

General CCAA FAQs

1. What is the CCAA?

The *Companies' Creditors Arrangement Act* (the "CCAA") is a federal law in Canada that provides insolvent companies with debts in excess of \$5 million with an orderly and supervised regime to restructure their businesses.

Once a company has been granted CCAA protection, the Court enters an Initial Order establishing what is known as a 'Stay of Proceedings', which prevents creditors from taking action against the company, its directors and officers, and its assets for an initial period of 10 days, which is typically further extended as the court deems appropriate. The stay of proceedings allows the company to continue to manage the day-to-day operations of its business while it addresses its restructuring objectives in an orderly manner.

CCAA protection provides companies with the time and "breathing room" necessary to emerge as a successful, going-concern business and to position the business as a stronger, more competitive company.

2. Is a company that files for protection under CCAA considered to be bankrupt?

No. While a company filing for CCAA is "insolvent" (meaning that it has insufficient liquidity to continue to pay its obligations as they become due and/or its liabilities are greater than the assets that are available to satisfy those liabilities), the company is not considered to be bankrupt. In Canada, a "bankrupt" refers to a person or company that has been declared bankrupt in proceedings commenced under the *Bankruptcy and Insolvency Act* ("BIA"), which is different than the CCAA. In fact, the Stay of Proceedings under the CCAA prevents creditors from forcing the company into bankruptcy.

3. What are the benefits of filing for CCAA protection versus other restructuring options?

The CCAA is a statute that is designed to address the complex restructuring needs of large corporations, being limited to only those insolvent companies with debts in excess of \$5 million.

The CCAA provides the Court with significant discretion to issue novel relief based on the specific facts of a particular case. Ardenton feels strongly that the greater flexibility under the CCAA will provide the forum for an efficient and orderly restructuring process that will allow it to continue as a going concern and will improve the overall outcome for all stakeholders. Other legislation, such as the proposal/restructuring provisions of BIA, does not afford the same flexibility as provided by the CCAA.

4. Is CCAA the same as declaring bankruptcy in the US?

CCAA would be most similar to a Chapter 11 reorganization in the US.

5. Once Ardenton is granted protection under the CCAA, who is in charge?

Ardenton's board and management team remain in control of the day-to-day operations of the business, subject to the specific requirements of the Initial Order made in the CCAA proceedings. The proceedings are conducted under supervision of the Court-appointed Monitor.

6. What is a Monitor?

The Monitor is appointed by, and is an officer of, the Court. Its responsibilities are prescribed by the CCAA and by Court order, and include monitoring Ardenton's restructuring initiatives, assisting Ardenton with the preparation of cash flow statements and other financial reporting, liaising with stakeholders, and reporting to the Court from time to time on the progress of the CCAA proceedings. The Monitor also works closely with the Company and its stakeholders to advance the proceedings, and with the Company to prepare a restructuring plan. Unless specifically ordered by the Court, a Monitor has no managerial or decision-making role in a company's day-to-day business operations.

In Ardenton's case, KSV Restructuring Inc. ("KSV") has been appointed as the Monitor.

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7. Is there a public filing or disclosure required as part of filing for protection under the CCAA?

Yes. Among other public documents filed with the Court, Ardenton submitted an Affidavit that includes, but is not limited to, the following information: a brief history of the company and an overview of its business; a description of the nature of its assets and liabilities; the reasons for its financial difficulties; and evidentiary support for the relief being sought from the Court. Once the CCAA Initial Order is issued, the Monitor is required to notify known creditors and publish a public notice of the CCAA proceedings. Generally, an Initial CCAA Order also directs the Monitor to establish a website where Court materials relating to the CCAA proceedings will be posted. In this case, KSV has established <https://www.ksvadvisory.com/insolvency-cases/case/ardenton-capital-corporation>.

In addition to the Affidavit and the application for a CCAA Initial Order, there will be motions filed with the Court from time-to-time during the CCAA proceedings, as well as reports submitted to Court by the Monitor that will provide the Court and stakeholders with updates as to the progress of the CCAA proceedings. These documents will be matters of public record and most will be made available by the Monitor on its website.

8. Where can public Court documents and other information related to the CCAA proceedings be accessed?

Court materials, including reports prepared by the Monitor, will be available at the Monitor's website.

9. What do I do if I have other questions?

For questions regarding ordinary course business, you should continue to speak to your regular contact person at Ardenton. For questions relating to the CCAA proceedings, the Monitor's contact, Esther Mann, can be contacted at 416-932-6009. The Monitor has also established an email dedicated to these proceedings (ACC@ksvadvisory.com) and will endeavor to respond to all emails within 24 hours of receipt.

10. How long does the CCAA process take and what is the tentative timeline?

The Court has granted CCAA protection for an initial period of 10 days, and Ardenton intends to seek an extension of the stay of proceedings of at least 60 days. Ardenton will work to complete its restructuring in a timely fashion, though there is no standard timeframe for the duration of CCAA proceedings. Ardenton can seek further extensions of the stay of proceedings and there are no limits to the number of extensions it can seek, subject to acting in good faith and with due diligence.

11. How will the CCAA proceeding impact investors?

As a result of filing for CCAA protection, there is a statutory and court-ordered prohibition against the payment of pre-filing obligations, including amounts owing to investors. As a result, Ardenton will not be able to pay interest or to fund redemptions until the completion of these proceedings.

12. Why did Ardenton file for CCAA protection?

Ardenton's investment model is dependent, in part, on capital raising. Ardenton does not presently generate sufficient cash flow from its portfolio companies to cover its expenses, including its debt-service obligations. Additionally, the onset of the COVID-19 pandemic negatively affected Ardenton's ability to raise fresh capital. In recent months, steps were taken to reduce operating costs, including by reducing staff, closing offices and other conservation activities; however, these measures alone were not sufficient and Ardenton faces ongoing liquidity pressures that prevent it from pursuing its restructuring efforts outside of a CCAA proceeding.

Generally, CCAA protection provides companies with the time and "breathing room" necessary to restructure and emerge significantly stronger than they were prior to the proceedings and better positioned for future growth.

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13. How do the CCAA proceedings impact Ardenton's portfolio companies?

Only Ardenton Capital Corporation and Ardenton Capital Bridging Inc. are subject to CCAA proceedings. None of Ardenton's other affiliates are subject to these proceedings, including any of its 14 portfolio companies, all of which continue to operate in the normal course. Ardenton will continue to work closely with the portfolio companies' management teams during the CCAA proceedings.