

C A N A D A
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
COURT No.: 500-11-057470-193
500-11-057469-195
ESTATE No.: 41-2582132
41-2582130

S U P E R I O R C O U R T
Commercial Division

**IN THE MATTER OF THE AMENDED
PROPOSAL OF:**

BOUCLAIR INC.

- and -

BOUCLAIR INTERNATIONAL INC.

Debtors

- and -

DELOITTE RESTRUCTURING INC.

(Martin Franco, CPA, CA, CIRP, LIT designated
person in charge)

Trustee

TRUSTEE'S REPORT ON THE AMENDED PROPOSAL
(s. 50(10) of the Bankruptcy and Insolvency Act ("BIA"))

NOTICE TO THE READER

This report is destined to the exclusive use of the creditors of Bouclair Inc. ("**Bouclair**") and of Bouclair International Inc. ("**Bouclair International**") (collectively the "**Companies**" or the "**Debtors**"). It seeks to provide them with useful information in view of the meeting of the creditors during which they will be called upon to speak on the amended proposal submitted by the Debtors.

The information submitted in this report was gathered mainly from the Companies' management. The trustee did not carry out any audit or certification activities on them and, consequently, the trustee is not expressing the opinion of an auditor or professional accountant with regard to them.

The prospective financial information contained in this report is based on assumptions concerning upcoming events. Consequently, despite the efforts to ensure the contrary, the actual results will be different from the projected results and the divergences could be material. Consequently, the trustee cannot assert, and does not assert, that the forecasts in this report will be fulfilled.

If they wish to, the creditors may consult the collection of documents related to the Debtor's files by consulting the trustee's website at the following link: <https://www.insolvencies.deloitte.ca/Bouclair>

GENERAL INFORMATION AND INSOLVENCY PROCEEDINGS

1. Bouclair is a business corporation founded in 1970 and constituted under the laws of the Province of Québec.
2. Bouclair designs and sells at retail window coverings, in particular curtains, curtain rods, blinds and accessories. In addition, Bouclair designs and sells at retail a wide range of home décor products in the following categories: wall décor, home furnishings, kids/babies, home accents, lighting, seasonal, bathroom, storage, florals and other interior decoration products as well as furniture.
3. Bouclair International is a corporation owned by Bouclair and which generates its revenue mainly through royalties.
4. On November 11, 2019, the Debtors filed a notice of intention with the Office of the Surintendent of Bankruptcy ("**OSB**") and Deloitte Restructuring Inc. (the "**Trustee**" or "**Deloitte**") acts as trustee.
5. On November 15, 2019, the Superior Court of Québec (the "**Court**") issued an order (the "**Liquidation Order**") approving the agreement with Gordon Brothers Canada ULC as liquidator of the stores identified in the initial motion.
6. On December 10, 2019, the Court issued an order extending the stay period to January 24, 2020 and declaring that the super-priorities now cover the entirety of Bouclair's assets.
7. The Court has since extended the stay period on several occasions, and, most recently, up until May 11, 2020.
8. On May 11, 2020, the Debtors filed a proposal (the "**Proposal**") with the OSB. Normally, the maximum delay to hold a meeting of the creditors is 21 days following the filing of the proposal. Given the current pandemic, the Court issued an omnibus order on April 30, 2020, which suspended the delays for holding a meeting of the creditors. The suspension period covered the period from April 27 to June 30, 2020 (the "**Suspension Period**").
9. On May 22, 2020, the Court rendered a vesting order and a contract assignment order such that the majority of the Debtors' assets was sold (the "**Transaction**") to Alston Investments Inc. ("**Alston**" or the "**Purchaser**").
10. On July 8, 2020, the Debtors filed an amended proposal (the "**Amended Proposal**"). The Suspension Period having ended, the amended proposal will be submitted for creditor approval on July 21, 2020, namely in the 21 days following the end of the Suspension Period.

FINANCIAL INFORMATION

11. The table below presents historical data realized by the Debtors over the last three fiscal years.

Historical Results (\$ 000)			
Income Statement for the year ended	27-Jan-18	26-Jan-19	25-Jan-20
Revenues	149,205	146,186	146,777
Cost of goods sold	<u>56,737</u>	<u>52,007</u>	<u>54,911</u>
Gross Profit	92,468	94,179	91,866
Expenses	<u>88,742</u>	<u>88,024</u>	<u>88,216</u>
EBITDA	3,726	6,155	3,650
Net Income (Loss)	<u>(773)</u>	<u>1,132</u>	<u>(5,279)</u>

Debt at the time of the filing of the notice of intention

12. Debtors' liabilities totalled approximately \$35.3 million at the time of the filing of the notice of intention and can be summed up as follows:
- a) The Debtors had four secured creditors who were owed approximately \$22.7 million;
 - b) The Debtors had a little over 385 unsecured creditors who were owed approximately \$12.6 million.

Debt at the time of the filing of the amended proposal

13. During the Transaction, certain amounts owed to secured creditors were either assumed by Alston or converted into equity.
14. Furthermore, the Transaction provides for the assumption of the entirety of the Debtors' obligations since the filing of the notice of intention.
15. However, Bouclair took the position that it had no legal or binding obligation to pay rent to its landlords for all its stores for the period beginning April 1st, 2020 and thus, up until Bouclair obtains the authorization to reopen its stores or up until the date of the Transaction (the "**Unpaid Covid-19 Rent**"), given the impact of the COVID-19 pandemic and the closing of associated stores.
16. The Asset Purchase Agreement provides that Alston will assume Unpaid Covid-19 Rent obligations, insofar as these obligations are determined to be owed by Bouclair in accordance with a Court order or if an agreement is entered into with a landlord.
17. Considering the above-mentioned items, the balance of the Debtors' unsecured debt therefore amounts to approximately \$25.6 million. This amount includes an estimate, made by the Trustee, of potential landlords' claims under Section 65.2 of the BIA for the prejudice suffered from the disclaimer of certain leases, totalling approximately \$10.1 million.

SUMMARY OF THE AMENDED PROPOSAL TO CREDITORS

18. The following is a short summary of the Amended Proposal to assist the reader. Please refer to the Amended Proposal for a complete description of the measures that would result from its approval. Only the text of the Amended Proposal may bind the Companies.
19. The Amended Proposal essentially provides that the following payments will be made after the creditors accept, and the Court sanctions, the Amended Proposal. Considering the importance that

Bouclair's creditors have for the Purchaser, the Purchaser has decided to contribute \$280,000 to the financing of the Amended Proposal.

20. The Amended Proposal provides that the payment in the total amount of \$1.325 million (the "**Amount of the Amended Proposal**") is to be divided as follows:
- a) A first payment representing the lesser of \$1,500 and of 100% of the duly proven claim by any unsecured creditor;
 - b) a second payment equal to the pro rata portion of the claim by any creditor (on the amount of all remaining claims) relative to the funds that are still available. The total amount of this second distribution will be subject, in particular, to a reserve amount for which the Trustee could delay the distribution due to late settlements for any disputed, contingent or unliquidated claim;
 - c) the levy payable to the Superintendent of Bankruptcy under the BIA will be deducted and paid from all amounts payable on the Amount of the Amended Proposal.
21. Conditional upon the approval of the Amended Proposal, sections 95 to 101.1 of the BIA will not apply to the Amended Proposal, and neither the Trustee nor the Debtors' creditors will have any right or recourse whatsoever under these sections.
22. By accepting the Amended Proposal, the Debtors' creditors will release definitively the directors from any director liabilities in accordance with paragraph 50(13) of the BIA.
23. It should also be noted that since the Amended Proposal provides for the payment of 100% of the proven and received claims lower than \$1,500, barring a vote against the Amended Proposal, the Amended Proposal provides that the unsecured creditors with a proven claim lower than \$1,500 will be deemed to have voted in favour of the Amended Proposal.
24. In light of the foregoing, the unsecured creditors with a claim not exceeding \$100,000 could receive an approximate dividend between 9.4% and 100%. This group of creditors represents 85.9% of creditors in number and 13.6% in value.
25. The unsecured creditors with a claim exceeding \$100,000 could receive an approximate dividend of 3.8%. This group of creditors represents 14.1% of creditors in number and 86.4% in value.
26. Subject to the foregoing, the Amended Proposal provides for the payment of the dividend no later than 45 days following the sanction of the Amended Proposal by the Court.

PROJECTED REALIZATION IN THE CONTEXT OF A BANKRUPTCY

27. If the Amended Proposal is refused by the creditors, this will automatically lead to the bankruptcy of the Debtors.
28. Given the Transaction, there only remains a cash balance available for distribution to unsecured creditors.
29. The following table displays a forecast of the allocation of the available cash balance in the context of a bankruptcy.

	\$
Cash on hand as at July 7, 2020	<u>1,644,813</u>
Less: Super-priorities ⁽¹⁾	
Administrative Charge	300,000
Directors and Officers Charge ⁽²⁾	144,000
Chief Restructuring Officer Charge	<u>141,250</u>
	<u>585,250</u>
Amount available for unsecured creditors	<u>1,059,563</u>
Total unsecured creditors' claim ⁽³⁾	15,446,920
Trustee's estimate of the restructuring claim	<u>10,100,000</u>
Total estimated unsecured claim	<u>25,546,920</u>
Estimated dividend payable to the unsecured creditors	<u>4.1%</u>

- (1) The super-priorities depict the ones provided at section 23 of the order ("First Day Order") issued by the Court on November 12, 2019.
- (2) The amount of the charge for the Debtors' directors corresponds to an estimate of the GST and QST to be paid for the period between May 24, 2020 and May 31, 2020;
- (3) This amount corresponds to the amounts to be paid to unsecured creditors according to the Debtors' accounting books.

30. This forecast leads the Trustee to conclude that the unsecured creditors would receive a dividend of a little more than 4% in the event of the Debtors' bankruptcy and thus, before considering the fees and disbursements of the trustee, its legal advisors and the Companies' legal advisors which, all together, could exceed the amount of the above-mentioned Administration Charge.

CONCLUSIONS AND RECOMMENDATIONS

31. The Amended Proposal offers unsecured creditors of the Debtors an additional amount of approximately \$266,000 prior to considering all additional fees and therefore allows them to collectively receive a higher dividend than they would receive in the context of a bankruptcy.
32. The Amended Proposal is beneficial to the mass of the Debtors' creditors with an average dividend of approximately 5.2% as compared to 4.1% in the event of a bankruptcy. Furthermore, the Trustee anticipates that the dividend should be distributed faster within the Amended Proposal than within a bankruptcy.
33. For the reasons mentioned above, the Trustee's recommendation to the creditors is to vote in favour of accepting the Amended Proposal submitted by the Debtors.

DATED AT MONTRÉAL, this 8 day of July, 2020.

Martin Franco, CPA, CA, CIRP, LIT
Senior Vice-President



French version signed by

DELOITTE RESTRUCTURING INC.
in its capacity as trustee acting *in re*: the amended
proposal of Bouclair Inc. and Bouclair International Inc.
and not in its personal capacity