

District of: British Columbia  
Division No.: 03 - Vancouver  
Court No.: 11-2967951  
Estate No.: 11-2967951

**IN THE MATTER OF THE BANKRUPTCY OF**  
**ADVENTUS REALTY SERVICES INC.**  
**OF THE CITY OF VANCOUVER**  
**IN THE PROVINCE OF BRITISH COLUMBIA**

**Minutes of the First Meeting of Creditors**

**Held on Wednesday, August 9, 2023 at 11:50 am PST via video conference**

**PRESENT:**

As per the attendance list attached hereto as Appendix "A" and forming part of these minutes.

No representative of the bankrupt was present for the meeting.

**OPENING**

Karen Shi of the Office of the Superintendent of Bankruptcy announced that this was the first meeting of creditors of Adventus Realty Services Inc. ("**ARSI**" or the "**Company**") and that she would be acting as chair. Attendance was taken. FTI Consulting Canada Inc. ("**FTI**"), the Licensed Insolvency Trustee acting in the estate (the "**Trustee**"), was represented by Mike Clark and Nigel Meakin, with Tessa Chiricosta and Adam Gasch of FTI acting as scrutineer and secretary, respectively.

**CALL TO ORDER**

Ms. Shi announced that pursuant to Section 105(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**"), Ms. Shi would be the chair of the first meeting of creditors and shall decide any questions or disputes arising from the meeting and that any creditor may oppose any such decision in court.

Ms. Shi informed the creditors that the purpose of the meeting is to consider the affairs of the bankrupt, to affirm the appointment of the trustee or substitute another in place thereof, to appoint inspectors

and to give such directions to the trustee as the creditors may see fit with reference to the administration of the estate.

Ms. Shi advised that pursuant to section 109(1) of the BIA a person is not entitled to vote as a creditor unless the person has duly proved a claim and the proof of claim has been duly filed with the trustee before the time appointed for the meeting.

At 11:52 am, Ms. Shi declared the meeting properly called and a quorum being present, duly constituted.

### **AFFAIRS OF THE BANKRUPT**

It was suggested that as ARSI is the trustee for Adventus Realty Trust (“ART”) and the creditors present had the same claims in ART, that the Trustee forgo reading the Trustee’s Report to Creditors on Preliminary Administration (the “Preliminary Report”) and that it be taken as read. The creditors and the Chair agreed to this approach. The Preliminary Report is attached to these minutes as Appendix “B”.

### **QUESTIONS**

Ms. Shi inquired if anyone had any questions with respect to the Preliminary Report.

The creditors indicated that the questions they would ask would be the same as the questions asked during the first meeting of creditors for ART insofar as they relate to ARSI. The Trustee’s representative noted that the answers would also be the same as those provided at the ART meeting. The creditors, the Trustee and the Chair agreed that the minutes would reflect the same questions and answers as per the minutes of the ART meeting. Those questions and answers were as follows:

A creditor representative asked questions with respect to the role of FTI Consulting, Inc (“FTI US”), an affiliate of the Trustee, as financial advisor to the Adventus group as disclosed in the Preliminary Report and a potential conflict of interest or perceived conflict of interest. The Trustee’s representative responded that the Trustee did not believe there was a conflict of interest and noted the disclosure in the Preliminary Report. When asked whether disclosure had been made to the Official Receiver prior to the meeting of creditors, the Trustee’s representative stated that they did not recall whether or not any such disclosure had been made.

A creditor representative asked (i) what entity had signed the engagement letter, (ii) what the role was and (iii) what the total fees charged had been. The representative of the Trustee responded that (i) they

did not recall and did not have a copy of the letter to hand, (ii) the role was as financial advisor as stated in the Preliminary Report and (iii) they did not have that information. The creditor representative asked the Trustee to obtain the information and provide it subsequently. That request was noted by the Trustee and taken under advisement.

A creditor representative asked whether the Trustee had reviewed bank transactions in the preceding three months given the statement in the Preliminary Report that the Trustee had not identified any potential preference payments. The Trustee's representative stated that the Trustee had undertaken a preliminary review of the bank transactions that no apparently suspicious activity had been noted.

A number of creditor representatives asked questions regarding specific details in respect of assets held by REIT1 and SPE's (both as defined in the Preliminary Report). The Trustee representative noted that the meeting was with respect to the bankrupt and that the Trustee was unable to provide information with respect to other entities.

A creditor representative asked why there was no value of equity held by listed in the Statement of Affairs as millions had been invested. The Trustee representative noted that the value of the equity interests held by was nil but was unable to explain why no book value was shown.

A creditor representative asked about the values of the remaining assets and a question was raised as to the twelve US properties and potential recoveries that may result therefrom. The Trustee's representative noted the information provided in the Preliminary Report that the estimated value of each of the properties was less than the applicable mortgage amount outstanding.

A creditor representative asked for details in respect of the inter-company claims. The Trustee's representative responded that they were completed based on the company's books and records. The creditor representative requested copies of the inter-company proofs of claim. The Trustee noted the request and that as creditors are entitled to inspect proofs of claim, they would be made available for inspection subsequently.

A creditor representative asked whether there was a receivable owing from Adventus Capital Partners. The Trustee representative noted that no receivable was shown on the Statement of Affairs but that the Trustee would review the books and records to ascertain whether there was a receivable from ACP.

### **AFFIRM THE APPOINTMENT OF THE TRUSTEE**

The Chair informed the creditors that the appointment of the Trustee must be affirmed by ordinary resolution or a substitute must be appointed by special resolution.

A motion affirming the appointment of FTI as trustee was made by Ian MacIntosh and seconded by Ian MacIntosh on behalf of Loch Moigh Capital Inc.

The votes of the creditors were polled with the results being as follows:

For:	\$5,803,351 – 100% of those present and voting
Against:	\$0, 0% of those present and voting
Abstentions:	\$54,194,662

Accordingly, the motion was carried unanimously and that the appointment of FTI Consulting Canada Inc. as Trustee was affirmed.

### **APPOINTMENT OF INSPECTORS**

Ms. Shi explained the role of inspectors and the prohibition on any person that is a party to a contested action with the bankrupt being appointed as an Inspector. The following individuals volunteered to act as Inspector and each confirmed that they were not party to a contested action with the bankrupt:

Gord McMorran

Rod Johnston

Jim Wong

Nick Demare

A motion to approve the appointment of Mr. McMorran, Mr. Johnston, Mr. Wong, and Mr. Demare as estate inspectors was made by Nick Demare as creditor and seconded by Gord McMorran, representing DNN Investments Ltd.

The votes of the creditors were polled with the results being as follows:

For:	\$59,998,013 – 86% of those present and voting
------	------------------------------------------------

Against: \$136,549 – 14% of those present and voting

Abstentions: \$0

Accordingly, the motion was carried and Gord McMorran, Rod Johnston, Jim Wong, and Nick Demare were appointed as inspectors of the estate.

**DIRECTIONS TO TRUSTEE**

Ms. Shi inquired if there were any directions to the Trustee regarding the administration of the estate. There were no instructions for the Trustee from any creditor.

**ADJOURNMENT**

There being no further business, a motion was made and seconded to adjourn the meeting.

It was resolved to adjourn the meeting as of 12:03 pm.



---

**Karen Shi**

**Official Receiver**



---

**Mike Clark, LIT**

**FTI Consulting Canada Inc.**

**Attachments:**

Attendance List

Trustee's Preliminary Report to Creditors

Minutes to the First Meeting of Creditors of Adventus Realty Trust

# **Appendix A**

## Attendance List

**FIRST MEETING OF CREDITORS**  
**In the matter of the bankruptcy of Adventus Realty Services Inc.**

Date: August 9, 2023

Superintendent Estate No.: 11-2967951

<b>Name (Print)</b>	<b>Representing</b>	<b>Filed Claim Amount</b>
Gord McMorran	DNN investments	C\$27,310
Mareo Distosto	Observer	N/A
Mike Clark	FTI Consulting Canada Inc., representing the trustee in bankruptcy for:  Adventus Realty Canada Holdings LP  Adventus Opportunity Services Inc.	C\$844,620   C\$9,473,119
Karen Shi	Official Receiver	N/A
Julie Tran	Observer	N/A
Ian MacIntosh	Ian Norman Macintosh  Loch Moigh Capital Inc.	C\$68,275  C\$68,275
Nick Demare	Nick Demare  Chase Management Ltd.  DNG Capital Corp.	C\$13,655  C\$40,965  C\$20,482
Rod Johnston	Debra L. Johnston  RBJ Investments Ltd.	C\$136,549  C\$16,386
Mike Senior	1200921 BC LTD.	N/A

**FIRST MEETING OF CREDITORS**  
**In the matter of the bankruptcy of Adventus Realty Services Inc.**

Date: August 9, 2023

Superintendent Estate No.: 11-2967951

<b>Name (Print)</b>	<b>Representing</b>	<b>Filed Claim Amount</b>
Steve Broady	Kennick Enterprises Ltd. Carolyn Broady	C\$2,743,113
Jim Wong	Grofondi Inc.	C\$43,621,576 (unsecured)
Gordon Brown	MNP Receiver	N/A
Kibben Jackson	Grofondi Inc. Counsel/Observer	N/A
Tracey McVicar	6928382 Canada Inc.	C\$341,374
Brad Gilewich	1299732 Alberta Ltd. Dak Capital Inc.	C\$477,923 C\$4,984,055
Greg Cameron	Greg Cameron	N/A
Nigel Meakin	FTI Consulting Canada Inc., Trustee	N/A
Tessa Chiricosta	FTI Consulting Canada Inc., Secretary	N/A
Adam Gasch	FTI Consulting Canada Inc., Scrutineer	N/A

## **Appendix B**

### Trustee's Report to Creditors on Preliminary Administration

**District of: British Columbia**  
**Division No.: 03 - Vancouver**  
**Court No.: 11-2967951**  
**Estate No.: 11-2967951**

**IN THE MATTER OF THE BANKRUPTCY OF  
ADVENTUS REALTY SERVICES INC.**

**OF THE CITY OF VANCOUVER  
IN THE PROVINCE OF BRITISH COLUMBIA**

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

**August 9, 2023**

**BACKGROUND AND CAUSES OF INSOLVENCY**

**Background**

1. Adventus Realty Trust (“**ART**”) is a private Real Estate Investment Trust (a “**REIT**”) that was formed in early 2012. ART is based in Vancouver, British Columbia, and, together with its affiliates (collectively, “**Adventus**”) invested in suburban commercial real estate in the suburban office markets of Chicago, Illinois and Atlanta, Georgia.
2. Adventus Realty Services Inc. (“**ARSI**”) is the Trustee of ART.
3. Adventus’s real estate portfolio consisted of thirteen income producing properties (some of which include multiple buildings) and one parcel of vacant land. Each of the income producing properties is subject to mortgage debt, with an aggregate total of approximately US\$705 million outstanding.
4. Adventus has a complex organizational structure, as shown in **Appendix A**. Each of the properties is held in a separate US-based special purpose entity, each of which is a limited partnership (each an “**SPE**”). 99.5% of the equity interests in each of the SPEs is held by one of two US-based REITs (“**REIT1**” and “**REIT2**”) that are indirect subsidiaries of ART. The remaining 0.5% of the equity interests in the SPEs are held by the general partners of REIT1 or REIT2, respectively.

## Causes of Insolvency

5. The COVID-19 pandemic and macro-economic factors created strong financial headwinds for Adventus and the US suburban office real estate market generally. Among other things:
  - a) Office space downsizing trends generally led to declining occupancy and nominal new leasing activity for Adventus's real estate portfolio;
  - b) Rapidly rising US interest rates caused significant increase in Adventus's debt service costs in 2022 and 2023 as the majority of Adventus's mortgage debt has variable rates;
  - c) Debt markets in the United States for commercial real estate were highly illiquid for a significant period of time after the COVID-19 pandemic which impacted Adventus' ability to refinance its mortgage portfolio and raise additional capital to fund operations; and
  - d) Adventus had significant capital requirements to maintain and lease the real estate portfolio and did not have sufficient cash flow to continue with such activities.
6. Each of the above factors severely impaired the Adventus's liquidity position and put pressure on Adventus's leveraged capital structure. Adventus's cash needs were expected to continue to exceed the cash generated by the real estate portfolio for the foreseeable future.
7. In June 2022, in an attempt to address the situation, Adventus engaged a global investment bank to conduct a strategic process and explore potential merger, sale or recapitalization opportunities. The process was overseen by a special committee of independent directors of the board. The process involved discussions with multiple interested parties but did not lead to any actionable transaction.
8. In January 2023, following the failure of the strategic process, Adventus formed a restructuring committee comprised of two independent directors and engaged restructuring advisors to explore and evaluate strategic alternatives for addressing its liquidity position and capital structure. This process included engaging in discussions with certain existing stakeholders and third parties to attempt to raise new capital and restructure Adventus's existing debt to permit operations to continue in the ordinary course. These efforts ultimately proved unsuccessful and Adventus was unable to raise any new capital or restructure any of its existing debt.
9. The mortgage debt on all but one of Adventus' properties is in default and "cash sweeps" have been implemented by the lenders whose mortgages are in default, whereby cash flow produced by the properties is retained by the mortgage lender to pay debt service and certain other amounts. Furthermore, the Trustee understands that based on the most recent estimates of value obtained by Adventus, each of its properties has a current estimated realizable value below the level of the applicable mortgage debt.

10. Adventus has also been the subject of other enforcement action by certain of its mortgage lenders due to the defaults under the mortgage debt. One property was recently removed from the portfolio through the foreclosure sale of equity of the relevant SPE pursuant to the *Uniform Commercial Code* by the mortgage lender. Another property has been in receivership for some time, with the potential sale offers for such property failing to reach the Receiver's reserve price at auction on July 27, 2023. On July 21, 2023, another mortgage lender commenced a foreclosure action in respect of an Adventus property before the Circuit Court of Cook County and subsequently filed a motion seeking the appointment of a receiver in respect of the property with the motion scheduled to be heard on August 11, 2023.
11. REIT1 and REIT2 are in the process of winding down operations and are in discussions with the applicable parties for the surrender or disposal of the balance of the properties.
12. On July 13, 2023, ART and ARSI were served with petitions for bankruptcy orders, returnable July 25, 2023, by certain unsecured debenture holders.

#### **APPOINTMENT OF TRUSTEE IN BANKRUPTCY**

13. On July 21, 2023, ART and ARSI, together with four of their Canadian affiliates<sup>1</sup>, filed assignments in bankruptcy pursuant to section 49(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**"). A Certificate of Bankruptcy for ARSI was issued on the same date by the Official Receiver appointing FTI Consulting Canada Inc. as Trustee. A copy of the Certificate of Bankruptcy is attached hereto as **Appendix B**.

#### **PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTEREST**

##### **Preliminary Evaluation of Assets**

14. The assets of ARSI are as follows:
  - a) Cash on hand at the date of bankruptcy;
  - b) Equity interests in Adventus US Holdings GP LLC (the "**AUH Equity Interests**"); and
  - c) A partnership interest in ARCH as general partner (the "**ARCH General Partner Interest**", and together with the AUH Equity Interests, the "**Equity Interests**").
15. Cash on hand at the date of bankruptcy was C\$1,426.83 and US\$1,079.41.

---

<sup>1</sup> Adventus Realty Limited Partnership (Estate number 11-2967950), Adventus Realty Canada Holdings Limited Partnership (Estate number 11-2967949), Adventus Opportunity Fund (Estate number 11-2967947), Adventus Opportunity Services Inc. (Estate number 11-2967948)

16. The estimated realizable value of the Equity Interests is nil.

### **Security Interest**

17. ART as borrower, together with Adventus Realty Canada Holdings Limited Partnership (“**ARCH**”) as co-borrower and ARSI, along with certain other Canadian affiliates, as guarantors, entered into a Commitment Letter dated July 20, 2021 (the “**Grofondi Loan Agreement**”), with Grofondi Inc. (“**Grofondi**”), pursuant to which Grofondi agreed to provide a non-revolving loan of \$50 million (the “**Grofondi Debt**”). The outstanding amount of the Grofondi Debt as at the date of bankruptcy is estimated to be approximately \$51.6 million.
18. Pursuant to a Guarantee Agreement dated July 20, 2021 (the “**ARSI Guarantee**”), ARSI has guaranteed the Grofondi Debt.
19. Pursuant to a general security agreement dated July 20, 2021 (the “**ARSI GSA**”), the guarantee of the Grofondi Debt is secured by a security interest in all of the present and after acquired of ARSI, other than the Excluded Collateral (as defined in the ARSI GSA).
20. Pursuant to the ARSI GSA, the Excluded Collateral is the ARCH General Partner Interest, provided that any amounts or other property distributed by the ARCH to ARSI in respect of its partnership interests do not form part of the Excluded Collateral.

### **POSSESSION OF BOOKS AND RECORDS**

21. The Trustee has taken steps to take possession of the books and records of the bankrupts.

### **CONSERVATORY AND PROTECTIVE MEASURES**

22. The Trustee has frozen the ARSI bank accounts and taken steps to take possession of the cash on hand at appointment.
23. Given the nature of the assets of the bankrupts as described earlier in this report, the Trustee has taken no further conservatory or protective measures.

### **PROVABLE CLAIMS AND DESCRIPTION OF CREDITORS**

24. As ARSI is the Trustee of ART, it is jointly and severally liable for the debts of ART. The statement of affairs of ARSI lists two additional claims that are not also claims against ART, totalling approximately \$40,000. The known claims of creditors of ARSI are summarized as follow:
  - a) Secured claim: approximately \$51.6 million; and

- b) Unsecured claims: approximately \$54.6 million, excluding the deficiency claim of the secured creditor.
25. The secured claim is the estimated amount of the Grofondi Debt.
26. The unsecured creditors are of two primary types:
- a) Entities and individuals that invested in unsecured debentures issued by ART, such creditors having claims totalling approximately \$17.4 million in the aggregate; and
  - b) Affiliates in Adventus, having claims totalling approximately \$37.2 million arising from inter-company transactions.

### **LEGAL PROCEEDINGS, TRANSFERS UNDERVALUE, PREFERENCE PAYMENTS**

27. There are no known pending legal proceedings commenced by ARSI.
28. There are no known pending legal proceedings commenced against ARSI.
29. The Trustee has not identified any potential transfers at undervalue or potential preference payments.

### **THIRD-PARTY DEPOSITS AND GUARANTEES**

30. The fees and expenses of the Trustee have been guaranteed by REIT1 pursuant to a fee guaranty and retainer agreement dated July 20, 2023 (the “**FGRA**”). The FGRA covers the bankruptcies of ART, ARSI and certain other Canadian affiliates. Pursuant to the FGRA, REIT1 has guaranteed the costs of the statutory administration of the estates only, which shall not include fees and expenses of the Trustee or its legal counsel to pursue claims or causes of action of the bankrupt entities. The fee guaranty is limited to \$300,000 in the aggregate for the bankruptcies.
31. Pursuant to the FGRA, REIT1 provided a deposit of \$300,000 to FTI Consulting Canada Inc. in respect of the fee guaranty (the “**Deposit**”). The primary responsibility for the payment of the costs of the Trustee lies with the estate and will be paid first from available realizations of estate assets, if any; the Deposit and guaranty are only accessories covering any unpaid portion of the primary obligation.
32. Pursuant to the FGRA, REIT1 has confirmed that the Deposit did not, directly or indirectly, in whole or in part, come from assets that would otherwise be estate assets. The Deposit shall not be transferred or paid to any trustee which replaces or substitutes FTI as trustee in any of the bankruptcies.

## **TRUSTEE'S INTENTION TO ACT FOR SECURED CREDITOR AND APPOINTMENT OF PRIVATE RECEIVER**

33. There is no current intent for the Trustee to act for the secured creditor.
34. On July 28, 2023, Grofondi appointed MNP Ltd. as receiver of the collateral subject to the ARSI GSA.
35. The Trustee has not obtained an independent opinion of the validity and enforceability of the Grofondi security and does not intend to do so unless recoveries on assets are sufficient to justify the expense of obtaining such an opinion. In the meantime, the Trustee intends to remit the cash on hand to the Receiver, subject to any objections from the creditors or inspectors.

## **ASSET REALIZATION AND PROJECTED DISTRIBUTION**

36. The assets of REIT1 consist of its current cash balances and its investments in various SPEs. REIT1 and its U.S. based subsidiaries (collectively "**Adventus US**") are in discussions with their lenders and special servicers regarding the disposition of the various properties in order to wind-down their affairs. Based on information made available to the Trustee, the values of the properties are insufficient to repay the mortgage lenders. Accordingly, the only asset that may result in incremental realizations for REIT1 is a small, unencumbered land parcel.
37. Based on the information made available to the Trustee, and as noted above, the estimated realizable value of the Equity Interests is nil. Accordingly, it is anticipated that there will be no distribution to unsecured creditors of ARSI.

## **OTHER MATTERS**

38. The Trustee is an affiliate of FTI Consulting, Inc. Prior to the filing of the assignments in bankruptcy, FTI Consulting, Inc. served as financial advisor to Adventus. FTI Consulting, Inc. continues to serve as financial advisor to Adventus US and its Canadian affiliate, Adventus Capital Partners Ltd.

\*\*\*\*\*

**FTI Consulting Canada Inc.**

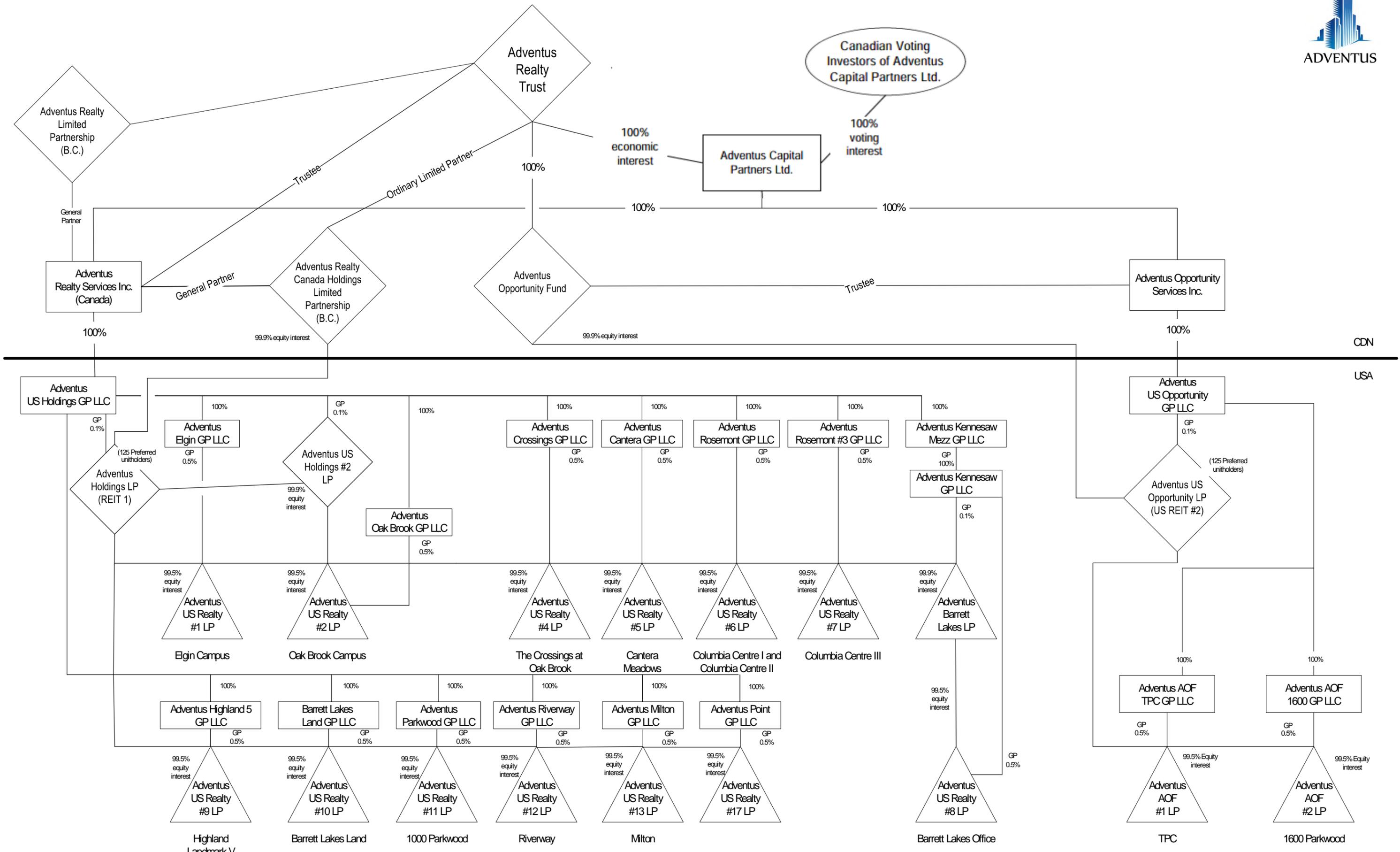
In its capacity as Trustee in Bankruptcy of  
Adventus Realty Services Inc.  
and not in its personal capacity

A handwritten signature in cursive script, appearing to read "Mike Clark".

Per:  
Mike Clark, LIT  
Senior Director

# **Appendix A**

## **Organizational Chart**



NOTE: All US entities are formed in Delaware

# **Appendix B**

## Certificate of Bankruptcy



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of: British Columbia  
Division No.: 03 - Vancouver  
Court No.: 11-2967951  
Estate No.: 11-2967951

In the Matter of the Bankruptcy of:

**Adventus Realty Services Inc.**

Debtor

**FTI CONSULTING CANADA INC.**

Licensed Insolvency Trustee

Ordinary Administration

---

Date and time of bankruptcy:	July 21, 2023, 15:00	Security:	\$0.00
Date of trustee appointment:	July 21, 2023		
Meeting of creditors:	August 09, 2023, 10:30 Via Tel. Conference (866) 840-8976 Conference ID# 468 183 575 Vancouver, British Columbia Canada,		
Chair:	Official Receiver		

CERTIFICATE OF APPOINTMENT - Section 49 of the Act; Rule 85

I, the undersigned, official receiver in and for this bankruptcy district, do hereby certify that:

- the aforementioned debtor filed an assignment under section 49 of the *Bankruptcy and Insolvency Act*;
- the aforementioned trustee was duly appointed trustee of the estate of the debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable, to call in the prescribed manner a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the official receiver.

Date: August 08, 2023, 20:04

E-File/Dépôt Electronique

Official Receiver

300 Georgia Street W, Suite 2000, Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902

**Canada**

## **Appendix C**

### Minutes to the First Meeting of Creditors of Adventus Realty Trust

District of: British Columbia  
Division No.: 03 - Vancouver  
Court No.: 11-2967952  
Estate No.: 11-2967952

**IN THE MATTER OF THE BANKRUPTCY OF**  
**ADVENTUS REALTY TRUST**  
**OF THE CITY OF VANCOUVER**  
**IN THE PROVINCE OF BRITISH COLUMBIA**

**Minutes of the First Meeting of Creditors**

**Held on Wednesday, August 9, 2023 at 10:30 am PST via video conference**

**PRESENT:**

As per the attendance list attached hereto as Appendix “A” and forming part of these minutes.

No representative of the bankrupt was present for the meeting.

**OPENING**

Karen Shi of the Office of the Superintendent of Bankruptcy announced that this was the first meeting of creditors of Adventus Realty Trust (“ART” or the “Company”) and that she would be acting as chair. Attendance was taken. FTI Consulting Canada Inc. (“FTI”), the Licensed Insolvency Trustee acting in the estate (the “Trustee”), was represented by Mike Clark and Nigel Meakin, with Tessa Chiricosta and Adam Gasch of FTI acting as scrutineer and secretary, respectively.

**CALL TO ORDER**

Ms. Shi announced that pursuant to Section 105(1) of the *Bankruptcy and Insolvency Act* (the “BIA”), Ms. Shi would be the chair of the first meeting of creditors and shall decide any questions or disputes arising from the meeting and that any creditor may oppose any such decision in court.

Ms. Shi informed the creditors that the purpose of the meeting is to consider the affairs of the bankrupt, to affirm the appointment of the trustee or substitute another in place thereof, to appoint inspectors

and to give such directions to the trustee as the creditors may see fit with reference to the administration of the estate.

Ms. Shi advised that pursuant to section 109(1) of the BIA a person is not entitled to vote as a creditor unless the person has duly proved a claim and the proof of claim has been duly filed with the trustee before the time appointed for the meeting.

At 10:38 am, Ms. Shi declared the meeting properly called and a quorum being present, duly constituted.

### **AFFAIRS OF THE BANKRUPT**

At the request of the Chair the Trustee was asked to deliver the Trustee's Report to Creditors on Preliminary Administration (the "**Preliminary Report**"). The Preliminary Report was read by Mr. Meakin and is attached hereto as Appendix "**B**".

### **QUESTIONS**

Ms. Shi inquired if anyone had any questions with respect to the Preliminary Report.

A creditor representative asked questions with respect to the role of FTI Consulting, Inc ("**FTI US**"), an affiliate of the Trustee, as financial advisor to the Adventus group as disclosed in the Preliminary Report and a potential conflict of interest or perceived conflict of interest. The Trustee's representative responded that the Trustee did not believe there was a conflict of interest and noted the disclosure in the Preliminary Report. When asked whether disclosure had been made to the Official Receiver prior to the meeting of creditors, the Trustee's representative stated that they did not recall whether or not any such disclosure had been made.

A creditor representative asked (i) what entity had signed the engagement letter, (ii) what the role was and (iii) what the total fees charged had been. The representative of the Trustee responded that (i) they did not recall and did not have a copy of the letter to hand, (ii) the role was as financial advisor as stated in the Preliminary Report and (iii) they did not have that information. The creditor representative asked the Trustee to obtain the information and provide it subsequently. That request was noted by the Trustee and taken under advisement.

A creditor representative asked whether the Trustee had reviewed bank transactions in the preceding three months given the statement in the Preliminary Report that the Trustee had not identified any

potential preference payments . The Trustee’s representative stated that the Trustee had undertaken a preliminary review of the bank transactions that no apparently suspicious activity had been noted.

A number of creditor representatives asked questions regarding specific details in respect of assets held by REIT1 and SPE’s (both as defined in the Preliminary Report). The Trustee representative noted that the meeting was with respect to the bankrupt and that the Trustee was unable to provide information with respect to other entities.

A creditor representative enquired about the estimated realizable value of the amount owing to ART by REIT1 as shown on the Statement of Affairs. The Trustee representative stated that the estimated recovery of the \$3.3 million represents the pro-rata share of the estimated realizable value of the assets of REIT1, including cash on hand and potential proceeds from unencumbered vacant land owned by an SPE. The creditor representative asked that further information on the calculation be provided following the meeting. That request was noted by the Trustee.

A creditor representative asked why there was no value of equity held by ART listed in the Statement of Affairs as millions had been invested. The Trustee representative noted that the value of the equity interests held by ART was nil but was unable to explain why no book value was shown.

A creditor representative asked about the values of the remaining assets and a question was raised as to the twelve US properties and potential recoveries that may result therefrom. The Trustee’s representative noted the information provided in the Preliminary Report that the estimated value of each of the properties was less than the applicable mortgage amount outstanding.

A creditor representative asked for details in respect of the inter-company claims. The Trustee’s representative responded that they were completed based on the company’s books and records. The creditor representative requested copies of the inter-company proofs of claim. The Trustee noted the request and that as creditors are entitled to inspect proofs of claim, they would be made available for inspection subsequently.

A creditor representative asked whether there was a receivable from Adventus Capital Partners owing to ART. The Trustee representative noted that no receivable was shown on the Statement of Affairs but that the Trustee would review the books and records to ascertain whether there was a receivable from ACP.

## **APPOINTMENT OR SUBSTITUTION OF THE TRUSTEE**

The Chair informed the creditors that the appointment of the Trustee must be affirmed by ordinary resolution or a substitute must be appointed by special resolution.

Initially, no creditor was prepared to propose a motion to affirm the Trustee or a motion to substitute. Following further comments by the Chair, a motion to affirm the appointment of FTI as trustee was made by Ian MacDonald as creditor and seconded by Ian MacDonald as proxy for Loch Moigh Capital Inc.

The votes of the creditors were polled with the results being as follows:

For: \$5,803,351 – 100% of those present and voting

Against: \$0, 0% of those present and voting

Abstentions: \$56,977,774

Accordingly, the motion was carried unanimously and that the appointment of FTI Consulting Canada Inc. as Trustee was affirmed.

## **APPOINTMENT OF INSPECTORS**

Ms. Shi explained the role of inspectors and the prohibition on any person that is a party to a contested action with the bankrupt being appointed as an Inspector. The following individuals volunteered to act as Inspector and each confirmed that they were not party to a contested action with the bankrupt:

Gord McMorran

Rod Johnston

Jim Wong

Nick Demare

A motion to approve the appointment of Mr. McMorran, Mr. Johnston, Mr. Wong, and Mr. Demare as estate inspectors was made by Nick Demare as creditor and seconded by Gord McMorran, representing DNN Investments Ltd.

The votes of the creditors were polled with the results being as follows:

For: \$60,038,013 – 86% of those present and voting

Against: \$136,549 – 14% of those present and voting

Abstentions: \$0

Accordingly, the motion was carried and Gord McMorran, Rod Johnston, Jim Wong, and Nick Demare were appointed as inspectors of the estate.

**DIRECTIONS TO TRUSTEE**

Ms. Shi inquired if there were any directions to the Trustee regarding the administration of the estate. There were no instructions for the Trustee from any creditor.

**ADJOURNMENT**

There being no further business, a motion was made and seconded to adjourn the meeting and the meeting was adjourned as of 11:48 am.



---

**Karen Shi**

**Official Receiver**



---

**Mike Clark, LIT**

**FTI Consulting Canada Inc.**

**Attachments:**

Attendance List

Trustee's Preliminary Report to Creditors

# **Appendix A**

## Attendance List

**FIRST MEETING OF CREDITORS**  
**In the Matter of the Bankruptcy of Adventus Realty Trust**

Date: August 9, 2023

Superintendent Estate No.: 11-2967952

<b>Name (Print)</b>	<b>Representing</b>	<b>Filed Claim Amount</b>
Gord McMorran	DNN Investments	C\$27,310
Mareo Distosto	Observer	N/A
Mike Clark	FTI Consulting Canada Inc., representing the trustee in bankruptcy for:  Adventus Realty Canada Holdings LP  Adventus Opportunity Services Inc.	C\$844,620   C\$9,473,119
Karen Shi	Official Receiver	N/A
Julie Tran	Observer	N/A
Ian MacIntosh	Ian Norman Macintosh  Loch Moigh Capital Inc.	C\$68,275  C\$68,275
Nick Demare	Nick Demare  Chase Management Ltd.  DNG Capital Corp.	C\$13,655  C\$40,965  C\$20,482
Rod Johnston	Debra L. Johnston  RBJ Investments Ltd.	C\$136,549  C\$16,386
Mike Senior	1200921 BC LTD.	N/A

**FIRST MEETING OF CREDITORS**  
**In the Matter of the Bankruptcy of Adventus Realty Trust**

Date: August 9, 2023

Superintendent Estate No.: 11-2967952

<b>Name (Print)</b>	<b>Representing</b>	<b>Filed Claim Amount</b>
Steve Broady	Kennick Enterprises Ltd. Carolyn Broady	C\$2,743,113
Jim Wong	Grofondi Inc.	C\$43,621,576 (unsecured)
Gordon Brown	MNP Receiver	N/A
Kibben Jackson	Grofondi Inc. Counsel/Observer	N/A
Tracey McVicar	6928382 Canada Inc.	C\$341,374
Brad Gilewich	1299732 Alberta Ltd. Dak Capital Inc.	C\$477,923 C\$4,984,055
Greg Cameron	Greg Cameron	N/A
Nigel Meakin	FTI Consulting Canada Inc., Trustee	N/A
Tessa Chiricosta	FTI Consulting Canada Inc., Secretary	N/A
Adam Gasch	FTI Consulting Canada Inc., Scrutineer	N/A

## **Appendix B**

### Trustee's Report to Creditors on Preliminary Administration

**District of: British Columbia**  
**Division No.: 03 - Vancouver**  
**Court No.: 11-2967952**  
**Estate No.: 11-2967952**

**IN THE MATTER OF THE BANKRUPTCY OF  
ADVENTUS REALTY TRUST**

**OF THE CITY OF VANCOUVER  
IN THE PROVINCE OF BRITISH COLUMBIA**

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

**August 9, 2023**

**BACKGROUND AND CAUSES OF INSOLVENCY**

**Background**

1. Adventus Realty Trust (“**ART**”) is a private Real Estate Investment Trust (a “**REIT**”) that was formed in early 2012. ART is based in Vancouver, British Columbia, and, together with its affiliates (collectively, “**Adventus**”) invested in suburban commercial real estate in the suburban office markets of Chicago, Illinois and Atlanta, Georgia.
2. Adventus’s real estate portfolio consisted of thirteen income producing properties (some of which include multiple buildings) and one parcel of vacant land. Each of the income producing properties is subject to mortgage debt, with an aggregate total of approximately US\$705 million outstanding.
3. Adventus has a complex organizational structure, as shown in **Appendix A**. Each of the properties is held in a separate US-based special purpose entity, each of which is a limited partnership (each an “**SPE**”). 99.5% of the equity interests in each of the SPEs is held by one of two US-based REITs (“**REIT1**” and “**REIT2**”) that are indirect subsidiaries of ART. The remaining 0.5% of the equity interests in the SPEs are held by the general partners of REIT1 or REIT2, respectively.

**Causes of Insolvency**

4. The COVID-19 pandemic and macro-economic factors created strong financial headwinds for Adventus and the US suburban office real estate market generally. Among other things:

- a) Office space downsizing trends generally led to declining occupancy and nominal new leasing activity for Adventus’s real estate portfolio;
  - b) Rapidly rising US interest rates caused significant increase in Adventus’s debt service costs in 2022 and 2023 as the majority of Adventus’s mortgage debt has variable rates;
  - c) Debt markets in the United States for commercial real estate were highly illiquid for a significant period of time after the COVID-19 pandemic which impacted Adventus’ ability to refinance its mortgage portfolio and raise additional capital to fund operations; and
  - d) Adventus had significant capital requirements to maintain and lease the real estate portfolio and did not have sufficient cash flow to continue with such activities.
5. Each of the above factors severely impaired the Adventus’s liquidity position and put pressure on Adventus’s leveraged capital structure. Adventus’s cash needs were expected to continue to exceed the cash generated by the real estate portfolio for the foreseeable future.
  6. In June 2022, in an attempt to address the situation, Adventus engaged a global investment bank to conduct a strategic process and explore potential merger, sale or recapitalization opportunities. The process was overseen by a special committee of independent directors of the board. The process involved discussions with multiple interested parties but did not lead to any actionable transaction.
  7. In January 2023, following the failure of the strategic process, Adventus formed a restructuring committee comprised of two independent directors and engaged restructuring advisors to explore and evaluate strategic alternatives for addressing its liquidity position and capital structure. This process included engaging in discussions with certain existing stakeholders and third parties to attempt to raise new capital and restructure Adventus’s existing debt to permit operations to continue in the ordinary course. These efforts ultimately proved unsuccessful and Adventus was unable to raise any new capital or restructure any of its existing debt.
  8. The mortgage debt on all but one of Adventus’ properties is in default and “cash sweeps” have been implemented by the lenders whose mortgages are in default, whereby cash flow produced by the properties is retained by the mortgage lender to pay debt service and certain other amounts. Furthermore, the Trustee understands that based on the most recent estimates of value obtained by Adventus, each of its properties has a current estimated realizable value below the level of the applicable mortgage debt.

9. Adventus has also been the subject of other enforcement action by certain of its mortgage lenders due to the defaults under the mortgage debt. One property was recently removed from the portfolio through the foreclosure sale of equity of the relevant SPE pursuant to the *Uniform Commercial Code* by the mortgage lender. Another property has been in receivership for some time, with the potential sale offers for such property failing to reach the Receiver's reserve price at auction on July 27, 2023. On July 21, 2023, another mortgage lender commenced a foreclosure action in respect of an Adventus property before the Circuit Court of Cook County and subsequently filed a motion seeking the appointment of a receiver in respect of the property with the motion scheduled to be heard on August 11, 2023.
10. REIT1 and REIT2 are in the process of winding down operations and are in discussions with the applicable parties for the surrender or disposal of the balance of the properties.
11. On July 13, 2023, ART and Adventus Realty Services Inc. ("**ARSI**") were served with petitions for bankruptcy orders, returnable July 25, 2023, by certain unsecured debenture holders.

#### **APPOINTMENT OF TRUSTEE IN BANKRUPTCY**

12. On July 21, 2023, ART and ARSI, together with four of their Canadian affiliates<sup>1</sup>, filed assignments in bankruptcy pursuant to section 49(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**"). A Certificate of Bankruptcy for ART was issued on the same date by the Official Receiver appointing FTI Consulting Canada Inc. as Trustee. A copy of the Certificate of Bankruptcy is attached hereto as **Appendix B**.

#### **PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTEREST**

##### **Preliminary Evaluation of Assets**

13. The assets of ART are as follows:
  - a) Cash on hand at the date of bankruptcy;
  - b) An amount receivable from REIT1 (the "**Inter-company Claim**"); and
  - c) A partnership interest in Adventus Realty Capital Holdings Limited Partnership ("**ARCH**") as limited partner (the "**ARCH Limited Partner Interest**");
  - d) Equity interests in Adventus Capital Partners Ltd. (the "**ACP Equity Interests**"); and

---

<sup>1</sup> Adventus Realty Limited Partnership (Estate number 11-2967950), Adventus Realty Canada Holdings Limited Partnership (Estate number 11-2967949), Adventus Opportunity Fund (Estate number 11-2967947), Adventus Opportunity Services Inc. (Estate number 11-2967948)

- e) A beneficial interest in Adventus Opportunity Fund represented through units issued (the “**AOF Interest**” and together with the ARCH Limited Partnership Interest and ACP Equity Interests, the “**Equity Interests**”).
- 14. Cash on hand at the date of bankruptcy was C\$34,185.55 and US\$536.01.
- 15. The realizable value of the Inter-company Claim is currently estimated to be approximately \$3.3 million.
- 16. The estimated realizable value of the Equity Interests is nil.

### **Security Interest**

- 17. ART as borrower, together with ARCH as co-borrower and ARSI, along with certain other Canadian affiliates, as guarantors, entered into a Commitment Letter dated July 20, 2021 (the “**Grofondi Loan Agreement**”), with Grofondi Inc. (“**Grofondi**”), pursuant to which Grofondi agreed to provide a non-revolving loan of \$50 million (the “**Grofondi Debt**”). The outstanding amount of the Grofondi Debt as at the date of bankruptcy is estimated to be approximately \$51.6 million.
- 18. Pursuant to a general security agreement dated July 20, 2021 (the “**ART GSA**”), the Grofondi Debt is secured by a security interest in all the present and after acquired property of ART, other than the Excluded Collateral (as defined in the ART GSA).
- 19. Pursuant to the ART GSA, the Excluded Collateral is the ARCH Partnership Interest, provided that any amounts or other property distributed by the ARCH to ART in respect of the ARCH Partnership Interest do not form part of the Excluded Collateral.

### **POSSESSION OF BOOKS AND RECORDS**

- 20. The Trustee has taken steps to take possession of the books and records of the bankrupts.

### **CONSERVATORY AND PROTECTIVE MEASURES**

- 21. The Trustee has frozen the ART bank accounts and taken steps to take possession of the cash on hand at appointment.
- 22. Given the nature of the assets of the bankrupts as described earlier in this report, the Trustee has taken no further conservatory or protective measures.

## PROVABLE CLAIMS AND DESCRIPTION OF CREDITORS

23. As ARSI is the Trustee of ART, it is jointly and severally liable for the debts of ART. The statement of affairs of ARSI lists two additional claims that are not also claims against ART, totalling approximately \$40,000. The known claims of creditors of ART are summarized as follows:
  - a) Secured claim: approximately \$51.6 million; and
  - b) Unsecured claims: approximately \$54.6 million, excluding the deficiency claim of the secured creditor, estimated at approximately \$48.3 million.
24. The secured claim is the estimated amount of the Grofondi Debt.
25. The unsecured creditors are of two primary types:
  - a) Entities and individuals that invested in unsecured debentures issued by ART, such creditors having claims totalling approximately \$17.4 million in the aggregate; and
  - b) Affiliates in Adventus, having claims totalling approximately \$37.2 million arising from inter-company transactions.

## LEGAL PROCEEDINGS, TRANSFERS UNDERVALUE, PREFERENCE PAYMENTS

26. There are no known pending legal proceedings commenced by ART.
27. There are no known pending legal proceedings commenced against ART.
28. The Trustee has not identified any potential transfers at undervalue or potential preference payments.

## THIRD-PARTY DEPOSITS AND GUARANTEES

29. The fees and expenses of the Trustee have been guaranteed by REIT1 pursuant to a fee guaranty and retainer agreement dated July 20, 2023 (the “**FGRA**”). The FGRA covers the bankruptcies of ART, ARSI and certain other Canadian affiliates. Pursuant to the FGRA, REIT1 has guaranteed the costs of the statutory administration of the estates only, which shall not include fees and expenses of the Trustee or its legal counsel to pursue claims or causes of action of the bankrupt entities. The fee guaranty is limited to \$300,000 in the aggregate for the bankruptcies.
30. Pursuant to the FGRA, REIT1 provided a deposit of \$300,000 to FTI Consulting Canada Inc. in respect of the fee guaranty (the “**Deposit**”). The primary responsibility for the payment of the costs of the Trustee lies with the estate and will be paid first from available realizations of estate assets, if any; the Deposit and guaranty are only accessories covering any unpaid portion of the primary obligation.

31. Pursuant to the FGRA, REIT1 has confirmed that the Deposit did not, directly or indirectly, in whole or in part, come from assets that would otherwise be estate assets. The Deposit shall not be transferred or paid to any trustee which replaces or substitutes FTI as trustee in any of the bankruptcies.

#### **TRUSTEE'S INTENTION TO ACT FOR SECURED CREDITOR AND APPOINTMENT OF PRIVATE RECEIVER**

32. There is no current intent for the Trustee to act for the secured creditor.
33. On July 28, 2023, Grofondi appointed MNP Ltd. as receiver of the collateral subject to the ART GSA.
34. The Trustee has not obtained an independent opinion of the validity and enforceability of the Grofondi security and does not intend to do so unless recoveries on assets are sufficient to justify the expense of obtaining such an opinion. In the meantime, the Trustee intends to remit the cash on hand to the Receiver, subject to any objections from the creditors or inspectors.

#### **ASSET REALIZATION AND PROJECTED DISTRIBUTION**

35. The assets of REIT1 consist of its current cash balances and its investments in various SPEs. REIT1 and its U.S. based subsidiaries (collectively "**Adventus US**") are in discussions with their lenders and special servicers regarding the disposition of the various properties in order to wind-down their affairs. Based on information made available to the Trustee, the values of the properties are insufficient to repay the mortgage lenders. Accordingly, the only asset that may result in incremental realizations for REIT1 is a small, unencumbered land parcel.
36. Based on the information made available to the Trustee, and as noted above, the estimated realizable value of the Equity Interests, is nil and the realizable value of the Inter-company Claim, if anything, will be insufficient to repay the secured claim of Grofondi. Accordingly, it is anticipated that there will be no distribution to unsecured creditors of ART.

#### **OTHER MATTERS**

37. The Trustee is an affiliate of FTI Consulting, Inc. Prior to the filing of the assignments in bankruptcy, FTI Consulting, Inc. served as financial advisor to Adventus. FTI Consulting, Inc. continues to serve as financial advisor to Adventus US and its Canadian affiliate, Adventus Capital Partners Ltd.

\*\*\*\*\*

**FTI Consulting Canada Inc.**

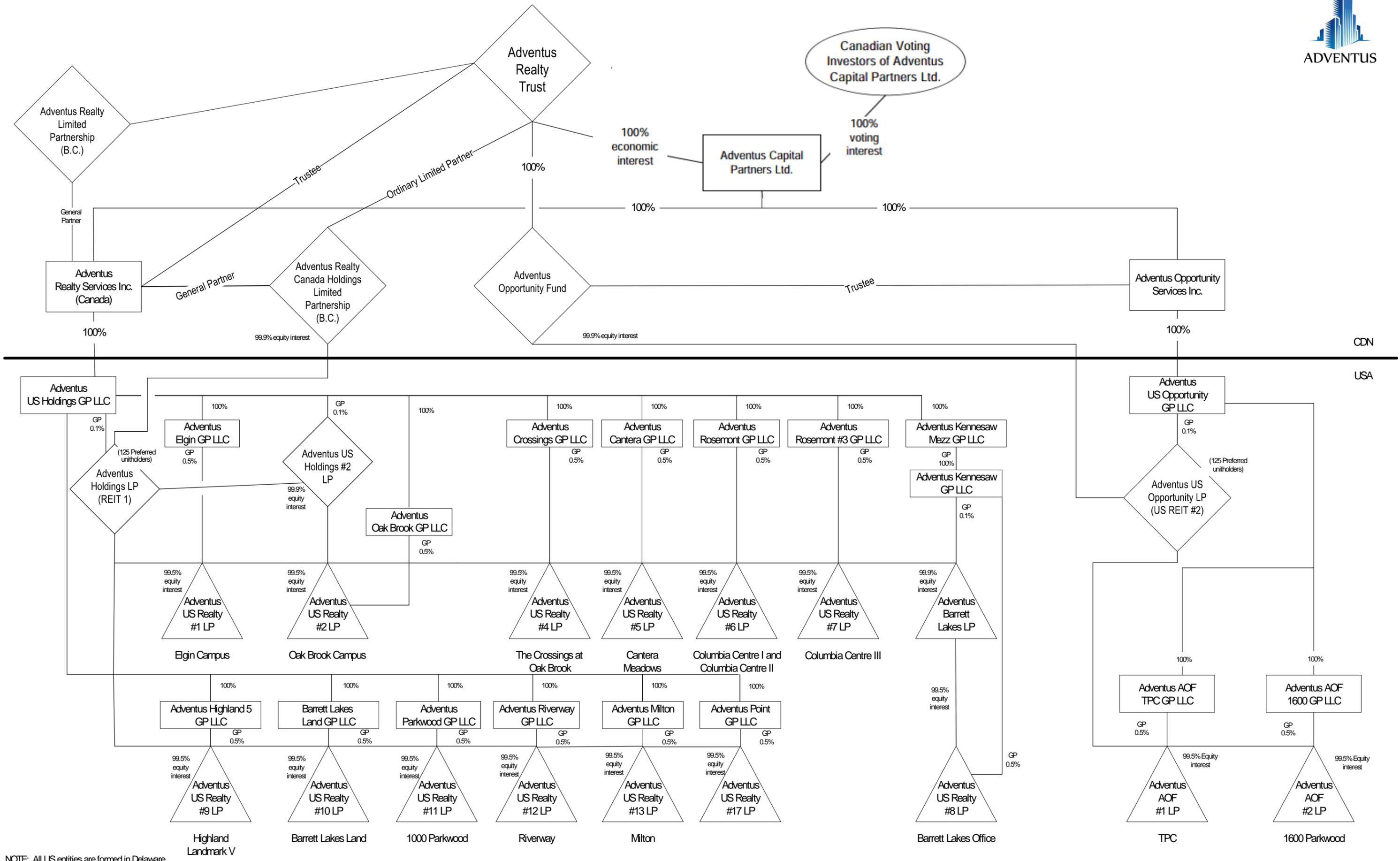
In its capacity as Trustee in Bankruptcy of  
Adventus Realty Trust  
and not in its personal capacity

A handwritten signature in blue ink, appearing to read "Mike Clark".

Per:  
Mike Clark, LIT  
Senior Director

# **Appendix A**

## **Organizational Chart**



NOTE: All US entities are formed in Delaware

# **Appendix B**

## Certificate of Bankruptcy



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of: British Columbia  
Division No.: 03 - Vancouver  
Court No.: 11-2967952  
Estate No.: 11-2967952

In the Matter of the Bankruptcy of:

**Adventus Realty Trust**

Debtor

**FTI CONSULTING CANADA INC.**

Licensed Insolvency Trustee

Ordinary Administration

---

Date and time of bankruptcy:	July 21, 2023, 15:01	Security:	\$0.00
Date of trustee appointment:	July 21, 2023		
Meeting of creditors:	August 09, 2023, 10:30 Via Tel. Conference (866) 840-8976 Conference ID# 468 183 575 Vancouver, British Columbia Canada,		
Chair:	Official Receiver		

CERTIFICATE OF APPOINTMENT - Section 49 of the Act; Rule 85

I, the undersigned, official receiver in and for this bankruptcy district, do hereby certify that:

- the aforementioned debtor filed an assignment under section 49 of the *Bankruptcy and Insolvency Act*;
- the aforementioned trustee was duly appointed trustee of the estate of the debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable, to call in the prescribed manner a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the official receiver.

Date: August 08, 2023, 20:01

E-File/Dépôt Electronique

Official Receiver

300 Georgia Street W, Suite 2000, Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902

**Canada**