



ESTATE FILE NO.: 31-2688719

**IN THE MATTER OF THE BANKRUPTCY OF
RGN BRITISH COLUMBIA XXIII LIMITED PARTNERSHIP
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT TO CREDITORS ON
PRELIMINARY ADMINISTRATION**

1.0 Introduction

1. On November 13, 2020, RGN British Columbia XXIII Limited Partnership (the "Partnership") filed a Notice of Intention to Make a Proposal ("NOI") under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and KSV Restructuring Inc. ("KSV") was appointed the Proposal Trustee in the NOI proceedings (the "NOI Proceedings").
2. The principal purpose of the NOI Proceedings was to create a stabilized environment where the Partnership's lease for premises located at 400 West Georgia, Vancouver, British Columbia (the "Partnership Lease") could not be terminated due to bankruptcy proceedings commenced in Luxembourg by the guarantor of the Partnership Lease, being Redox Plc (f/k/a Regus Plc S.A.) ("Regus Plc"). It was also to allow the continued construction of the premises subject to the Partnership Lease (the "Leased Premises") and continued negotiations between the Partnership and Homer Street Office Properties Inc., the landlord under the Partnership Lease (the "Landlord"), regarding occupancy of the premises, as discussed below.
3. On December 14, 2020, the Ontario Superior Court of Justice (Commercial List) (the "Court") granted an Order extending the time for the Partnership to file a proposal until January 27, 2021.
4. The Partnership did not file a proposal by January 27, 2021. Accordingly, the Partnership was deemed to have filed an assignment in bankruptcy under the BIA on January 28, 2021. KSV was appointed the Licensed Insolvency Trustee (the "Trustee") of the Partnership, subject to affirmation at the first meeting of creditors.

1.1 Restrictions

1. In preparing this Report, the Trustee has relied upon unaudited financial information prepared by representatives and financial advisors of the Partnership and related companies, the books and records of the Partnership and related companies and discussions with Canadian counsel to the Partnership and related companies.
2. The Trustee has not audited or otherwise attempted to verify 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 Trustee expresses no opinion or other form of assurance contemplated by the CAS. Any party wishing to place reliance on the financial information should perform its own diligence.

2.0 Background

1. The Partnership was formed on April 11, 2018 under the *Limited Partnerships Act*, R.S.O. 1990, c. L.16 (Ontario). The Partnership's partners are RGN British Columbia XXIII GP Inc. and RGN Limited Partner Holdings, Corp.
2. The Partnership is an affiliate of the following entities that filed voluntary petitions for relief on August 17, 2020 (the "U.S. Filing Date") pursuant to chapter 11 of title 11 of the United States Code with the United States Bankruptcy Court for the District of Delaware (the "U.S. Court"):
 - a) RGN-National Business Centers, LLC ("RGN-National" or the "Foreign Representative");
 - b) H Work, LLC (f/k/a HQ Global Workplaces LLC) ("H Work"); and
 - c) RGN-Group Holdings, LLC ("Holdings").

Collectively, RGN-National, H Work and Holdings are defined herein as the "Guarantor Debtors".

The proceedings before the U.S. Court involving the Chapter 11 Debtors are defined herein as the "Chapter 11 Proceedings" and the debtors subject to the Chapter 11 Proceedings, including the Guarantor Debtors, are defined herein as the "Chapter 11 Debtors".

3. On August 18, 2020, the U.S. Court heard the Chapter 11 Debtors' first day motions and granted certain orders (the "First Day Orders").
4. On August 24, 2020, the Court issued the following orders pursuant to Part IV of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"):
 - a) the Initial Recognition Order (Foreign Main Proceeding) (the "Recognition Order") which, *inter alia*, recognizes the Chapter 11 Proceedings as a "foreign main proceeding" and the Foreign Representative as the "foreign representative" as defined in section 45 of the CCAA. The Recognition Order stays all proceedings against the Guarantor Debtors; and
 - b) the Supplemental Order (Foreign Main Proceeding) which, *inter alia*, appoints KSV as Information Officer with respect to the Chapter 11 Debtors, grants a stay of proceedings as set out therein, and recognizes certain of the First Day Orders.
5. On August 31, 2020, the Court issued an Order granting other affiliates of the Partnership, being Guardian Financial Corp. and the entities listed on Schedule "A" attached hereto (collectively, the "Company"), protection under the CCAA, extending the stay of proceedings over the limited partnerships (the "LPs") listed in Schedule "B" attached hereto (together, the LPs and the Company are referred to as the "CCAA Debtors") and appointing KSV as monitor in the CCAA proceedings (the "CCAA Proceedings"). On September 10, 2020, the Court granted an Order amending and restating the Initial Order (as amended and restated, the "CCAA Order"). Pursuant to an Order made on November 19, 2020, the Court extended the stay of proceedings under the CCAA Order until and including March 16, 2021.

6. On September 16, 2020, RGN Ontario XXXIV Limited Partnership (“RGN Ontario XXXIV”), another affiliate of the Partnership, filed an NOI pursuant to the BIA. KSV was also appointed as proposal trustee of RGN Ontario XXXIV. The NOI filings by the Partnership and by RGN Ontario XXXIV were precipitated by proceedings commenced on September 10, 2020 by Regus Plc, a Bailiwick of Jersey entity that is managed and controlled in Luxembourg. Regus Plc is the guarantor of the leases held by the Partnership and RGN Ontario XXXIV. Regus Plc commenced proceedings in Jersey to request assistance from the courts in Luxembourg and to obtain a bankruptcy order under the Luxembourg Commercial Code. Regus Plc does not carry on business in Canada. The Luxembourg Court appointed a trustee in bankruptcy in respect of Regus Plc on October 9, 2020.
7. The Partnership, RGN Ontario XXXIV and the CCAA Debtors are affiliates of Regus Corporation, a Delaware corporation, that, together with its affiliates (collectively, “IWG”) offers a network of on-demand office and co-working spaces, and ancillary services and support, to a variety of clients across several industries in over 1,000 locations in the United States and Canada.
8. IWG is a multinational corporation, which operates over 3,300 locations across more than 110 countries. IWG’s business model begins when one of its special purpose subsidiaries or affiliates (the “SPE”) enters into a long-term commercial real property lease with a landlord that provides the SPE with unoccupied office space (the “Centres”). IWG develops and engineers each of the Centres to meet the needs of individuals, companies and organizations that contract for use of portions of the Centres. IWG markets its Centres under different brand names, each tailored to appeal to different types of clients and those clients’ specialized needs. These clients (the “Occupants”, and each an “Occupant”) enter into short-term licenses (each an “Occupancy Agreement”) to use portions of the Centres, which are customizable as to duration, configuration, services and amenities. When operating successfully, the license payments from Occupants will exceed the combined cost of the underlying long-term lease, management cost and operating expenses of the Centre.
9. Each SPE is formed for the purpose of holding a lease. In certain cases, the SPE’s obligations under the lease are partially or fully guaranteed by another IWG entity, such as the Guarantor Debtors or another IWG entity (this is the case with the Partnership – it is an SPE and the Partnership Lease is guaranteed by Regus Plc). The Occupancy Agreements are between the Occupants and an entity in the group that is not an SPE.¹ In Canada, most of the Occupants have contracted with RGN Management Limited Partnership (“RGN Management”). RGN Management directly pays substantially all of the costs and expenses related to the operation of the Centres on behalf of each SPE, with the exception of rent and certain other costs. Payment of rent is advanced by RGN Management to the SPE, which then pays its landlord.

¹ From an accounting perspective, the economic interest is recorded in the SPE’s financial statements.

10. The Guarantor Debtors were guarantors or were co-liable as original tenant-assignors of 653 Leases in total as of the U.S. Filing Date, including 85 Leases in respect of Centres located in Canada (the “Guaranteed Canadian Leases”). The Guarantor Debtors do not carry on business in Canada. Of the 85 Guaranteed Canadian Leases, approximately 39 of them provide, or may provide, that an insolvency filing by one of the Guarantor Debtors is an event of default, which may allow the respective landlord to terminate the lease with little or no notice. Similarly, the Partnership Lease provides that an insolvency filing by Regus Plc may allow the Landlord to terminate the Partnership Lease.
11. IWG, through Canadian SPE affiliates of the Chapter 11 Debtors, operates 137 Centres in Canada (the “Canadian Affiliates”). The Canadian Affiliates are not subject to the Chapter 11 Proceedings. The CCAA Debtors are a subset of the Canadian Affiliates.
12. Further information concerning the CCAA Proceedings and Chapter 11 Proceedings is available on KSV’s website at <https://www.ksvadvisory.com/insolvency-cases/case/rgn-national-business-centers>.

2.1 Dealings with the Landlord

1. The Partnership Lease had a term of fifteen (15) years commencing nine months after the Landlord delivered the Leased Premises to the Partnership (the “Delivery Date”). Upon completion of the construction, the Leased Premises were to comprise approximately 119,316 square feet over eight (8) floors. The Partnership was not required to pay rent prior to the Delivery Date. The Partnership had arranged for most of the Leased Premises to be licensed to a major Occupant.
2. As more fully set out in the affidavit of Joshua Nicosia, Regus’s North American General Counsel, sworn December 8, 2020, IWG engaged with representatives of the Landlord regarding:
 - a) notices dated July 9, 2020 and August 24, 2020 from the Landlord advising of construction delays, reflecting total delays of approximately 3 months and new estimated Delivery Dates of June 21, 2021 for seven (7) floors of the Leased Premises and August 18, 2021 for the remaining floor;
 - b) a notice of default issued by the Landlord on September 28, 2020 (the “Indemnity Default”) in response to the commencement of insolvency proceedings by Regus Plc requiring the Partnership to post a security deposit in cash or by letter of credit to the Landlord of \$10 million, being the maximum liability under the indemnity that had previously been provided by Regus Plc. The Partnership responded by attempting to find mutually agreeable solutions with the Landlord that would allow the Partnership Lease to continue following completion of construction of the Leased Premises. The Partnership subsequently filed its NOI due to concerns that the Landlord may attempt to terminate the Partnership Lease;
 - c) an email from a representative of the Landlord on November 19, 2020 purporting to terminate the Partnership Lease due to the Indemnity Default (the “Termination Notice”); and
 - d) the validity of the Termination Notice given the stay of proceedings afforded to the Partnership under the BIA and concerns that the Landlord had been corresponding with the intended main Occupant of the Leased Premises for it to directly rent and occupy the Leased Premises.

3. Representatives of the Partnership engaged with the Landlord to try to find solutions for the Partnership Lease. The Partnership ultimately concluded that it could not make a viable proposal.
4. On December 29, 2020, the Partnership accepted with prejudice that the Termination Notice was effective as of November 19, 2020, waived any right to assert otherwise going forward and confirmed that it will not support any third party taking a contrary position.

3.0 Assets

1. The Partnership's unaudited balance sheet as at November 30, 2020 is provided as Appendix "A". As reflected therein, the Partnership reported assets of approximately \$193,000, comprised largely of capitalized labour, architectural designs, drawings and other preparation related to the Partnership Lease.
2. The premises subject to the Partnership Lease were under construction when the Termination Notice was accepted. As such, the Partnership has yet to commence operations and none of the assets can be realized upon.

4.0 Creditors

4.1 Secured Creditors

1. The Partnership's secured creditor is RGN Management pursuant to a security agreement dated April 11, 2018 in respect of \$276,590 in advances to the Partnership related to the Partnership Lease.
2. As there are no assets, the preliminary assessment of the value of RGN Management's security is nil and the Trustee did not obtain a security opinion.

4.2 Unsecured Creditors

1. According to the Partnership's books and records, the Partnership's only known creditor other than RGN Management is the Landlord. As at the date of this report, the Landlord's claim amount, if any, is unknown.

4.3 Property of the Bankrupt Not Divisible Amongst Creditors

1. The Trustee is not aware of any property that would not be divisible among the Partnership's creditors by virtue of subsection 67(1) of the BIA or otherwise.

5.0 Books and Records

1. The Trustee has taken possession of the books and records required to complete its duties and obligations under the BIA, including the Partnership's minute book.

6.0 Preferences and Transfers at Undervalue

1. As part of its statutory duties, the Trustee is required to conduct a preliminary review for potential preferences and transfers at undervalue by reviewing the Partnership's bank statements and accounting records for the year preceding the date of bankruptcy ("Preference Review").
2. As discussed in Section 4 of this Report, RGN Management directly paid the costs and expenses of the Partnership as the Partnership does not have a bank account. The Preference Review is therefore not applicable.

7.0 Third Party Guarantee

1. In consideration of KSV agreeing to act as Trustee in the Partnership's bankruptcy proceedings, RGN Management has guaranteed the Trustee's fees, expenses and costs of administration of the bankrupt estate, including the fees and costs of Bennett Jones LLP, legal counsel to the Trustee.

8.0 Anticipated Realization and Projected Distribution

1. The Trustee does not expect that there will be any funds available for distribution to the Partnership's creditors.

9.0 Other Matters

1. There are no other matters to discuss at this time.

* * *

DATED at Toronto, Ontario, this 17th day of February, 2021.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS LICENSED INSOLVENCY TRUSTEE OF
RGN BRITISH COLUMBIA XXIII LIMITED PARTNERSHIP
AND NOT IN ITS PERSONAL CAPACITY**

Schedule "A" – Additional Applicants

RGN Alberta IV GP Inc.
RGN Alberta GP Inc.
RGN Alberta X GP Inc.
RGN Alberta XIII GP Inc.
RGN Alberta XIV GP Inc.
RGN Alberta XVII GP Inc.
RGN British Columbia XX GP Inc.
RGN British Columbia XVI GP Inc.
RGN British Columbia XXV GP Inc.
RGN British Columbia XXIV GP Inc.
RGN Manitoba II GP Inc.
RGN Ontario II GP Inc.
RGN Ontario L GP Inc.
RGN Ontario LV GP Inc.
RGN Ontario LVI GP Inc.
RGN Ontario LVIII GP Inc.
RGN Ontario LXII GP Inc.
RGN Ontario XI GP Inc.
RGN Ontario XLI GP Inc.
RGN Ontario XLII GP Inc.
RGN Ontario XLV GP Inc.
RGN Ontario XLVI GP Inc.
RGN Ontario XLVII GP Inc.
RGN Ontario XLVIII GP Inc.
RGN Ontario XXI GP Inc.
RGN Ontario XXIV GP Inc.
RGN Ontario XXIX GP Inc.
RGN Ontario XXV GP Inc.
RGN Ontario XXVIII GP Inc.
RGN Ontario XXXI GP Inc.
RGN Ontario XXXII GP Inc.
RGN Ontario XXXIII GP Inc.
RGN Quebec V GP Inc.
RGN Quebec VI GP Inc.
RGN Quebec XIV GP Inc.
RGN Quebec XVI GP Inc.
RGN Services Limited

Schedule “B” – Limited Partnerships

RGN Alberta IV Limited Partnership
RGN Alberta Limited Partnership
RGN Alberta X Limited Partnership
RGN Alberta XIII Limited Partnership
RGN Alberta XIV Limited Partnership
RGN Alberta XVII Limited Partnership
RGN British Columbia XX Limited Partnership
RGN British Columbia XVI Limited Partnership
RGN British Columbia XXV Limited Partnership
RGN British Columbia XXIV Limited Partnership
RGN Manitoba II Limited Partnership
RGN Ontario L Limited Partnership
RGN Ontario LV Limited Partnership
RGN Ontario LVI Limited Partnership
RGN Ontario LVIII Limited Partnership
RGN Ontario LXII Limited Partnership
RGN Ontario XI Limited Partnership
RGN Ontario XLI Limited Partnership
RGN Ontario XLII Limited Partnership
RGN Ontario XLV Limited Partnership
RGN Ontario XLVI Limited Partnership
RGN Ontario XLVII Limited Partnership
RGN Ontario XLVIII Limited Partnership
RGN Ontario XXI Limited Partnership
RGN Ontario XXIV Limited Partnership
RGN Ontario XXIX Limited Partnership
RGN Ontario XXV Limited Partnership
RGN Ontario XXVIII Limited Partnership
RGN Ontario XXXI Limited Partnership
RGN Ontario XXXII Limited Partnership
RGN Ontario XXXIII Limited Partnership
RGN Quebec V Limited Partnership
RGN Quebec VI Limited Partnership
RGN Quebec XIV Limited Partnership
RGN Quebec XVI Limited Partnership

Appendix “A”

RGN British Columbia XXIII Limited Partnership

Balance Sheet

As at November 30, 2020

(C\$; unaudited)

Current Assets

 Prepaid expenses and other current assets 678

Property and equipment, net 192,258

Total Assets 192,936

Due to affiliates 276,589

Total Liabilities 276,589

Shareholders Equity

Share capital 711,000

Retained earnings (794,653)

Total Shareholders' Equity (83,653)

Total Liabilities and Shareholders' Equity 192,936