



**Fourth Report of
KSV Restructuring Inc.
as CCAA Monitor of
Ardenton Capital Corporation and
Ardenton Capital Bridging Inc.**

June 18, 2021

Contents		Page
1.0	Introduction.....	1
1.1	Purposes of this Report.....	3
1.2	Restrictions	3
1.3	Currency	3
2.0	Background	4
3.0	Portfolio Companies	5
4.0	Investor Committee.....	6
5.0	Update on Claims Procedure.....	7
6.0	Cash Flow Forecast.....	8
7.0	Stay Extension.....	9
8.0	Conclusion and Recommendation	9

Appendix	Tab
Corporate Chart.....	A
Claims Procedure Order	B
Cash Flow Forecast to October 1, 2021.....	C
Companies' Report on Cash Flow	D
Monitor's Report on Cash Flow.....	E



COURT FILE NO.: S-211985

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 ARDENTON CAPITAL CORPORATION AND
ARDENTON CAPITAL BRIDGING INC.

PETITIONERS

FOURTH REPORT OF KSV RESTRUCTURING INC. AS
MONITOR

JUNE 18, 2021

1.0 Introduction

1. Pursuant to an order (the "Initial Order") of the Supreme Court of British Columbia (the "Court") made on March 5, 2021, Ardenton Capital Corporation ("ACC") and Ardenton Capital Bridging Inc. ("ACBI" and together with ACC, the "Companies") were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and KSV Restructuring Inc. ("KSV") was appointed monitor (the "Monitor"). The Companies and their non-filing affiliates and related companies are collectively referred to in this report (the "Report") as "Ardenton".
2. Pursuant to the terms of the Initial Order, the Court granted:
 - a) an initial stay of proceedings until March 15, 2021 (the "Stay Period"); and
 - b) a charge:
 - i. in the amount of \$350,000 (the "Administration Charge") on the Companies' current and future property, assets and undertaking (collectively, the "Property") to secure the fees and disbursements of the Companies' counsel, as well as the fees and disbursements of the Monitor and its counsel; and
 - ii. in the amount of \$110,000 (the "D&O Charge") on the Property in favour of the Companies' sole director, as well as its officers.

3. At the initial application, the Court set March 15, 2021 as the date for the comeback motion in these proceedings (the “Comeback Motion”). At the Comeback Motion, the Court issued an amended and restated Initial Order (the “Amended and Restated Initial Order”) pursuant to which:
 - a) the Stay Period was extended to May 7, 2021;
 - b) the amount of the Administration Charge was increased to \$1 million;
 - c) the amount of the D&O Charge was increased to \$240,000; and
 - d) a charge in favour of ACBI was created for any advances it makes to ACC during these proceedings (the “Intercompany Charge”).
4. Pursuant to orders issued by the Court on March 31, 2021, the Court:
 - a) approved the appointment of a committee comprised of seven investors (the “Investor Committee”) having claims, or representing claims, totaling at least \$156 million, which was put in place to provide the Monitor and the Companies with insight into the objectives and priorities of the investors so that these are reflected in the Plan of Arrangement or Compromise (the “Plan”) which will be presented to creditors;
 - b) approved a debtor-in-possession loan facility (the “DIP Facility”) in the amount of \$5 million from RCM Capital Management Ltd. (which was subsequently assigned to its affiliate, RCM Capital-WSCO Holding Ltd., the “DIP Lender”) and granted a charge on the Property in favour of the DIP Lender for this amount (the “DIP Charge”);
 - c) reduced the amount of the Administration Charge to \$750,000; and
 - d) approved a claims procedure (the “Claims Procedure”) for soliciting and determining claims against the Companies and against the Companies’ directors and officers (the “Claims Procedures Order”).
5. Pursuant to orders issued by the Court on May 6, 2021, the Court:
 - a) approved a key employee retention plan for certain of Ardenton’s employees; and
 - b) granted a further extension of the Stay Period to July 6, 2021.
6. The principal purpose of the CCAA proceedings is to provide the Companies with the opportunity to restructure their debt obligations in a stable environment with the breathing space afforded by filing for protection under the CCAA. The proceedings are intended to provide a forum to allow the Companies to develop a Plan that is intended to provide creditors with a better outcome than an immediate liquidation of the Companies’ business and assets.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information regarding the Companies and these proceedings;
 - b) provide an update on the results of the Companies' portfolio companies (collectively, the "PCs") for the period ending April 30, 2021;
 - c) provide an update on the Monitor's dealings with the Investor Committee;
 - d) provide an update on the Claims Procedure;
 - e) comment on the Companies' cash flow projection for the period commencing July 7, 2021 through the week ending October 1, 2021 (the "Cash Flow Forecast"); and
 - f) recommend that the Court issue an order, *inter alia*, granting an extension of the Stay Period to October 1, 2021.

1.2 Restrictions

1. In preparing this Report, the Monitor has relied upon the Companies' unaudited financial information, books and records and discussions with the Companies' management and its legal counsel.
2. The Monitor has not audited or otherwise verified the accuracy or completeness of the financial information relied upon to prepare this Report in a manner that complies with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Petitioners' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.
4. This Report does not consider the potential future impact of the COVID-19 pandemic on the Companies' business and operations, including on the PCs. Such impact cannot be determined at this time.

1.3 Currency

1. All currency references in this Report are in Canadian dollars.

2.0 Background

1. ACC is the parent company of a multinational private equity business. Through various holding companies, including ACBI, ACC acquires, with monies raised from its investors, majority ownership interests in the PCs, which are privately-owned mid-market businesses.
2. ACC currently has indirect majority ownership interests in fourteen (14) PCs located in Canada, the US and the United Kingdom. A copy of ACC's corporate chart is attached as Appendix "A".
3. ACC does not use a typical private equity model, which relies on a limited partnership structure to raise capital for its investors. Rather, ACC raised capital by issuing unsecured debt through instruments which pay annual interest of between 8% and 14% (weighted average of approximately 12%). ACC also issued common equity, but it is a comparatively small amount versus the amount it raised under its debt instruments.
4. All of ACBI's debt was raised through the issuance of promissory notes.
5. Through the end of 2020, the Companies had raised over \$400 million through the issuance of common equity, hybrid units¹, preferred securities and promissory notes (each instrument being a "Security" and collectively, the "Securities"). The monies raised by ACC and ACBI were used in part to acquire the interests in the PCs and to make intercompany loans to certain PCs, and together with PC Distributions (as defined below), were used to pay Ardenton's operating expenses, fund interest on the Companies' existing debt obligations and redeem Securities.
6. A summary of ACC's and ACBI's obligations², by Security, as at the date of the Initial Order is provided in the table below.

(unaudited; \$000s)	ACC	ACBI	Total
Promissory Notes	1,281	17,961	19,242
Preferred Securities	261,603	-	261,603
Hybrid Securities	67,065	-	67,065
Total	329,949	17,961	347,910

7. ACC's interests in the PCs are owned indirectly through various holding company subsidiaries, including ACBI (the "HoldCos"). ACC's acquisitions are funded through a combination of debt and equity advanced by ACC indirectly to the PCs through the HoldCos that own the PCs. ACC indirectly receives loan interest, management fees and dividends from the PCs (collectively "PC Distributions"), although these PC Distributions have not historically been a major source of capital for ACC, which continues to be the case. In addition, ACC has on one occasion sourced capital from a PC by having the PC refinance its loan from ACC with bank debt priced less expensively than the ACC loan.

¹ Hybrid units have a debt and an equity warrant component.

² Includes accrued and unpaid interest at the date of the Initial Order.

8. Further information regarding the Companies and these proceedings can be found in the Monitor's prior reports issued in these proceedings and the prior affidavits sworn by Mr. Livingstone. Court materials in these proceedings can be found on the Monitor's website at <https://www.ksvadvisory.com/insolvency-cases/case/ardenton-capital-corporation>.

3.0 Portfolio Companies

1. The Monitor has been working closely with Ardenton to oversee the PCs. In that respect, the Monitor deals regularly with Ardenton's portfolio managers and has, in some cases, dealt directly with PC management.
2. Since the hearing on May 6, 2021, ACC has prepared, with the assistance of the Monitor, and delivered a quarterly report to investors at the end of May, with respect to the financial performance of ACC and the PCs in the first quarter of 2021. The Monitor has assisted the Petitioners with financial reporting processes and has prepared various analyses as requested by the Investor Committee.
3. A summary of the PCs' financial performance for the four-month period ending April 30, 2021 compared to the same period in 2020 is provided below.

(unaudited; \$000s)	2021	2020	Change (\$)	Change %
Revenue				
North America	70,731	65,658	5,073	8%
UK	86,764	67,617	19,147	28%
	157,495	133,274	24,221	18%
Cost of Goods Sold				
North America	51,834	45,636	(6,199)	(14%)
UK	61,902	51,121	(10,781)	(21%)
	113,736	96,756	(16,980)	(18%)
Gross Profit				
North America	18,897	20,022	(1,126)	(6%)
UK	24,862	16,496	8,366	51%
	43,759	36,518	7,241	20%
Gross Margin				
North America	27%	30%		(3%)
UK	29%	24%		5%
	28%	27%		1%
Operating Expenses				
North America	10,532	12,101	1,570	13%
UK	17,144	14,476	(2,668)	(18%)
	27,676	26,578	(1,098)	(4%)
EBITDA				
North America	8,365	7,921	444	6%
UK	7,718	2,020	5,699	282%
	16,083	9,940	6,143	62%
Net Income/(Loss)				
North America	2,682	2,445	236	10%
UK	(2,746)	(7,168)	4,422	62%
	(65)	(4,723)	4,659	99%

4. As reflected above:
 - a) PC revenue increased by \$24 million from \$133 million to \$157 million versus the comparable period last year. The improvement is largely attributable to the performance of the UK PCs and the poor performance of the PCs in April 2020 due to the COVID-19 pandemic;
 - b) PC gross margin increased by 1% year-over-year, with higher gross margins achieved by the UK PCs. Increased freight, raw material and labor costs negatively impacted North American PC gross margins; and
 - c) PC EBITDA increased significantly, as EBITDA grew 62% to \$16.1 million. This was largely driven by the UK PCs; the North American PCs achieved modest EBITDA growth. As Ardenton's weighted average ownership interest in the PCs is approximately 72%, its share of the EBITDA is approximately \$11.7 million.

4.0 Investor Committee

1. As of the date of this Report, the Monitor has convened twelve formal meetings with the Investor Committee, as well as numerous information updates. As set out in the Monitor's Third Report to Court dated April 28, 2021 (the "Third Report"), the initial six Investor Committee meetings mainly provided the Investor Committee with the background information they required to properly consider the issues relevant to a Plan and to have the information necessary to perform their role on behalf of creditors.
2. In early May 2021, the Investor Committee advised the Monitor that it believed it was appropriate for the Investor Committee to retain independent legal counsel to, *inter alia*, assist it to consider its fiduciary obligations. The by-laws of the Investor Committee specifically permit the Investor Committee to engage legal counsel. The Investor Committee interviewed five firms and ultimately retained Bennett Jones LLP ("Bennett Jones"). The role of Bennett Jones is to provide legal advice to the Investor Committee; however, its engagement is not to provide legal advice to individual committee members or any other individual investors. The fees and costs of Bennett Jones are paid by ACC.
3. The Monitor and the Companies have prepared a draft term sheet (the "Term Sheet") that reflects an outline of a Plan. In May 2021, the Monitor presented the Term Sheet to the Investor Committee. The Investor Committee was generally supportive of the salient features of the Term Sheet. The Monitor and its counsel are working closely with the Companies, their legal counsel and Bennett Jones to prepare the Plan consistent with the structures set out in the Term Sheet. The objective is to finalize the Plan document in consultation with the Investors Committee by the end of July 2021 (or thereabouts), at which time the Companies will seek an order to, *inter alia*, authorize the Companies to file the Plan and direct the Companies to call and conduct a meeting or meetings of their creditors to consider and vote on the Plan.

5.0 Update on Claims Procedure

1. A copy of the Claims Procedure Order is attached as Appendix “B”.
2. To increase the efficiency of the Claims Procedures, the Claims Procedure Order provides that the Monitor and the Companies will identify and quantify all known claims (the “Known Claims”) and provide these creditors with a completed claims package (the “Known Claimant Claims Package”), which the known claimants will have a right to dispute.
3. Following the approval of the Claims Procedure Order, and consistent with the terms of the Claims Procedure Order, the Monitor:
 - a) distributed by the date required under the Claims Procedure Order (being April 15, 2021) to approximately 400 Known Claimants Claims Packages by ordinary mail or electronic mail to the known claimant’s last known address provided by the Companies, or to the address provided to the Monitor by the known claimant;
 - b) published on April 7, 2021, a notice advising of the Claims Procedure in *The Globe and Mail (National Edition)* and the *Vancouver Sun*; and
 - c) posted on its website immediately after the Claims Procedure Order was made, a notice to claimants, the claims package and the Claims Procedure Order.
4. The claims bar date for Known Claims, Pre-Filing Claims and director and officer claims (“D&O Claims”) was May 14, 2021.
5. A summary of the status of the claims is provided below.

(unaudited; C\$000s)	Accepted Claims		Disputed Claims	
	Amount (\$)	Number	Amount (\$)	Number
ACC	336,498	402	14,321	12
ACBI	17,971	10	-	-

6. Substantially all of the claims that the Companies intend to dispute relate to former employee claims, landlord claims and a claim filed by an investment management firm for unpaid fees. The Monitor intends to attempt to work with the potential creditors to resolve these claims. If the Monitor is unsuccessful in resolving these claims, it may be necessary to have the disputed claims adjudicated by the Court.
7. In addition to the claims noted above, five D&O Claims were filed. Four of these claims were filed by members of the Investor Committee and one was filed by another Investor. The Monitor also sent a letter to ACC which attached a claim from a member of the Investor Committee advising the Companies it intended to accept one of the claims filed against the D&Os as a placeholder representative claim made on behalf of all of the Companies’ investors. The Monitor requested that ACC provide a copy of its letter to relevant directors and officers so that they can report to their insurer. Discussions with respect to the placeholder representative claim are ongoing among the Monitor, ACC and the Investor Committee. Further details regarding the Claims Procedure and the D&O Claims will be provided in a future report to court.

6.0 Cash Flow Forecast

1. The Companies are seeking an extension of the Stay Period from July 7, 2021 to October 1, 2021 (the "Period"). The Companies prepared the Cash Flow Forecast for the Period.
2. The Cash Flow Forecast and the Companies' statutory report on the Cash Flow Forecast pursuant to Section 10(2)(b) of the CCAA are attached as Appendices "C" and "D", respectively.
3. The Cash Flow Forecast reflects that the Companies will have sufficient liquidity to pay post-filing expenses, as summarized below.

(unaudited; \$000s)	Amount
Receipts	
Intercompany	789
Interest	151
	940
Disbursements	
Payroll and benefits	553
Professional services	125
IT	81
Rent	24
Insurance	51
Restructuring fees	1,400
Other	168
DIP Interest	51
	2,453
Net Cash Flow	(1,513)
Estimated Opening Cash Balance	162
Net Cash Flow	(1,513)
Additional DIP Financing	1,500
Closing Cash Balance	149
Opening DIP Balance	1,000
Additional DIP Financing	1,500
DIP Financing at end of Period	2,500

4. The principal amount of the DIP Facility is \$5 million. At the end of the Period, the Companies are projected to have drawn \$2.5 million under the DIP Facility.
5. Based on the Monitor's review of the Cash-Flow Statement, there are no material assumptions which seem unreasonable. The Monitor's statutory report on the cash flow is attached as Appendix "E".

7.0 Stay Extension

1. The Companies are requesting an extension of the Stay Period until October 1, 2021.
2. The Monitor supports the request for an extension to the Stay Period for the following reasons:
 - a) the Companies are acting in good faith and with due diligence;
 - b) no creditor will be prejudiced if the extensions are granted;
 - c) it will provide the Companies with additional time to draft the Plan, deal with disputed claims filed in the Claims Procedure, consult with the Investor Committee and advance these proceedings towards a creditors' meeting and sanction motion;
 - d) as of the date of this Report, neither the Companies nor the Monitor is aware of any party opposed to an extension;
 - e) filing a Plan is in the interest of stakeholders as it is intended to provide a result superior to an immediate liquidation of the Companies' interests in the PCs; and
 - f) the Companies are projected to have sufficient liquidity to fund their operations until October 1, 2021.

8.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that the Court grant the relief detailed in Section 1.1(1)(f) of this Report.

* * *

All of which is respectfully submitted.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS MONITOR OF
ARDENTON CAPITAL CORPORATION AND ARDENTON CAPITAL BRIDGING INC.
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITIES**