

No. S-137743
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 *CANADA BUSINESS CORPORATIONS ACT*
R.S.C., 1985, c. C-44 AS AMENDED**

AND

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*
SBC, 2002, C-57 AS AMENDED**

AND

**IN THE MATTER OF LEAGUE ASSETS CORPORATION AND THE
PETITIONERS LISTED IN APPENDIX "A"
(COLLECTIVELY "LEAGUE" OR THE "COMPANY")**

**MONITOR'S SIXTH REPORT TO COURT
[Prepared for the Comeback Hearing]**

November 21, 2013



**LEAGUE ASSETS CORPORATION, ET AL
MONITOR’S SIXTH REPORT TO COURT**

November 21, 2013

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1. INTRODUCTION

- 1.1 On October 18, 2013, (the "**Filing Date**") on the application of League Assets Corporation and those parties listed in Appendix A (collectively referred to as "**League**" or the "**Company**"), the Supreme Court of British Columbia (the "**Court**") made an order (the "**Initial Order**") granting League protection from its creditors pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Under the Initial Order, PricewaterhouseCoopers Inc. ("**PwC**") was appointed Monitor of the Companies (the "**Monitor**").
- 1.2 On October 25, 2013, League further applied for the approval of an interim financing agreement and a charge to provide security for the interim financing. The Court approved this application in part and made an Amended and Restated Initial Order (the "**ARIO**").
- 1.3 Pursuant to the ARIO, among other things, all creditors were stayed from commencing or continuing any proceedings against League until and including November 18, 2013, the date set for the Comeback Hearing. On November 18, 2013, the Court extended the stay of proceedings until November 22, 2013.
- 1.4 The purpose of this report is to provide additional information for the Comeback Hearing from that found in the Fourth Report of the Monitor dated November 18, 2013 on the following:
 - 1.4.1 The proposed Court Order (the "**Process Order**") that is intended to resolve numerous applications brought by the Petitioners and the secured lenders and sets out a process for the CCAA proceedings on a go forward basis, including a sales process for certain properties, foreclosure on two properties and an additional amount of DIP Financing;
 - 1.4.2 The proposed sale of League's interest in the Partners REIT units;
 - 1.4.3 The Application for the appointment of representative counsel for the League Opportunity Fund ("**LOF**") noteholders;
 - 1.4.4 The motion for the sale of the Rosewood Property;
 - 1.4.5 An update on additional DIP Financing obtained to date; and



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1.4.6 A cash flow forecast to June 30, 2014.

1.5 Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein are as defined in the Monitor's Fourth Report to Court, dated November 18, 2013 (the "**4th Report**").

1.6 The Monitor has set up a website at:

www.pwc.com/car-leagueassets

1.7 All prescribed materials filed by League and the Monitor relating to this CCAA proceeding are available to creditors, Investors, and other interested parties in electronic format on the Monitor's website. The Monitor will make regular updates to the website to ensure creditors, Investors, and interested parties are kept current and to add prescribed materials as required.

2. PROPOSED PROCESS ORDER & COLWOOD ORDER

2.1 As described at paragraph 11.8 of the 4th Report, the Monitor has attempted to assist the parties in finding a middle ground to allow these proceedings to go forward on a consensual basis without the cost and distraction of contested litigation. The Petitioners, the majority of the secured mortgage lenders, representative counsel for the Investors ("**Representative Counsel**") and the Monitor have agreed in principle on a form of Process Order to be presented to the Court. The Process Order involves an expansion of the Monitor's powers, certain management changes, an orderly sales process for certain Properties and maintains League's ability to put forward a restructuring transaction.

2.2 The Comeback Hearing in this matter commenced on November 19, 2013. Immediately prior to the commencement of the Comeback Hearing, Representative Counsel circulated a draft Order to the service list. At the commencement of the Comeback Hearing, the parties suggested, and the Court agreed, that further discussions with respect to the proposed Order circulated by Representative Counsel would be warranted. Discussions have continued since that time and have resulted in a form of Process Order to present to the Court.



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- 2.3 The significant terms of the Process Order are as follows:
- 2.3.1 The foreclosure proceedings commenced by TCC Mortgage Holdings Ltd. with respect to the Duncan Property shall be subject to the stay of proceedings.
 - 2.3.2 League shall immediately remove Mr. Gant and Mr. Arruda from all operational, executive and management responsibilities, however, Mr. Gant may remain chairman of the Board of LAC.
 - 2.3.3 Mr. John Parkinson, the Chief Financial Officer of LAC, shall be appointed as the Interim Chief Executive Officer of LAC. LAC, in consultation with the Monitor and Representative Counsel, shall immediately commence a search process to identify a new CEO and bring an application for Court approval of such appointment.
 - 2.3.4 An expansion of the powers of the Monitor such that the Monitor is empowered and authorized to, among other things:
 - 2.3.4.1 Monitor the activities of the Interim CEO, the Chief Financial Officer and any subsequently appointed CEO. The Monitor can also retain Mr. Gant as a consultant;
 - 2.3.4.2 Receive, collect and take possession of all monies and amount owing to the Petitioners;
 - 2.3.4.3 Take control of any and all bank accounts of the Petitioners;
 - 2.3.4.4 Oversee and consent to any disbursement or payment in excess of \$5,000 required in respect of the Property or the Business;
 - 2.3.4.5 Review and investigate the books and records of the Petitioners;
 - 2.3.4.6 Conduct a review of the Non-Filing Entities and file a report to Court regarding same;
 - 2.3.4.7 If deemed necessary or appropriate by the Monitor in its sole discretion, to cause the Petitioners to engage in certain restructuring activities; and



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- 2.3.4.8 Seek approval of the Court for a sale of all or any individual Property.
- 2.3.5 The Process Order also provides that the Monitor shall assist the Petitioners in identifying, negotiating and implementing any reasonable refinancing and restructuring opportunities.
- 2.3.6 With respect to a sales process (the "**Sale Process**") for the Properties, effective December 19, 2013, the Monitor shall market and list for sale each of the Properties listed in Schedule "C" to the Process Order (the "**Tangible Asset Properties**"). The Petitioners may, on or before November 29, 2013, deliver to the Monitor, the Representative Counsel, the DIP Lender and each of the lenders having a mortgage against the Tangible Asset Properties or a security interest in any asset that comprises part of the Tangible Asset Properties (each a "**Secured Lender**") a list of properties that they do not wish to be marketed or listed for sale (the "**Excluded Properties**") accompanied by a written explanation for such removal (the "**Excluded Properties List**"). Upon receipt by the Monitor of the Excluded Properties List, the Monitor shall remove the Excluded Properties from the Sale Process.
- 2.3.7 In the event the Monitor or any Secured Lender believes for any reason that an Excluded Property should be removed from the Excluded Properties List, the Monitor or the applicable Secured Lender(s) may apply to Court for an order that such Excluded Property be removed from the Excluded Properties List and thereafter immediately listed subject to the Sale Process.
- 2.3.8 The Sale Process also provides:
- 2.3.8.1 The Monitor may accept an offer to purchase a Tangible Asset Property on or before December 19, 2013 provided it receives the consent of the applicable Petitioner and any Secured Lender having an interest in such Tangible Asset Property;
- 2.3.8.2 The Monitor shall advise the "Interested Parties" prior to entering into a Sale Agreement for any Tangible Asset Property and each sale agreement shall be subject to court approval;
- 2.3.8.3 A distribution mechanism for future property sales is provided; and



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2.3.8.4 If any of the Tangible Asset Properties (including the Excluded Properties) are not sold by June 28, 2014, then, subject to agreement among the Petitioners, the Monitor and the Secured Lenders having an interest in any such unsold Property, the unsold Properties shall immediately be exempted from the stay of proceedings which shall be lifted to allow the applicable Secured Lender to enforce on its security.

2.3.9 The Process Order also provides that:

2.3.9.1 The Redbrick Property and the Arrow Road Property (each as defined below) are to be foreclosed on by their respective secured lenders as discussed in more detail below;

2.3.9.2 The Monitor shall separately account for the revenue and expenses related to each of the Tangible Asset Properties that remain under the administration of the Petitioners; and

2.3.9.3 A second DIP financing facility (as discussed below) is approved. The Petitioners have also agreed to not seek any additional DIP financing secured by way of a priority charge ranking ahead of the relevant secured lenders without their consent.

Treatment of the Redbrick Property and the Arrow Road Property

2.4 The Monitor had previously been advised by counsel for Roynat Inc. ("**Roynat**"), the first secured lender on the Company's head office located at 710 Redbrick Street, Victoria (the "**Redbrick Property**"), that it will be seeking approval of the Court to have the stay of proceedings lifted to allow a foreclosure action against the property. Roynat subsequently filed an affidavit to that effect in the CCAA proceedings.

2.5 In addition, Firm Capital filed court materials seeking an order lifting the stay of proceedings to permit Firm Capital to enforce its security over the property located on Arrow Road in Toronto, Ontario (the "**Arrow Road Property**").

2.6 The Estimated Transaction Value set out in the Property Book (filed as the Monitor's Fifth Report under seal pursuant to a sealing order made by the Court on November 19,



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2013) for both the Redbrick Property and the Arrow Road Property is materially less than the amount owing to the secured creditors on the those Properties.

- 2.7 As such, the Process Order provides that the Redbrick Property and the Arrow Road Property are "Exempt Properties" that are not subject to the Sale Process or the stay of proceedings, and the secured lenders for those Properties can proceed to enforce their security against such Properties.

Monitor's Recommendation

- 2.8 The Process Order provides for an extension of the stay of proceedings until June 28, 2014. The Monitor is of the view that the Petitioners have been acting in good faith and with due diligence in these CCAA proceedings and supports the proposed extension of the stay of proceedings.
- 2.9 The Monitor supports the Process Order as it will prevent costly and distracting litigation that would erode potential stakeholder recoveries. It represents a compromise on behalf of the Petitioners, the Secured Lenders and Representative Counsel and represents a middle ground between the Receivership Proposal and the League Proposal set out in the 4th Report. The Process Order recognizes the rights of secured creditors while allowing for the continuation of efforts to maximize recoveries on behalf of Investors. The Monitor believes that the Process Order is in the best interests of the Company and its stakeholders.

Colwood Order

- 2.10 Certain of the parties in interest with respect to the Colwood Development have also agreed on the terms of a proposed order to deal with that Property (the "**Colwood Order**"). The Monitor supports the Colwood Order as a fair and reasonable method of dealing with the Colwood Development which reflects the fact that the Estimated Transaction Value for the Property as set out in the Property Book is less than the amount owing to the secured creditors for the Property.
- 2.11 The material terms of the Colwood Order are as follows:
- 2.11.1 Neither the ARIO or any other order made in the CCAA proceeding shall apply to the Colwood Development;



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- 2.11.2 The secured creditors of the Colwood Development are free to exercise any and all of their rights and remedies against the Petitioners or the Colwood Development. However, the secured creditors may not apply for conduct of sale, the appointment of a receiver, or Order Absolute with regard to the Colwood Development for six months from the date of the Colwood Order;
- 2.11.3 The Monitor is directed to continue to collect all rents from tenants of the Colwood Development and disburse such rents in the manner set out in the Colwood Order; and
- 2.11.4 The Monitor and its counsel are granted a charge for their respective fees and disbursements over the Colwood Development.

3. SALE OF PARTNERS REIT INTERESTS

Background

- 3.1 Partners REIT is a TSX listed real estate investment trust. IGW Public LP is the largest unitholder of Partners REIT. IGW Public LP holds the IGW Block, consisting of 3,872,863 units of Partners REIT, which is just less than 15% of the issued units of Partners REIT.
- 3.2 LAPP GAM, a wholly owned subsidiary of IGW Public LP, manages Partners REIT pursuant to the Management Agreement. As previously reported in the 4th Report, Partners REIT has provided notice of termination of the Management Agreement in order to assume the management of its investments. The Monitor is in discussions with Partners REIT regarding the internalization by Partners REIT of the Management Agreement.
- 3.3 Affiliates of Firm Capital hold first and (with respect to some units in the IGW Block) second priority charges granted on the IGW Block by IGW Public LP. The aggregate outstanding debt to affiliates of Firm Capital Corporation that is secured on the IGW Block is approximately \$17.4 million plus accrued and accruing interest.
- 3.4 In addition, IGW Public LP also granted a third priority pledge of the IGW Block to Timbercreek to secure obligations of IGW Public LP and IGW REIT LP to Timbercreek. The aggregate outstanding debt to Timbercreek that is secured on the IGW Block is approximately \$13.5 million. In the event that the proceeds of the IGW Block do not



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satisfy the Timbercreek loan, Timbercreek holds additional mortgage security over certain League properties.

- 3.5 On November 13, 2013, Partners REIT announced that it was reducing its monthly cash distribution by 22%.
- 3.6 When the markets closed on November 14, 2013, the units of Partners REIT closed at \$5.50 per unit, which was a drop of 50¢ from the closing price of \$6.00 per unit on November 13, 2013.
- 3.7 As previously reported in the 4th Report, Orange Capital made an unsolicited offer on November 14, 2013 to purchase the IGW Block for \$6.00 a share and to acquire LAPP GAM's interest in the Management Agreement. On November 18, 2013, Orange Capital made a subsequent unsolicited offer to purchase the IGW Block for \$6.25 a unit (the "**Second Orange Capital Proposal**"). The Second Orange Capital Proposal did not include an acquisition of the Management Agreement. The Second Orange Capital Proposal was circulated to the service list directly by Orange Capital on November 18, 2013.
- 3.8 On November 19, 2013, Partners REIT issued a press release announcing the creation of a unitholder rights plan (the "**Rights Plan**"). The stated purpose of the Rights Plan is to provide the unitholders and the trustees of Partners REIT with adequate time to consider and evaluate any unsolicited bid for Partners REIT and to provide the special committee comprised of the independent trustees of Partners REIT with adequate time to identify, develop and negotiate value-enhancing alternatives, if considered appropriate, to any such unsolicited bid.
- 3.9 Subject to the terms of the Rights Plan, the rights ("**Rights**") become exercisable in the event any person, together with any person related to it or acting jointly with it, beneficially owns or announces its intention to acquire or beneficially own 15% or more of Partners REIT's outstanding units without complying with the "Permitted Bid" provisions of the Rights Plan. Should a non-Permitted Bid be launched, each Right would entitle each holder of units of Partners REIT (other than the acquiring person and persons related to it or acting jointly with it) to purchase additional units of Partners REIT at a 50% discount to the prevailing market price. Under the Rights Plan, a bid that, among other things, is made to all unitholders for all of their units on identical terms and conditions and that is open for at least 60 days may constitute a "Permitted Bid". In order



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to implement the Rights Plan, the Board of Trustees of Partners REIT has authorized the issuance of one Right per unit outstanding to holders of Partners REIT units outstanding as of the record time, which is November 19, 2013.

- 3.10 The Monitor has been advised that the acquisition of the IGW Block would not trigger the Rights under the Rights Plan unless the purchaser of the IGW Block already owned sufficient units of Partners REIT to make its total holdings after the acquisition of the IGW Block equal to or greater than 15% of the outstanding units.
- 3.11 Since November 14, 2013, the price per unit of Partners REIT has increased by 35¢ to close at \$5.85 on November 21, 2013.

Proposals Received in respect of the IGW Block

- 3.12 League has been seeking a purchaser of the units of Partners REIT who would pay a premium over the market price since the commencement of the CCAA Proceedings and League has held discussions with a number of potential purchasers, many of whom have contacted League on an unsolicited basis.
- 3.13 The Monitor has also been in discussions with and has received communications from counsel to the independent trustees of Partners REIT with respect to their concerns regarding the manner of any disposition of the IGW Block and any assignment of the Management Agreement.
- 3.14 League has received the following definitive proposals in respect of the IGW Block since the Filing Date:
 - 3.14.1 The Orange Capital Proposal;
 - 3.14.2 The Second Orange Capital Proposal for total sale proceeds of \$24,205,394.75;
 - 3.14.3 A proposal received on November 11, 2013 to purchase the IGW Block at market price. At the time, the market price for units of Partners REIT was approximately \$6.08 per unit, for total sale proceeds of \$23,516,923; and
 - 3.14.4 A proposal received on November 15, 2013 to purchase the IGW Block for \$7.00 a share, for total sale proceeds of \$27,110,041 (the "**McCowan Proposal**").



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- 3.15 Both League and the Monitor concluded that the McCowan Proposal was a good offer, was likely to close, and would result in a higher purchase price than the Second Orange Capital Proposal. League has accepted the McCowan Proposal and executed a Unit Purchase Agreement with McCowan and Associates Ltd. ("**McCowan**"), a party that was dealing with League at arms-length.

Unit Purchase Agreement

- 3.16 The key terms of the Unit Purchase Agreement are as follows:
- 3.16.1 McCowan will pay an aggregate purchase price equal to \$7.00 a unit (the "**Purchase Price**") for 3,872,863 units, for an aggregate purchase price of approximately \$27,110,041;
 - 3.16.2 The Purchase Price would be paid through (i) the assumption of the debt owing to affiliates of Firm Capital Corporation and secured on the IGW Block, (ii) the payment to affiliates of Firm Capital Corporation of their legal fees incurred in connection with enforcing the loans secured on the IGW Block, up to a maximum of \$150,000 (plus reasonable disbursements and applicable taxes), and (iii) cash;
 - 3.16.3 The conditions precedent include the representations and warranties of IGW Public LP being true and correct, the vesting order having been obtained and no proceeding pending to restrain or prohibit the completion of the transaction; and
 - 3.16.4 McCowan may terminate the Unit Purchase Agreement if Partners REIT or a third party announce (i) that a binding legal agreement has been reached to sell certain of Partners REIT's assets, (ii) that a binding legal agreement has been reached to effect a business combination involving Partners REIT or certain of its assets, including a supported take-over bid, (iii) an unsolicited take-over bid for at least 20% of the outstanding units of Partners REIT at a price per unit less than the Purchase Price, or (iv) that a binding legal agreement has been reached pursuant to which a third party will subscribe for a number of units of Partners REIT such that the third party and its affiliates would have, after giving effect to the subscription, 20% or more of the outstanding units of Partners REIT.
- 3.17 The Monitor notes the following with respect to the status of the transaction contemplated by the Unit Purchase Agreement:



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- 3.17.1 The Unit Purchase Agreement represents the highest and best offer received in respect of the IGW Block and is an offer at a significant premium over the current market price of the units of Partners REIT;
 - 3.17.2 The reasonableness of the proposed price is easy to assess as the units are publically traded;
 - 3.17.3 Closing of the transaction contemplated by the Unit Purchase Agreement is not subject to the Purchaser obtaining financing; and
 - 3.17.4 The Monitor is advised that McCowan does not own any units of Partners REIT. McCowan has stated its intention to go forward with closing the transaction regardless of the Rights Plan.
- 3.18 In light of the proposals received by League to date, the fact that the Purchase Price represents a significant premium over the market value of the IGW Block and the benefits of an expeditious sale of the IGW Block, which is League's most liquid asset, the Monitor considers the value obtained for the IGW Block to be fair and reasonable, and evidences that the process leading to the sale appears to have been reasonable in the circumstances.
- 3.19 The Monitor is advised that Firm Capital and Timbercreek, the two creditors with security over the IGW Block, support the transaction contemplated by the Unit Purchase Agreement.

Disposition of Sale Proceeds

- 3.20 The Monitor is of the view that the sale proceeds should be distributed by the Monitor first to pay any costs of the transaction, including commissions or transactional costs, and second to Timbercreek in respect of its security registered against the IGW Block in accordance with its respective priority.

4. APPLICATION REGARDING PROPOSED REPRESENTATIVE COUNSEL TO THE LOF NOTEHOLDERS

Background

- 4.1 In 2012, LOF offered convertible promissory notes (the "**LOF Notes**") for aggregate proceeds of up to \$25 million. Approximately \$13.5 million of LOF Notes were issued to



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third party investors. The issued LOF Notes are secured by a general security agreement granted by LOF to all of the holders of the LOF Notes (the "**LOF Noteholders**"). In addition, the LOF Notes are guaranteed on an unsecured basis by LAC and IGW REIT LP, by its general partner IGW REIT GP Inc.

- 4.2 After the commencement of the CCAA Proceedings, Trapeze Capital Corp., Trapeze Asset Management Inc. (collectively with Trapeze Capital Corp., "**Trapeze**"), 874253 Ontario Inc., Brookfield Soundvest Capital Management Ltd. ("**Brookfield**") and certain other LOF Noteholders retained Heenan Blaikie LLP to represent the LOF Noteholders. Trapeze and Brookfield, representing various beneficial owners of the LOF Notes, hold \$6,845,000 of LOF Notes, representing 51% of the total principal value of the LOF Notes. We understand that other LOF Noteholders have also agreed to retain Heenan Blaikie LLP. We also understand that the LOF Noteholders represented by Heenan Blaikie LLP represent approximately 77% of the outstanding principal value of the LOF Notes.

Position of Moving Parties

- 4.3 Representatives of the LOF Noteholders have sought the appointment of Heenan Blaikie LLP as representative legal counsel of the LOF Noteholders and have requested that Heenan Blaikie LLP be paid its reasonable fees and disbursement by League, including a retainer in the amount of \$50,000 and be granted a charge of \$40,000 to secure the fees of Heenan Blaikie LLP.

Additional Application of the LOF Noteholders for Equitable Charges

- 4.4 The LOF Noteholders represented by Heenan Blaikie have filed an additional application seeking an equitable charge over the assets of certain League entities as set out in their Notice of Application. It is stated that LOF represented to the LOF Noteholders that any loans to other League entities from the proceeds of the LOF offering would be done on a secured basis. It is also stated that this representation was material to the terms of the LOF offering and was relied upon by the LOF Noteholders. The relief sought is stated to put the LOF Noteholders in the position they would have been in had the proceeds of the offering been used as represented by LOF and the proper security had been provided by the League investee companies to who loans were advanced by LOF.



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Monitor's Comments

- 4.5 Counsel for the LOF Noteholders has agreed to adjourn the application, on a without prejudice basis, for the appointment as representative legal counsel of the LOF Noteholders and the granting of an equitable charge pending further discussions. The Monitor will report on the status of this application in a subsequent report.

5. ROSEWOOD PROPERTY

- 5.1 On November 15, 2013, Firm Capital filed a motion seeking, among other things, an order authorizing and approving the sale to Firm Capital of a multi-unit residential building located at 468 Ottawa St. North in Hamilton, Ontario (the "**Rosewood Property**"), over which Firm Capital has second and third ranking security.
- 5.2 The Monitor and the Petitioners have been in discussions with Firm Capital with respect to the Rosewood Property. It is the Monitor's understanding that the motion brought by Firm Capital with respect to the Rosewood Property will be adjourned on a without prejudice basis. The Monitor will report further on the Rosewood Property in a subsequent report.

6. SECOND DIP FACILITY

- 6.1 In order to facilitate an efficient and orderly restructuring, League requires additional DIP financing of \$10 million. The uses of the proposed financing are detailed in the cash flow forecast section below.
- 6.2 The Monitor is advised that Maxam Capital Corporation ("**Maxam**"), the lender that provided the original DIP financing of \$1.6 million, is prepared to finance an additional \$10 million on similar terms and conditions as the first financing. Some of the key features of the Term Sheet provided to the Monitor include:
- 6.2.1 An 8% interest rate, a monitoring fee of 1% and a 3% commitment fee (this compares to the initial financing which was 8% interest rate, monitoring fee of 0.5% and a 2% commitment fee);



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- 6.2.2 A term of 6 months, with an option to extend for an additional 6 months for a 1% extension fee, which should be sufficient time for League to complete its restructuring; and
- 6.2.3 If the DIP loan is paid off in full within the 6 month term, Maxam remains entitled to six months interest and the monitoring fee.
- 6.3 The Monitor is of the view that the terms provided by Maxam are the best available to the Company in the circumstances. The Monitor notes that the DIP Lender is no longer seeking a Right of First Refusal.
- 6.4 The term sheet provided to the Monitor contains references to the Estimated Transaction Values from the Property Book which is subject to a sealing order of the Court. Accordingly, the Monitor understands that the term sheet will be filed by the Company subject to a request for a sealing order for one of the schedules.

Priority and Allocation Concerns

- 6.5 The proposed DIP Lender's Charge would now total \$11.6 million and would be a first ranking charge.
- 6.6 The Monitor is advised that certain parties with an interest in the Stoney Range property may be seeking to have that property excluded from the CCAA proceedings and not be subject to the CCAA priority charges. The Monitor notes that the Stoney Range property has a material Estimated Transaction Value that is being relied upon by the DIP Lender in its assessment of the security to support the additional DIP financing.

7. CASH FLOW FORECAST TO JUNE 30, 2014

- 7.1 Attached as Appendix B is the Company's cash flow forecast for the period from November 18, 2013 to June 30, 2014 (the "**November CFF**") which supports the Company's requirement for an additional \$10 million of DIP financing.
- 7.2 The November CFF was prepared based on the following major assumptions:
 - 7.2.1 Net available cash from a specific Property is ringfenced and shall remain in each respective entity. For greater clarity, net available cash from a Property shall not be used to fund corporate overhead or restructuring activities and, as such, all



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direct receipts and disbursements related to the Properties are excluded from the November CFF;

- 7.2.2 If a Property incurs a net cash shortfall, then the shortfall must be funded on that Property either by a protective disbursement from a secured lender on that Property or by borrowings limited to a charge on the specific Property;
 - 7.2.3 The November CFF excludes the proceeds of sale from any Properties that are sold as the proceeds are not available to fund operations during the period pursuant to the Process Order;
 - 7.2.4 The Company continues to downsize its staffing levels and operations (including with respect to premises) over the period in line with its restructuring activities; and
 - 7.2.5 The initial DIP financing of \$1.6 million and the second \$10 million are not repaid during the period.
- 7.3 The Monitor's comments on the November CFF and the requirement for additional DIP financing are as follows:
- 7.3.1 The Company's only source of cash inflows is the administration of the Partners REIT management contract and the management of other Properties which are insufficient to fund corporate operations or its restructuring activities; and
 - 7.3.2 The corporate operating expense forecast reflects the minimum costs to maintain operations and facilitate the Company's restructuring. The November CFF has incorporated reductions in staffing levels and operating costs from the date of filing as well as additional reductions being contemplated through the forecast period.

8. CONCLUSION

- 8.1 Based on the foregoing, the Monitor recommends that:
 - 8.1.1 The Process Order, including the proposed extension of the stay of proceedings until June 28, 2014, and the Colwood Order be approved by the Court;



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- 8.1.2 The sale of the IGW Block to McCowan be approved on the terms set out in the Unit Purchase Agreement between McCowan and IGW Public LP;
- 8.1.3 The Monitor distribute the proceeds of sale of the IGW Block to pay costs of the transaction and to Timbercreek in respect of its security registered against the IGW Block in accordance with its respective priority; and
- 8.1.4 The additional DIP Financing be approved.

This report is respectfully submitted this 21st day of November, 2013.

**PricewaterhouseCoopers Inc.
Court Appointed Monitor of
League Assets Corporation, et al**

A handwritten signature in blue ink, appearing to read "M. Vermette", with a stylized flourish at the end.

**Michael J. Vermette, CA, CIRP
Senior Vice President**

A handwritten signature in blue ink, appearing to read "Neil Bunker", with a stylized flourish at the end.

**Neil Bunker, CA, CIRP
Vice President**



APPENDIX A

List of Petitioners



List of Petitioners

Corporations

1. 0781591 B.C. Ltd.
2. 0811883 B.C. Ltd.
3. 0812307 B.C. Ltd.
4. 0827524 B.C. Ltd.
5. 0873201 B.C. Ltd.
6. 0891146 B.C. Ltd.
7. 0895249 B.C. Ltd.
8. 0895251 B.C. Ltd.
9. 0908150 B.C. Ltd.
10. 2128273 Ontario Inc.
11. 2146431 Ontario Inc.
12. 2148711 Ontario Inc.
13. 2164613 Ontario Inc.
14. 2164614 Ontario Inc.
15. 2246329 Ontario Limited
16. 2291088 Ontario Inc.
17. 2314845 Ontario Inc.
18. 473 Albert St. Office GP Inc.
19. 7667906 Canada Inc.
20. 8252220 Canada Inc.
21. Arbutus Industrial Park Ltd.
22. Colwood Belmont Developments Ltd.
23. Colwood City Centre Corp.
24. Colwood City Centre GP Inc.
25. Colwood Jerome Developments Ltd.
26. Colwood Sooke Developments Ltd.
27. Colwood's Triumph GP Ltd.
28. Cowichan District Financial Centre GP Inc.
29. Cygnet Apartments GP Inc.
30. Cygnet Properties GP Inc.
31. Duncan City Centre GP Inc.
32. Durham Portfolio GP Inc.
33. Fort St. John Retail GP Inc.



**LEAGUE ASSETS CORPORATION, ET AL
MONITOR'S SIXTH REPORT TO COURT**

November 21, 2013

34. Gatineau Centre Development GP Inc.
35. Gatineau Centre Real Estate Development Corporation
36. IGW Cash Management Fund Ltd.
37. IGW Diversified Redevelopment Fund GP Inc.
38. IGW Energy Capital GP Inc.
39. IGW Industrial GP Inc.
40. IGW Mortgage Investment Corporation
41. IGW Properties GP I Inc.
42. IGW Public GP Inc.
43. IGW REIT GP Inc.
44. IGW Residential Capital GP Inc.
45. Jesken Development GP Inc.
46. Jesken Investment GP Inc.
47. LAPP Global Asset Management Corp.
48. League Acquisition Corp.
49. League Assets Corp.
50. League Assets GP Inc.
51. League Assets International Inc.
52. League Capital Markets Ltd.
53. League Capital Partners Ltd.
54. League Debt Corp.
55. League Financial Partners Inc.
56. League Founding Limited Partner Ltd.
57. League Holdings Corp.
58. League Investment Fund Ltd.
59. League Investment Services Inc.
60. League Opportunity Fund Ltd.
61. League Realty Advisory Ltd.
62. League Realty Services Ltd.
63. League REIT Investco Inc.
64. Londondale Shopping Centre GP Inc.



**LEAGUE ASSETS CORPORATION, ET AL
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November 21, 2013

65. Market Square Properties GP Inc.
66. Member-Partners' Consolidated Properties GP Inc.
67. North Vernon Properties Inc.
68. Partners Equity Finance Inc.
69. Residences At Quadra Village GP Inc.
70. Stoney Range Industrial GP Inc.
71. Sundel Square Ltd.
72. Tsawassen Retail Power Centre GP Inc.
73. Tyee Plaza GP Inc.
74. Village Green Holdings #2 Ltd.
75. Village Green Holdings #3 Ltd.
76. Zeus Energy Ltd.

Limited Partnerships

77. 473 Albert St. Office Limited Partnership
78. Colwood City Centre Limited Partnership
79. Colwood's Triumph Limited Partnership
80. Cowichan District Financial Centre Limited Partnership
81. Duncan City Centre Limited Partnership
82. Durham Portfolio Limited Partnership
83. Fort St. John Retail Limited Partnership
84. Gatineau Centre Development Limited Partnership
85. IGW Diversified Redevelopment Fund Limited Partnership
86. IGW Energy Capital Limited Partnership
87. IGW Industrial Limited Partnership
88. IGW Properties Limited Partnership I
89. IGW Public Limited Partnership
90. IGW REIT Limited Partnership
91. IGW Residential Capital Limited Partnership
92. Jesken Development Limited Partnership
93. Jesken Investment Limited Partnership



**LEAGUE ASSETS CORPORATION, ET AL
MONITOR'S SIXTH REPORT TO COURT**

November 21, 2013

94. League Assets Limited Partnership
95. Londondale Shopping Centre Limited Partnership
96. Market Square Properties Limited Partnership
97. Member-Partners' Consolidated Properties Limited Partnership
98. North Vernon Properties Limited Partnership
99. Redux Duncan City Centre Limited Partnership
100. Residences At Quadra Village Limited Partnership
101. Stoney Range Industrial Limited Partnership
102. Tsawassen Retail Power Centre Limited Partnership
103. Tyee Plaza Limited Partnership
104. Village Green Holdings Limited Partnership

Real Estate Investment Trusts

105. League IGW Real Estate Investment Trust



APPENDIX B

Cash Flow Forecast to June 30, 2014



League Assets et. al.									
Cash flow statement									
For the period of November 18, 2013 to June 30, 2014									
Receipts and disbursements	Forecast (\$)								Total Forecast
	18-Nov-13 to 30-Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-15	Jun-14	
Corporate receipts									
Management fees				661,000				237,000	898,000
Other	-	-	-	-	-	-	-	-	-
	-	-	-	661,000	-	-	-	237,000	898,000
Corporate operating expenses									
Payroll	(329,131)	(527,124)	(709,082)	(529,181)	(389,181)	(389,181)	(389,181)	(488,622)	(3,750,683)
Rent	(90,648)	(94,416)	(56,000)	(44,800)	(44,800)	(44,800)	(44,800)	(44,800)	(465,064)
Office	(21,052)	(350,588)	(11,200)	(8,960)	(8,960)	(8,960)	(8,960)	(8,960)	(427,640)
Communications	(5,600)	(5,600)	(5,600)	(5,600)	(5,600)	(5,600)	(5,600)	(5,600)	(44,800)
Travel & meals	(9,498)	(18,995)	(23,744)	(18,995)	(8,960)	(11,200)	(8,960)	(8,960)	(109,312)
Information technology	(5,740)	(22,960)	(207,270)	(22,960)	(22,960)	(22,960)	(22,960)	(22,960)	(350,770)
Office equipment	(11,526)	(39,240)	(49,050)	(39,240)	(39,240)	(39,240)	(39,240)	(39,240)	(296,019)
Telephone & internet	-	(26,880)	(24,640)	(10,640)	(10,640)	(10,640)	(10,640)	(10,640)	(104,720)
Insurance	(71,813)	(47,250)	(57,834)	(74,716)	(47,250)	(57,834)	(74,716)	(47,250)	(478,662)
Utilities	(2,011)	(8,044)	(10,055)	(4,022)	(4,357)	(4,357)	(4,357)	(4,357)	(41,561)
	(547,019)	(1,141,097)	(1,154,475)	(759,114)	(581,949)	(594,773)	(609,414)	(681,389)	(6,069,230)
Corporate restructuring expenses									
Professional fees	(2,145,000)	(1,270,000)	(420,000)	(420,000)	(250,000)	(220,000)	(210,000)	(200,000)	(5,135,000)
DIP Interest & loan fees	(425,333)	(77,333)	(77,333)	(77,333)	(77,333)	(77,333)	(77,333)	(77,333)	(966,666)
	(2,570,333)	(1,347,333)	(497,333)	(497,333)	(327,333)	(297,333)	(287,333)	(277,333)	(6,101,666)
Net change in cash	(3,117,352)	(2,488,431)	(1,651,808)	(595,448)	(909,282)	(892,106)	(896,748)	(721,722)	(11,272,897)
Cash position									
Opening cash	1,275,386	8,158,034	5,669,603	4,017,795	3,422,347	2,513,066	1,620,960	724,212	1,275,386
DIP Borrowings	10,000,000	-	-	-	-	-	-	-	10,000,000
Net change in cash	(3,117,352)	(2,488,431)	(1,651,808)	(595,448)	(909,282)	(892,106)	(896,748)	(721,722)	(11,272,897)
Ending cash	8,158,034	5,669,603	4,017,795	3,422,347	2,513,066	1,620,960	724,212	2,489	2,489
Notes and assumptions									
1. Excludes all direct receipts and disbursements from properties.									
2. Excludes all proceeds of sale related to the assets of the Company.									
3. Property and asset management fees payable to League Asset Corp. are subject to available cash and have not been included in the forecast.									
4. The Court approves the additional DIP borrowings on the terms and conditions set out in Maxam Capital Corp. commitment letter dated November 21, 2013.									