Abkhazi Gardens.
- 4.4. Given the various Tranche 1 transactions that have closed on or before September 30, 2015, and the progress being made with Tranche 2 transactions, TLC may soon be in a financial position to reduce the amounts owing to some of the remaining secured creditors, as well as complete the Convenience Class distribution, as contemplated by the Plan. However, the timing of such payments remains uncertain.

All of which is respectfully submitted on this, the 9th day of October, 2015.

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

VANCOUVER REGISTRY: No. S-137436

DATED OCTOBER 9, 2015

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