

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
TRAVELBRANDS INC.**

**SUPPLEMENT TO THE THIRD REPORT OF THE MONITOR  
KPMG INC.**

**DATED OCTOBER 23, 2015**

## TABLE OF CONTENTS

|  |   |
|--|---|
| PURPOSE .....  | 3 |
| REVIEW OF POTENTIAL PREFERENCES AND TRANSFERS AT UNDERVALUE..... | 3 |

## **PURPOSE**

1. On September 24, 2015, the Monitor filed the Third Report of the Monitor dated September 24, 2015 (the “**Third Report**”) with the Court. The Third Report contemplated that the Monitor would file this supplemental report (the “**Supplement to the Third Report**”) with respect to its review of any potential preferences or other transfers at undervalue.<sup>1</sup>
2. In the Third Report the Monitor discussed the Funding Agreement that is a condition precedent to implementation of the Plan.<sup>2</sup> It was the Monitor’s intention to comment upon the Funding Agreement in this Supplemental to the Third Report; however, at the time of filing this Supplement to the Third Report, the Funding Agreement has not yet been finalized. The Monitor will file a report commenting on the Funding Agreement as soon as it has been finalized.
3. This Supplement to the Third Report should be read in conjunction with the Third Report. All capitalized terms in this supplement have the meanings ascribed in the Third Report.

## **REVIEW OF POTENTIAL PREFERENCES AND TRANSFERS AT UNDERVALUE**

4. In conducting its review, the Monitor has considered its statutory responsibilities under section 23 (1)(d.1) of the CCAA, and was guided by (among other things) the Standard of Practice No. 09-7 (*Plan of Compromise or Arrangement*) that was approved, ratified and confirmed by the Canadian Association of Insolvency and Restructuring Professionals on August 21, 2009.
5. The Monitor has undertaken a process to review material transfers and other transactions to which the Company was a party from the date of the Company’s acquisition by Red Label Vacations Inc. (“**Red Label**”) on May 1, 2013 to the commencement of the CCAA Proceedings. The following is a summary of the pertinent results of the Monitor’s review.

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<sup>1</sup> Third Report, para. 11

<sup>2</sup> Third Report, paras 44, 99 and 100

### Review of 2224855 Ontario Inc. Security Interest

6. On May 1, 2013, the Company granted a general security agreement in favour of 2224855 Ontario Inc., its direct parent (“**Holdco**”), to secure the payment and performance of the Company’s indebtedness, liabilities and obligations incurred or to be incurred to Holdco from time to time (the “**Security Agreement**”). A copy of the Security Agreement is attached to the Initial Order Affidavit as Exhibit “O”. On April 26, 2013, Holdco registered a financing statement in the Personal Property Security Registry in Ontario. On May 26, 2015, Holdco registered a financing statement in the Personal Property Security Registry in British Columbia. Also, on May 26, 2015, TravelBrands delivered a movable hypothec agreement dated as of May 26, 2015, made by TravelBrands in favour of Holdco (the “**Hypothec Agreement**”). The Hypothec Agreement was registered in the Register of Personal and Movable Rights of Quebec on the same date.

7. As described in greater detail in the Second Report of the Monitor dated August 13, 2015, the Monitor reviewed the grant of security by TravelBrands to Holdco in light of section 36.1 of the CCAA and considered whether such grant of security constituted a preference or a transfer at undervalue pursuant to sections 95 and 96 of the Bankruptcy and Insolvency Act, respectively. Following its review, the Monitor concluded that in its view the grant of security does not constitute a preference or a transfer at undervalue.

### Review of Potential Preferences and Transfers at Undervalue

8. The Monitor has conducted a review for potential preferences, and other transfers at undervalue. The Monitor reviewed a sample of transactions with related parties, including the Company’s indirect parent, Red Label, and Holdco, for the one-year period preceding the commencement of the CCAA Proceedings. The Monitor also reviewed a sample of transactions with non-related parties for the three-month period preceding the commencement of the CCAA Proceedings.

9. The Monitor's review included, but was not limited to: (a) inquiries with management regarding the nature and quantum of both related party and non-related party transactions since the date the Company was acquired (May 1, 2013); (b) a review of the nature and support for certain selected related party and non-related party transactions, including transactions over a certain dollar threshold; and (c) a review of source documentation in order to corroborate certain of the Monitor's inquiries with Senior Management.

10. The Monitor's review (as described above) did not reveal any potential preferences or other transfers at undervalue with related or non-related parties.

### **MONITOR'S OBSERVATIONS AND CONCLUSIONS**

11. The Monitor has conducted a review of transactions entered into by the Company prior to the commencement of the CCAA Proceedings and is not aware of any transactions that would constitute a preference or transfer at undervalue. Accordingly, in the Monitor's opinion the inclusion of a provision that Sections 38 and 95 to 101 of the BIA do not apply to the Plan will not have an adverse effect on the creditors of those Company that are subject to the Plan.

12. The Monitor's other recommendations with respect to the Plan are set out in the Third Report.

All of which is respectfully submitted to this Honourable Court this 23<sup>rd</sup> day of October, 2015.

**KPMG Inc., in its capacity**  
**As Monitor of TravelBrands Inc.**



Per: Philip J. Reynolds  
*Senior Vice President*