



**Deloitte Restructuring Inc.**  
1190, avenue des Canadiens-de-  
Montréal  
Suite 500  
Montreal QC H3B 0M7  
Canada

Tel: 514-393-7115  
Fax: 514-390-4103  
www.deloitte.ca

C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC  
COURT. No.: 500-11-058310-208  
ESTATE No.: 41-2647457

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

**IN THE MATTER OF THE PROPOSAL OF:** **COALISION INC.**, a company incorporated under the Quebec *Business Corporations Act*, RLRQ, C. S-31.1 having its head office located at 100-700 Saint-Antoine E street, in the city of Montreal, Province of Quebec, H2Y 1A6;

**Debtor**

- and -

**DELOITTE RESTRUCTURING INC.**, a company incorporated under the laws of Canada, having a place of business at 500-1190 av. des Canadiens-de-Montreal, in the city of Montreal, Province of Quebec, H3B 0M7;

**Trustee**

**REPORT TO THE COURT ON THE CASH-FLOW STATEMENT AND ADMINISTRATION CHARGE (THE "REPORT")**

(Paragraphs 50.4(2)(b) and *Section 64.2 of the Bankruptcy and Insolvency Act*)

**I. INTRODUCTION AND OBJECTIVE OF THIS REPORT**

1. Coalision is a wholesaler (70%) and a retailer (30%), with two subsidiaries located in United States and Europe, who designs, product, distributes and sale active wear, outdoor clothing, and yoga accessories through 29 retail stores, wholesale customers and ecommerce.
2. Burdened by the general downturn of the brick-and-mortar retail industry, Coalision's financial situation has deteriorated due to several factors over the last few years.
3. Unfortunately, given the difficult financial situation of Coalision and facing the Covid-19 situation, Coalision had no other choice but to file a notice of intention to make a proposal ("**NOI**", and the "**NOI Proceedings**"), the whole as further detailed below.
4. On May 26, 2020, the Trustee was appointed as Trustee to the NOI Proceedings of Coalision.

5. Considering the situation of Coalision, the objective of this Report is to inform and report to this Court about:
  - (i) the business, the financial affairs and financial results of Coalision;
  - (ii) the projected cash-flow statement of Coalision;
  - (iii) the proposed Administration Charge (as defined below); and,
  - (iv) the conclusions and recommendations of the Trustee on the foregoing.
6. In preparing the Report and making the comments herein, the Trustee has been provided with, and has relied upon, unaudited financial information, Coalision's books and records and financial information prepared by Coalision and discussions with management of Coalision ("**Management**") (collectively, the "**Information**").
7. The Information that was analysed does not include the extent of the impact of Coronavirus ("**COVID-19**") on Coalision's operations. At the time of the Report, the situation is continuing to evolve, and many uncertainties remain as to the effect the COVID-19 crisis will have on Coalision and the broader domestic and global economies.
8. The Trustee relied, in part, on publicly available information, Coalision Management forecasts and other information provided by Management in relation to the effect COVID-19 will have on Coalision.
9. Accordingly, it is not possible in the Report to identify and quantify the impact of all COVID-19 related uncertainties and implications. Changes to market conditions could substantially affect Coalision and the information contained in this Report.
10. Where not specified, the Trustee does not include any consideration of the likely impact of COVID-19 on sales, production, supply chain or other aspect of the business, which may have an adverse impact on the performance of Coalision. The Court should consider the broad effects and uncertainty on the financial condition of Coalision as a result of the negative impact from COVID-19 on the domestic and global economies and major financial markets.
11. Unless otherwise indicated, all financial data presented in this Report are in Canadian dollars.

## **II. THE BUSINESS, FINANCIAL AFFAIRS AND FINANCIAL SITUATION OF COALISION**

### Corporate Structure

12. Coalision is a privately held company established in 2014 from the merger of Coalision Inc. (founded in Montréal in 1989) and 9296-3404 Québec inc. under the laws of the Province of Québec. Coalision also own two international subsidiaries, namely Coalision USA, Inc. and Coalision Europe SAS. These entities were used to manage their international business and are not part of the Canadian proceedings.

13. Coalision designs and distributes active wear, outdoor clothing, and yoga accessories through the Lolë and Paradox brands across 5 channels:
- (i) Wholesale: Lolë brand sales to independent or chain stores through committed sales;
  - (ii) Retail: Direct sales to customer through Coalision's owned Lolë retail stores;
  - (iii) Retail partners: Sales to franchised partners that use the Lolë brand in their store;
  - (iv) Web: Direct Lolë brand sales to customer through Coalision's web platform;
  - and,
  - (v) Paradox: Paradox brand sales to a major client operating in Canada and US.
14. As of February 29, 2020, when in full operation and prior to the situation created by the COVID-19 pandemic, Coalision employed 232 employees, of which 85 were employed at its head office in Montreal, 17 in its distribution center in Longueuil and 130 across its retail stores across Canada.
15. In addition to its online store and wholesale customers, Coalision operated before the COVID-19 pandemic:
- (i) 19 retail stores in Canada (the "Stores");
  - (ii) Its headquarters office in Montréal, Québec;
  - (iii) One warehouse located in Longueuil, Québec;
  - (iv) One distribution center located in Longueuil, Québec ("DC").
16. The abovementioned premises were leased from 22 different third party landlords or landlord groups.
17. Coalision USA Inc. operated six stores and an office in California before the COVID-19 pandemic. Coalision Europe SAS, who operated four stores before the COVID-19 pandemic, was ordered into liquidation on April 3, 2020 and Coalision does not believe it will receive any proceeds from this liquidation.
18. All of the issued and outstanding shares of Coalision are held by eight shareholders (the "Shareholders") in the following proportions:

Shareholder	Number of shares (Class)	% of total
Simon	93,063,990 (BB)	61.35%
	200,974,444 (AA)	
Pelican (as defined below)	93,063,990 (AA)	27.57%
Pacifique Limited	13,998,606 (BB)	4.15%
Fiducie Familiale D'Anjou	6,828,475 (BB)	2.02%
Fiducie Familiale Trempe	6,828,475 (BB)	2.02%
Kilmer Capital Partners Limited	5,274,654 (BB)	1.56%
Monbarbo Inc.	2,770,676 (BB)	0.82%
Cortado Capital LLC Defined Benefit Plan Trust	1,670,799 (BB)	0.50%
<b>Total</b>		<b>100%</b>

19. Other than their fiscal attributes, the Class AA shares and the Class BB shares entitle their holders to the same rights.

### Financial Analysis

20. Prior to the Covid-19 crisis, Coalision's financial situation had already deteriorated due to several factors over the last few years, namely lower sales than expected resulting in excess inventory, more competitors and an increase in rent expenses. Furthermore, investments in its digital platform and opening a corporate office in California also created additional pressure on the cash flow, and did not generate the expected returns.

21. Despite restructuring efforts, overall, the Debtor’s performance continued to decline throughout the fiscal year 2019 and Coalision has been unable to return to profitability.
22. The following table sets out selected financial information for the periods indicated. The selected financial information below has been derived from the corresponding financial statements of Coalision:

Coalision inc. - Income statement (C\$000)	(Unaudited)		
	31-Dec-2017	31-Dec-2018	31-Dec-2019
<b>For the 12-month period ended on</b>			
Revenues	86,288	89,164	80,704
Cost of goods sold	55,547	56,636	56,806
<b>Gross profit</b>	<b>30,741</b>	<b>32,528</b>	<b>23,898</b>
<i>Gross profit %</i>	36%	36%	30%
Operating expenses	28,412	32,460	25,013
<b>EBITDA</b>	<b>2,329</b>	<b>68</b>	<b>(518)</b>
<b>Net profit (loss)</b> - before extraordinary items and Income taxes	<b>(13,602)</b>	<b>(5,041)</b>	<b>(7,325)</b>

23. Coalision, for the three-year period ended December 31, 2019 was not able to reach profitability, cumulating losses before Income taxes and extraordinary items of nearly \$26 million over that period.
24. The latest unaudited balance sheet, as at December 31, 2019, is presented below.

Coalision inc. - Balance sheet (C\$000)	(Unaudited)
As at December 31,	2019
<b>Assets</b>	
Cash	-
Accounts receivable	3,334
Intercompany accounts receivable	10,891
Inventories	16,061
Prepaid expenses and income tax rece	2,769
<b>Total current assets</b>	<b>33,055</b>
Invest in wholly-owned subsidiaries	525
Fixed assets	3,545
Goodwill and intangible assets	55,039
<b>Total assets</b>	<b>92,164</b>
<b>Liabilities</b>	
Bank loan	17,159
Accounts payable & Accruals	11,267
<b>Total current liabilities</b>	<b>28,426</b>
Long term debt	26,982
Future income taxes	2,147
<b>Total liabilities</b>	<b>57,555</b>
<b>Equity</b>	
Shares	76,318
Retained earnings	(41,709)
<b>Total liabilities and equity</b>	<b>92,164</b>

25. Coalision has \$3 million of accounts receivable and \$11 million of intercompany accounts receivable as at December 31, 2019. The intercompany accounts receivable are related to namely Coalision USA and Coalision Europe. As of May 20, 2020, Coalision has \$7 million of accounts receivable and \$8.6 million intercompany accounts receivable.
26. The inventory book value is approximately \$16 million, including a significant portion of inventory from 2019 collections or previous. Coalision obtained a third party appraisal for the inventory in January 2020 with a net orderly liquidation value of the inventory significantly lower than its book value. The impact of the COVID-19 situation was not reflected in the appraisal values since it has performed prior to the COVID-19 pandemic,

and could be expected to be lower. As of May 20, 2020, the inventory book value was approximately \$12 million.

27. Fixed assets are mainly composed of leasehold improvements, furniture and fixture. The value of those assets are uncertain in the insolvency context of Coalision and facing the COVID-19 pandemic.
28. Goodwill and intangible assets totaling \$55 million are composed of goodwill with \$23 million and trademarks with \$32 million. Those assets have limited value in the context of the current financial situation of Coalision. In any circumstances, as is often the case in a context of insolvency proceedings, the value that can be generated from such intangible assets is likely to be materially impacted.
29. Coalision's bank indebtedness is for an amount of \$17 million as at December 31, 2019. The loan is managed as an asset based financing and current availabilities would not permit Coalision to meet its expected current obligation without an operational and financial restructuring of its business. As of May 20, 2020, the outstanding bank indebtedness was at \$16 million.
30. A few shareholders of Coalision hold almost all of the long-term debt totaling \$27 million.
31. The equity is mainly attributable to the issuance by the Debtor of shares for an aggregate amount of \$76 million, the Debtor having also accumulated a deficit of \$41 million over the years. The amount representing the shares for \$76 million was mainly used to fund the losses but also to fund intangible assets for \$23 million.

Secured creditors

32. According to Coalision's books and records, the following table summarizes amounts due to secured and unsecured creditors of Coalision as of December 31, 2019, excluding the amounts owed by Coalision USA and Coalision Europe:

<b>Main creditors (C\$000) (unaudited) as at Dec 31, 2019</b>	<b>(Unaudited)</b>	
	<b>Rank</b>	<b>Amount</b>
<b>Secured creditors</b>		
Canadian Imperial Bank of Commerce	1st	17,159
Simon Coalision Investment, Inc.	2nd	2,051
Simon Coalision Investment, Inc.	3rd	13,295
Pelican II Investment Fund, L.P.	3rd	6,642
Groupe Lune Rouge Inc.	4th	4,994
		<b>44,141</b>
<b>Unsecured creditors</b>		
Trade payables and accruals		10,248
Accrued salaries and vacations		883
Sales taxes payables		136
		<b>11,267</b>
<b>Secured and unsecured creditors</b>		<b>55,408</b>

33. The principal secured creditors of Coalision are as follows:

- (i) Canadian Imperial Bank of Commerce ("**CIBC**");
- (ii) Simon;
- (iii) Pelican II Investments Fund, L.P. ("**Pelican**"); and
- (iv) Groupe Lune Rouge Inc. ("**Lune Rouge**").

34. By way of a high-level summary, those secured indebtedness may be described as follows:

- (i) The indebtedness owing to CIBC is secured by a 1<sup>st</sup> rank hypothec on the universality of the assets, tangible and intangible, movable and immovable, present and future. In addition to their hypothec, certain shareholders provided CIBC with a cash collateral of \$6 million. As of May 20, 2020, the outstanding bank indebtedness was at \$16 million;
- (ii) The indebtedness owing to Simon is secured by a 2<sup>nd</sup> rank hypothec on the universality of all movable assets, corporeal and incorporeal, present and future;
- (iii) The indebtedness owing to Pelican is secured by a 3<sup>rd</sup> rank hypothec, *pari passu* with the other Simon tranche of \$13 million, on the universality of all movable assets, corporeal and incorporeal, present and future;
- (iv) The indebtedness owing to Lune Rouge is secured by a 4<sup>th</sup> rank hypothec on the universality of all movable assets, corporeal and incorporeal, present and future.

35. The securities and rank related to secured creditors have not been independently reviewed as of the date hereof. Norton Rose Fulbright LLP / S.E.N.C.R.L., s.r.l. ("**NRF**") is currently reviewing CIBC and Simon securities granted by Coalision at the request of the Trustee.

Unsecured creditors

36. Management has informed the Trustee that there is no unpaid normal salary obligations to Coalision's employees. Payments are made on a bi-weekly or monthly basis. Payroll management is outsourced to third parties. As per Management, all deductions at source are current. Consequently, potential claims of the employees can be categorized as follow:

- (i) Accrued, unused vacation time and salaries, totaling approximately \$0.9 million according to Management; and
- (ii) Severance payments which have not been calculated yet for employees that might be laid off or had been temporarily laid off in projected restructuring efforts for fiscal year 2020 and the COVID-19 situation.

37. Coalision does not have any pension or retirement plans aside from a defined employer matching program which is administrated externally by Fonds de solidarité FTQ and Standard Life, which is current, and will be maintained for the benefit of the remaining employees in the proposed transaction.

38. The remaining creditors are composed of trade payables and sales taxes payables. As of May 20, 2020, accounts payable were at \$3 million while the sales taxes payables were at \$45K.

Overall Situation

39. Over the years, Coalision has accumulated \$41 million losses which ultimately led to its insolvency. Such losses have been incurred, inter alia, for the following reasons:
- (i) Coalision was negatively impacted by the general downturn in the retail market industry over the last years, especially with its retail stores fueled by the multiples changes in the consumer habits, such as the growth in online shopping;
  - (ii) Unsustainable rents increases and long term leases with the abovementioned decline in store sales;
  - (iii) Lower than expected revenues for 2019 in a context of increased competition between retailers;
  - (iv) Digital investments did not produce the expected returns on web sales;
  - (v) The attempt to penetrate into the US and European markets did not give the expected result despite the cost and investment incurred; and,
  - (vi) Over the years and mostly in 2019, Coalision has accumulated significant quantities of past collections inventory.
40. Coalision was already in the course of restructuring their business model when the COVID-19 pandemic forced Coalision to close all their retail stores and temporarily laid off 95% of their employees. The total impact of the COVID-19 situation is still unknown as of the date of this Report.
41. Coalision has been keeping only critical operations going with a minimum number of employees and continues to focus on its online sales and Costco business, both of which are operating close to normal.
42. As previously mentioned, on May 26, 2020, Coalision was unable to face its obligations once they became due and filed a NOI.

**III. CASH-FLOW STATEMENT**

43. The attached statement of projected cash flow of Coalision Inc. (appendix A), as of the 26<sup>th</sup> day of May 2020, consisting of projected cash-flow for the six week period ending July 3, 2020, has been prepared by the Management, with the assistance of the Trustee, for the purpose described in the Notes, using the probable and hypothetical assumptions set out in the Notes.
44. The Trustee's review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the Management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by Management for the probable assumptions and preparation and presentation of the projection.

45. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (i) the hypothetical assumptions are not consistent with the purpose of the projection;
- (ii) as at the date of this Report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (iii) the projection does not reflect the probable and hypothetical assumptions.

46. Since the projection is based on assumptions regarding future events, , and considering the general uncertainty resulting from the COVID-19 pandemic, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

47. The projection has been prepared solely for the purpose described in the Notes, and readers are cautioned that it may not be appropriate for other purposes.

#### **IV. ADMINISTRATION CHARGE**

##### *Administration Charge*

48. A priority charge in the amount of up to \$100,000 in favor of counsel to the Debtors, the Trustee and counsel for the Trustee is sought as security for their professional fees and disbursements incurred both before and after the making of the NOI in respect of these BIA proceedings (the "**Administration Charge**"). The Administration Charge has been established based on the respective professionals' previous experience with restructurings of similar magnitude and complexity.

49. The Trustee believes that the Administration Charge is required and is reasonable under the circumstances.

#### **V. CONCLUSIONS AND RECOMMENDATIONS**

50. The Trustee is of the opinion that Coalision had no other choice than to proceed with the NOI considering the financial challenges Coalision is facing, but also considering the circumstances and uncertainties created by the general downturn of the brick-and-mortar retail industry and the COVID-19 pandemic.

51. The Trustee is of the opinion that, in the circumstances, the Administration Charge is required and is reasonable under the circumstances.



52. In light of the above, the Trustee respectfully recommends this Court to grant Coalision's request to grant the Administration Charge.

DATED AT MONTREAL, this 27<sup>th</sup> day of May 2020.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Trustee in the Proposal of Coalision Inc.



Jean-François Nadon, CPA, CA, CIRP, LIT



Benoit Clouâtre, CPA, CA, CIRP, LIT

**APPENDIX A**

C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC  
COURT. No.: 500-11-058310-208  
ESTATE No.: 41-2647457

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

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

**COALISION INC.**, a company incorporated under the Quebec *Business Corporations Act*, RLRQ, C. S-31.1 having its head office located at 100-700 Saint-Antoine E street, in the city of Montreal, Province of Quebec, H2Y 1A6;

**Debtor**

- and -

**DELOITTE RESTRUCTURING INC.**, a company incorporated under the laws of Canada, having a place of business at 500-1190 av. Des Canadiens-de-Montreal, in the city of Montreal, Province of Quebec, H3B 0M7;

**Trustee**

**REPORT ON CASH-FLOW STATEMENT BY THE PERSON MAKING THE PROPOSAL**  
(Paragraphs 50(6)(b) and 50.4(2)(c) of the Act)

The management of Coalision Inc. have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 26<sup>th</sup> day of May 2020, consisting of projected cash-flow for the six week period ending July 3, 2020.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the Notes, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the Notes.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the Notes, using a set of hypothetical and probable assumptions set out in the Notes. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DATED AT MONTREAL, this 27<sup>th</sup> day of May 2020.

**COALISION INC.**

A handwritten signature in purple ink, appearing to read "T. Steele", is written over the company name.

Todd Steele  
President

<b>Coalision Inc. - 6w Cashflow</b>	<b>Wk 1</b>	<b>Wk 2</b>	<b>Wk 3</b>	<b>Wk 4</b>	<b>Wk 5</b>	<b>Wk 6</b>	<b>TOTAL</b>
<b>week ending</b>	<b>2020-05-29</b>	<b>2020-06-05</b>	<b>2020-06-12</b>	<b>2020-06-19</b>	<b>2020-06-26</b>	<b>2020-07-03</b>	
<b>Inflows:</b>							
Forzani Wholesale	795,866	-	-	-	-	-	<b>795,866</b>
Other wholesalers	-	-	-	140,335	140,335	140,335	<b>421,005</b>
Inventory Liquidation	-	-	-	-	-	-	-
Lole - Costco	-	-	-	-	-	-	-
Lole Wholesale collections	795,866	-	-	140,335	140,335	140,335	<b>1,216,871</b>
Lole Web collections	165,792	145,897	145,897	145,897	145,897	145,897	<b>895,277</b>
Paradox collections	-	-	-	-	-	-	-
<b>Total Collections from sales</b>	<b>961,658</b>	<b>145,897</b>	<b>145,897</b>	<b>286,232</b>	<b>286,232</b>	<b>286,232</b>	<b>2,112,148</b>
<b>Governmental grant</b>	-	71,104	-	-	-	-	<b>71,104</b>
<b>Total inflows</b>	<b>961,658</b>	<b>217,001</b>	<b>145,897</b>	<b>286,232</b>	<b>286,232</b>	<b>286,232</b>	<b>2,183,252</b>
<b>Outflows:</b>							
Inv. Payments	(377,128)	(646,454)	(672,243)	(214,724)	(600,605)	(18,981)	<b>(2,530,135)</b>
Salaries and employee expenses	-	(247,662)	-	(123,831)	-	-	<b>(371,493)</b>
Rent - Head office	-	(30,000)	-	-	-	-	<b>(30,000)</b>
Rent - Retail stores	(150,000)	-	-	-	-	-	<b>(150,000)</b>
Operating expenses	(220,592)	(221,974)	(222,974)	(222,974)	(222,974)	(233,059)	<b>(1,344,547)</b>
Professional fees	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	<b>(150,000)</b>
Interest expense	-	(137,271)	-	-	-	(137,271)	<b>(274,542)</b>
Capital Expenditures	-	-	-	-	-	(10,000)	<b>(10,000)</b>
Provision for unknown	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	<b>(90,000)</b>
<b>Total outflows</b>	<b>(787,720)</b>	<b>(1,323,361)</b>	<b>(935,217)</b>	<b>(601,529)</b>	<b>(863,579)</b>	<b>(439,311)</b>	<b>(4,950,717)</b>
<b>Net cashflow</b>	<b>173,938</b>	<b>(1,106,360)</b>	<b>(789,320)</b>	<b>(315,297)</b>	<b>(577,347)</b>	<b>(153,079)</b>	<b>(2,767,465)</b>
<b>Opening bank balance</b>	<b>(16,092,925)</b>	<b>(15,918,987)</b>	<b>(17,025,347)</b>	<b>(17,814,667)</b>	<b>(18,129,964)</b>	<b>(18,707,311)</b>	<b>(16,092,925)</b>
<b>Ending bank balance</b>	<b>(15,918,987)</b>	<b>(17,025,347)</b>	<b>(17,814,667)</b>	<b>(18,129,964)</b>	<b>(18,707,311)</b>	<b>(18,860,390)</b>	<b>(18,860,390)</b>
<b>Borrowing base availability</b>	18,519,105	18,026,129	18,905,305	19,679,675	20,505,675	20,760,421	
Surplus (deficit)	2,600,118	1,000,783	1,090,639	1,549,711	1,798,364	1,900,031	

**COALISION INC.**  
**NOTES ON THE STATEMENT OF PROJECTED CASH FLOW**  
For the six week period ending July 3, 2020  
(Unaudited)

**Statement of projected cash flow objectives**

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The attached statement of projected cash flow of Coalision Inc., as of the 26<sup>th</sup> day of May, 2020 (The "**Statement**" or the "**Projections**"), have been prepared by the management of the insolvent debtor on the basis of financial information available at this date, using the probable and hypothetical assumptions set out hereafter.

The purpose of these projections is to meet the requirements of the Division I, under the Part III of the Bankruptcy and Insolvency Act. The presented information may not be appropriate for other purposes.

The Statement is based on assumptions that reflect the plan of action of the debtor's management for the six-week period ending July 3, 2020, depending on the economic conditions that, in the opinion of management, are the most likely.

Since the Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material.

**Going concern**

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As part of its restructuring plan, the debtor filed a notice of intention to make a proposal on May 26, 2020, under the terms of the Bankruptcy and Insolvency Act.

The Statement assume the debtor will continue to operate as a going concern.

**Assumptions**

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Collection from sales

- Taking into account the current Covid-19 situation, the receipts are based on management review of the existing accounts receivable aging.
  
- The receipts from sales are also based on historical trends adjusted to take into account the uncertainty of the current Covid-19 situation.

Government Grant

- Management estimate based from the federal government salary grant, which consist of a wage subsidy of 75% for up to 3 months.

Inventory payments

- Management estimate based on the historical purchases adjusted to take into account the uncertainty of the current Covid-19 situation.

Salaries and employee expenses

- Management estimate based on current average payrolls of hourly and salaried employees.

Professional fees

- Represents management estimate of professional fees to be incurred in the course of the company's restructuring.

Miscellaneous and other outflows

- Management estimate based on the historical level adjusted to take into account the uncertainty of the current Covid-19 situation and restructuring measures.