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BDO Canada Limited
Licensed Insolvency Trustees
1100 - 1055 West Georgia Street
Vancouver, BC V6E 3P3

By Email

Re: *In the Matter of Creditloans Canada Financing Inc. and Creditloans Canada Capital Inc.*
SCBC Action No. S209798, Vancouver Registry (the “CCAA Proceedings”)

We are the court-appointed monitor of the Petitioners in the CCAA Proceedings (in such capacity, the “**Monitor**”).

The Monitor is aware of a Confidential Term Sheet (the “**Term Sheet**”) that was delivered to bondholders (the “**Bondholders**”) of Creditloans Canada Capital Inc. (“**Capital**”) by or on behalf of LM Credit Private Debt Fund Trust (“**LMC**”).

The Monitor has been contacted by a number of the Bondholders who had questions regarding the Term Sheet or who had been contacted by a representative of LMC who had made certain representations to the Bondholder regarding the Term Sheet as well as the conduct and responsibilities of the Monitor.

The Monitor is preparing a further report to the court and stakeholders, which, among other things, will address in greater detail the Term Sheet and the Monitor’s comments and recommendations regarding same. It is anticipated that report will be circulated by Monday, November 30, 2020 if not sooner. In the interim, the Monitor is providing this letter in order to address some of the questions it is receiving from Bondholders regarding the Term Sheet and the CCAA Proceedings generally.

Including for the reasons set out below, the Monitor is presently of the view that the transactions contemplated under the Term Sheet are likely incapable of being concluded. For that reason, and to avoid risking the transaction currently before the creditors as well as the harm to the Petitioners’ business from a delayed exit from the CCAA Proceedings, the Monitor is recommending both that the meeting of creditors scheduled for December 3, 2020 (the “**Meeting**”) should not be adjourned, and at the Meeting the creditors should vote in favour of the plan of arrangement filed by the Petitioners (the “**Plan**”).

Should the Monitor’s views change, it will immediately notify the creditors.

Background

It should be understood that the Monitor is an officer of the court. It is independent of the Petitioners, and has a duty to act fairly and impartially in relation to all stakeholders..

As you may be aware, in its fourth report to the court dated November 13, 2020 (the “**Fourth Report**”) (a copy of which can be found on the Monitor’s website at: <https://www.bdo.ca/en-ca/extranet/creditloans/>), the Monitor recommended to creditors of the Petitioners, including the Bondholders, that at the Meeting, the creditors vote in favour of the plan of arrangement filed by the Petitioners (the “**Plan**”).



Also in the Fourth Report, the Monitor notes that since the initiation of the CCAA Proceedings, several parties had contacted the Monitor to express an interest in the Petitioners or their assets. The Monitor notes that prospective purchasers or investors could obtain further information from the Petitioners by entering into a non-disclosure agreement with the Petitioners.

In short, it is open for another party to propose an alternative, and presumably superior, restructuring transaction. The Monitor has endeavoured to assist interested parties in that regard, including LMC, and will continue to do so.

The Term Sheet

The Monitor has considered the Term Sheet and the offer to Bondholders thereunder. To that end, the Monitor has, among other things, had discussions with legal counsel for LMC and with representatives of the Petitioners.

The Term Sheet contemplates the acquisition by LMC of Creditloans Canada Financing Inc.'s ("**Progressa**") loan portfolio. Accordingly, the proposed transactions are not a restructuring, but rather a purchase and sale of certain assets of the Petitioners with no continuation of the Petitioners' business.

The Term Sheet contemplates the issuance of units in LMC ("**Units**") to the Bondholders. There is, otherwise, no recovery for any other creditors of the Petitioners. The proposed terms of the Units are such that the Bondholders would be paid the full amounts of their claims over four years, whereas, under the Plan, Bondholders have the option of receiving 35% of their claim immediately, or the full amount of their claim over five years.

The Term Sheet includes a number of conditions, including further due diligence by LMC and the "determination by the Court that the secured indebtedness of ACF Financial Limited Partnership is subordinated to the security of the [Bondholders], which determination may be made as a remedy ordered in an oppression application against [Capital], [Progressa] and their directors and officers or such indebtedness is otherwise treated in a manner satisfactory to [LMC]."

At this time, the Monitor is of the view that the transactions contemplated by the Term Sheet are likely incapable of being concluded, and in any event within a reasonable period of time. Apart from the fact that there is no indication as to timing with respect to the outstanding due diligence required to be conducted by LMC, the Monitor has significant doubts that the secured indebtedness of ACF Financial Limited Partnership ("**ACF**") is challengeable on any basis.

The Monitor has undertaken an investigation of the circumstances underlying the execution and delivery by Progressa of the promissory notes in favour of ACF, the security agreement granted by Progressa in favour of ACF and the subordination of Capital's secured claim in favour of ACF. From that review, the Monitor is of the view that the transactions among Progressa, Capital and ACF in 2019 were at arm's-length, and that ACF's secured claim is in all likelihood valid.

Despite request by the Monitor, LMC has provided no indication that it is capable of concluding any transaction with Progressa in the event the ACF secured claim is valid.



The Monitor intends to continue to work with LMC and the Petitioners with the intention of determining whether LMC is able to put forward an alternative transaction that is both superior to that under the Plan and capable of being concluded.

Next Steps

As noted above, the Monitor is of the view that the Meeting should proceed as scheduled at 10:00 a.m. on December 3, 2020.

The Monitor is concerned with any delay which might be occasioned by the adjournment of the Meeting. Any delay risks losing the current transaction contemplated by the Plan. The longer it takes the Petitioners to emerge from the CCAA Proceedings, the greater the risk of interruption to the Petitioners' business, including due to the loss of key employees. Moreover, the Petitioners do not have sufficient funding to carry on operations while in protection indefinitely, including to pay professional fees, which continue to mount.

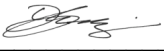
The Monitor understands that the Petitioners are intending to communicate with their creditors, including the Bondholders, to arrange a conference call or virtual meeting in the coming days, including so that those parties can ask questions of the Petitioners. The Monitor has offered to attend on that call or meeting as well so that it is also available to answer questions.

Thank you for your attention to the foregoing.

Sincerely,

BDO CANADA LIMITED

in its capacity as the Monitor of Creditloans Canada Financing Inc. and Creditloans Canada Capital Inc., and not in its personal or corporate capacity

Per: 

Jervis Rodrigues
Senior Vice President

cc: McMillan LLP (attention: Vicki Tickle)