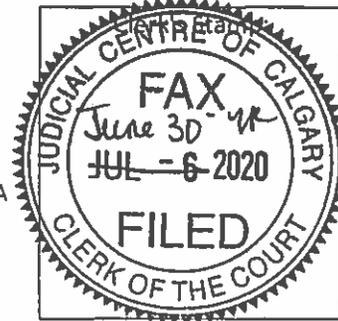


COURT FILE NUMBER	BK NO: 25-2651361 BK NO: 25-2651362
COURT	COURT OF QUEEN'S BENCH OF ALBERTA IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTRE	CALGARY
PROCEEDING	IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SWIMCO AQUATIC SUPPLIES LTD. AND SWIMCO PARTNERSHIP
DOCUMENT	AFFIDAVIT
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Field LLP 400, 444 – 7 Avenue SW Calgary, Alberta T2P 0X8 Attention: Trevor Batty Phone Number: (403) 260-8537 Fax Number: (403) 264-7084 Email Address: tbatty@fieldlaw.com File No. 70179-1



**AFFIDAVIT OF LORI BACON
(Sworn June 29, 2020)**

I, LORI BACON, of the City of Calgary, in the Province of Alberta, Businessman, MAKE OATH AND SAY AS FOLLOWS:

1. I am the Chief Executive Officer and a director of Swimco Aquatic Supplies Ltd. ("SAS") and the President of Lori Bacon Holdings Ltd., who (along with Blue Crush Bikini and Boardshort Company Ltd. and Steve Forseth Holdings Ltd.) is one of three corporate partners of Swimco Partnership ("SP"). As such, I have personal knowledge of the matters hereinafter deposed to except where stated to be based upon information and belief, in which case I believe the same to be true.

Swimco Aquatic Supplies Ltd.

2. SAS is a swimwear and clothing retailer that operates apparel outlets under the banner "Swimco". Prior to March 15, 2020, SAS had 25 different retail locations throughout Ontario and Western Canada and employed approximately 205 full and part time employees.

REGISTRATION NUMBER

BY REG. 29-101-1001
PL. 2020-1-1001

COURT

COURT OF QUEEN'S BENCH IN ALBERTA
CALGARY

SPECIAL CERTIFICATE

COMMISSIONER'S CERTIFICATE

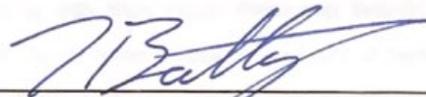
CANADA
PROVINCE OF ALBERTA

IN THE MATTER OF THE AFFIDAVIT OF SUBSCRIPTION
IN PROCEEDINGS IN CONNECTION WITH THE AFFIDAVIT
IN PROCEEDINGS

I, **TREVOR BATTY**, a Commissioner for Oaths in and for Alberta, am satisfied that it was necessary for the deponent to swear the Affidavit attached hereto by video technology, because it was unsafe, for medical reasons, for the deponent and the commissioner to be physically present together in accordance with public health measures currently in place by the Government of Alberta with respect to the COVID-19 pandemic.

This Certificate has been completed in accordance with the directive contained in Alberta Court of Queen's Bench Notice to the Profession and Public: Remote Commissioning of Affidavits for Use in Civil and Family Proceedings During the COVID-19 Pandemic, NPP#2020-02.

IN CONFIRMATION OF the foregoing, I have hereunto subscribed my name at the City of Calgary, in the Province of Alberta, this 29 day of June, 2020.



TREVOR BATTY
Barrister and Solicitor
A Commissioner for Oaths in and for Alberta

Clerk's Stamp:

COURT FILE NUMBER	BK NO: 25-2651361 BK NO: 25-2651362
COURT	COURT OF QUEEN'S BENCH OF ALBERTA IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTRE	CALGARY
PROCEEDING	IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SWIMCO AQUATIC SUPPLIES LTD. AND SWIMCO PARTNERSHIP
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Swimco Aquatic Supplies Ltd.

2. SAS is a swimwear and clothing retailer that operates apparel outlets under the banner "Swimco". Prior to March 15, 2020, SAS had 25 different retail locations throughout Ontario and Western Canada and employed approximately 205 full and part time employees.



3. SAS is a privately held company, with the three corporate partners of SP each owning 33.3% of the issued and outstanding shares.
4. SAS's primary assets are the fixtures and leasehold improvements currently located in its retail outlets and the commercial leases associated with those locations.
5. SAS's primary creditors as of June 11, 2020 were as follows:
 - (a) Royal Bank of Canada ("RBC") with whom SAS has a \$2.0MM revolving lease facility. Current indebtedness under the RBC lease facility is approximately \$1.2MM. SAS has also provided RBC with a guarantee for the indebtedness of SP to RBC;
 - (b) Secured shareholder loans in the sum of approximately \$901,000;
 - (c) Commercial landlords for the retail locations with claims for lease arrears totalling approximately \$1,636,000 and
 - (d) Other unsecured creditors with claims totalling approximately \$988,000

Swimco Partnership

6. SP is a swimwear and clothing inventory procurer that supplies inventory to SAS for sale in SAS's retail locations pursuant to an Inventory Agreement between the parties. SP owns and operates out of a warehouse/office building located at the civic address of 6403 Burbank Road SE, Calgary, Alberta (the "**Building**"). Prior to March 15, 2020, SP employed approximately 45 full and part time employees.
7. SP's primary assets are its Building and its inventory, some of which is stored in the Building and the balance of which is in the possession of SAS for sale in its various retail locations.
8. SP's primary creditors as of June 11, 2020, were as follows:
 - (a) Royal Bank of Canada ("RBC") with whom SP has a number of revolving and non-revolving credit facilities, including a \$1.89MM operating line. Current indebtedness of SP under the RBC credit facilities is approximately \$2.0MM. RBC also has mortgages registered against the Building totalling approximately \$1.0MM. SP has also provided RBC with a guarantee for the indebtedness of SAS;

Handwritten signature or initials in blue ink, possibly reading 'L.B.' or similar.

- (b) Secured loans from the partners of SP and other related parties in the sum of approximately \$3,462,000;
- (c) Inventory suppliers with unsecured claims totalling approximately \$3.6MM;
- (d) Other miscellaneous unsecured creditors with claims totalling \$54,000.

Recent Events

9. Up until mid-March 2020, SAS was operating all of its retail locations in the ordinary course. At that time, due to the COVID-19 pandemic and related emergency health measures that various levels of government imposed, SAS was forced to close all of its retail locations and temporarily layoff the vast majority of its employees. SP also issued many temporary layoffs of employees at that time.
10. From mid-March to late-May, the Swimco Group's only source of revenue was from its online sales. However, that revenue was insufficient to pay ongoing lease obligations or to service the Swimco Group's long-term debt. During this period of time, SAS's landlords were willing to defer SAS's lease payments and RBC also agreed to defer certain payment obligations of both SAS and SP.
11. In late-May, when the various provincial governments began lifting the COVID-19 restrictions and reopening economic activity, SAS began reopening its retail locations in those specific jurisdictions. At present, SAS has reopened 17 of its locations and re-hired 107 of its employees.
12. Unfortunately, notwithstanding the reopening, sales revenues have not returned to their normal levels and the Swimco Group became unable to meet their payment obligations to their various creditors. When one of SAS's landlords demanded payment by a certain date, the Swimco Group elected to seek creditor protection to allow the Swimco Group to reorganize its affairs to better fit with the new retail reality.

NOI Filing

13. On June 11, 2020, SAS and SP each filed a Notice of Intention to Make a Proposal (an "NOI") under subsection 50.4(1) of the *Bankruptcy and Insolvency Act* ("BIA").



14. The Swimco Group has been diligently pursuing activities aimed at presentation of a proposal (the “**Proposal**”) to its creditors under BIA. Such activities include:
- (a) Preparing and analyzing the list of creditors to whom the Proposals will apply;
 - (b) Providing the Trustee, Deloitte Restructuring Inc. (the “**NOI Trustee**”), with access to the Swimco Group’s premises, property and books and records;
 - (c) Working with the NOI Trustee and counsel to prepare a cash flow projections for SAS and SP and to identify issues with respect to the financial condition of the Swimco Group and the status of its creditors;
 - (d) Notifying landlords, vendors, and employees about the filing of the NOI;
 - (e) Sending Form 45 Notices to Lessor to Disclaim or Resiliate a Lease to certain landlords (two in total) for four retail locations that Swimco Group has deemed unprofitable and without which the Swimco Group could not make viable Proposals. Those disclaimers were issued on July 12, 2020 and SAS has not received any notices of objection as of the date of this Affidavit;
 - (f) Commencing negotiations with other landlords for revised lease arrangements with respect to SAS’s remaining retail locations; and
 - (g) Holding preliminary discussions regarding potential alternatives with respect to the framework of Proposals.
15. The Swimco Group still has significant work to do before it will be in a position to formulate and present Proposals to their creditors. Most of this work will revolve around negotiating new lease arrangements with current landlords and determining which retail locations will be financially viable in both the immediate future and for the long term.
16. The current stay of proceedings expires at 12:01 a.m. on July 11, 2020. In order to continue to work towards the formulation and filing of Proposals, the Swimco Group requests an extension of their stays of proceedings from July 11, 2020 to and including August 24, 2020, as permitted under s. 50.4(9) of the BIA.



- 17. Based upon my review of the finances of SAS and SP, and the cash flow projection prepared by the Swimco Group with the assistance of the NOI Trustee, it is apparent that the Swimco Group has sufficient cash resources to continue to operate and pay ongoing expenses during the Proposal process. Although SAS and SP are separate and distinct legal entities with separate assets and liabilities, the Swimco Group has filed a consolidated cash flow for ease of administration and to reduce professional fees. That consolidated cash flow projection for the Swimco Group is attached as **Exhibit "A"**.
- 18. The Swimco Group requires the assistance of its counsel and the NOI Trustee to prepare, present, and implement the Proposal. The Swimco Group lacks the cash resources required to pay a sufficient retainer to guarantee the fees of these professional advisors. Without their continued involvement, the Swimco Group will not be able to restructure its affairs. The Swimco Group therefore requests that a priority charge (the "**Administration Charge**") be granted in respect of the fees and disbursements of those parties, ranking ahead of all other creditors.
- 19. I make this Affidavit in support of the application of the Swimco Group for an Order for an extension of the stays of proceedings and approving an administration charge against the assets of the Swimco Group, and for no improper purpose.
- 20. I swear this Affidavit despite not being physically present before the commissioner, but having been linked with the commissioner utilizing video technology and following the process described in the Notice to Profession NPP#2020-02: Remote Commissioning of Affidavits for Use in Civil and Family Proceedings During the COVID-19 Pandemic.

SWORN BEFORE ME at the City of Calgary, in)
 the Province of Alberta, this June 29, 2020.)



 A Commissioner for Oaths in and for Alberta)

LORI BACON

TREVOR BATTY
 BARRISTER & SOLICITOR



**THIS IS EXHIBIT "A"
REFERRED TO IN THE AFFIDAVIT OF
LORI BACON**

**SWORN BEFORE ME THIS 29TH DAY OF
JUNE, 2020**

**A COMMISSIONER FOR OATHS IN AND
FOR ALBERTA**

**TREVOR BATTY
BARRISTER & SOLICITOR**



Swimco Group Weekly Cash Flow Projections											Total
Period Ending: (000's)	Jun 27	Jul 04	Jul 11	Jul 18	Jul 25	Aug 01	Aug 08	Aug 15	Aug 22	Aug 29	Aug 29 Wk 1-10
	1	2	3	4	5	6	7	8	9	10	
Receipts											
Store	\$ 191	\$ 284	\$ 345	\$ 345	\$ 345	\$ 334	\$ 289	\$ 289	\$ 289	\$ 289	\$ 3,000
E-Commerce	42	53	60	60	60	56	39	39	39	39	489
Wage Subsidy	10	-	229	-	-	-	-	260	-	-	499
	244	337	634	406	406	390	328	588	328	328	3,988
Disbursements											
Payroll	(244)	(40)	(226)	(81)	(244)	(66)	(211)	(42)	(303)	-	(1,459)
Rent	-	(499)	-	-	-	-	-	-	-	-	(499)
Other Expenses	(229)	(162)	(122)	(172)	(72)	(92)	(121)	(61)	(61)	(131)	(1,223)
Professional Fees	(44)	(27)	(27)	(27)	(27)	(27)	(25)	(25)	(25)	(25)	(279)
	(517)	(728)	(375)	(280)	(343)	(185)	(358)	(128)	(389)	(156)	(3,461)
Projected Cash Flow	\$ (274)	\$ (391)	\$ 259	\$ 126	\$ 62	\$ 205	\$ (30)	\$ 459	\$ (61)	\$ 171	\$ 527
Opening Cash / (Revolver)	\$ (563)	\$ (837)	\$ (1,228)	\$ (969)	\$ (844)	\$ (781)	\$ (576)	\$ (606)	\$ (147)	\$ (208)	\$ (563)
Ending Cash / (Revolver)	\$ (837)	\$ (1,228)	\$ (969)	\$ (844)	\$ (781)	\$ (576)	\$ (606)	\$ (147)	\$ (208)	\$ (36)	\$ (36)

Deloitte Restructuring Inc., in its capacity as Trustee
under the proposal of Swimco Aquatics Supplies Ltd.
And Swimco Partnership and not in its personal or
corporate capacity.

Dave Bacon, VP Operations

Per: Ryan Adlington, Senior Vice-President



Swimco

2nd Cash Flow Assumptions

- **Projected Cash Receipts**

- Projected receipts from stores and the e-commerce platform including applicable sales taxes. Stores and e-commerce receipts are projected based on historical sales and collection patterns and were adjusted to reflect management's best estimate of go-forward sales trending.
- Projected wage subsidy receipts are based on the current Canadian wage subsidy program (CEWS) and reflect actual claims made for the period from March 15 to May 9, 2020 and projected claims onwards based on the program's criteria.

- **Projected Cash Disbursements**

- Payroll is based on current headcount levels adjusted to reflect management's restructuring and reopening plan;
- Rent is based on rent agreements with lessors adjusted to reflect management's restructuring plan. Amounts include sales taxes;
- Other expenses are primarily comprised of inventory purchases, warehouse and head office costs as well as interest payments. These expenses are based on historical data adjusted to reflect the current level of activity, current agreements and current interest rates. Amounts include sales taxes where applicable;
- Professional fees reflect management's best estimate of the professional involvement required to implement the Company's restructuring plan. Amounts include sales taxes;
- The current government remittances for source deductions and sales taxes are included in the disbursement assumptions;
- The cash disbursements do not provide for the payment of arrears to unsecured creditors.

A handwritten signature in black ink, consisting of stylized initials that appear to be 'J.P.' or similar, located in the bottom right corner of the page.

Clerk's Stamp:

COURT FILE NUMBER BK NO: 25-2651361
BK NO: 25-2651362

COURT COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE CALGARY

PROCEEDING IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF SWIMCO AQUATIC SUPPLIES LTD. AND SWIMCO
PARTNERSHIP

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Field LLP
400, 444 – 7 Avenue SW
Calgary, Alberta T2P 0X8
Attention: Trevor Batty
Phone Number: (403) 260-8537
Fax Number: (403) 264-7084
Email Address: tbatty@fieldlaw.com
File No. 70179-1

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(Sworn June 29, 2020)

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 - (d) Notifying landlords, vendors, and employees about the filing of the NOI;
 - (e) Sending Form 45 Notices to Lessor to Disclaim or Resiliate a Lease to certain landlords (two in total) for four retail locations that Swimco Group has deemed unprofitable and without which the Swimco Group could not make viable Proposals. Those disclaimers were issued on July 12, 2020 and SAS has not received any notices of objection as of the date of this Affidavit;
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- 20. I swear this Affidavit despite not being physically present before the commissioner, but having been linked with the commissioner utilizing video technology and following the process described in the Notice to Profession NPP#2020-02: Remote Commissioning of Affidavits for Use in Civil and Family Proceedings During the COVID-19 Pandemic.

SWORN BEFORE ME at the City of Calgary, in)
 the Province of Alberta, this June 29, 2020.)


 _____)
 A Commissioner for Oaths in and for Alberta)

 LORI BACON

TREVOR BATTY
 BARRISTER & SOLICITOR



Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Expenses	80	80	80	80	80	80	80	80	80	80	80	80	80	80
Net Income	20	20	20	20	20	20	20	20	20	20	20	20	20	20

THIS IS EXHIBIT "A"
REFERRED TO IN THE AFFIDAVIT OF
LORI BACON

SWORN BEFORE ME THIS 29TH DAY OF
JUNE, 2020

Trevor Batty

A COMMISSIONER FOR OATHS IN AND
FOR ALBERTA

TREVOR BATTY
BARRISTER & SOLICITOR

TB

Swimco Group Weekly Cash Flow Projections Period Ending: (000's)											Total Aug 29 Wk 1-10
	Jun 27 1	Jul 04 2	Jul 11 3	Jul 18 4	Jul 25 5	Aug 01 6	Aug 08 7	Aug 15 8	Aug 22 9	Aug 29 10	
Receipts											
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Professional Fees	(44)	(27)	(27)	(27)	(27)	(27)	(25)	(25)	(25)	(25)	(279)
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Opening Cash / (Revolver)	\$ (563)	\$ (837)	\$ (1,228)	\$ (969)	\$ (844)	\$ (781)	\$ (576)	\$ (606)	\$ (147)	\$ (208)	\$ (563)
Ending Cash / (Revolver)	\$ (837)	\$ (1,228)	\$ (969)	\$ (844)	\$ (781)	\$ (576)	\$ (606)	\$ (147)	\$ (208)	\$ (36)	\$ (36)

Deloitte Restructuring Inc., in its capacity as Trustee under the proposal of Swimco Aquatics Supplies Ltd. And Swimco Partnership and not in its personal or corporate capacity.

Dave Bacon, VP Operations

Per: Ryan Adlington, Senior Vice-President

Swimco

2nd Cash Flow Assumptions

- **Projected Cash Receipts**
 - Projected receipts from stores and the e-commerce platform including applicable sales taxes. Stores and e-commerce receipts are projected based on historical sales and collection patterns and were adjusted to reflect management's best estimate of go-forward sales trending.
 - Projected wage subsidy receipts are based on the current Canadian wage subsidy program (CEWS) and reflect actual claims made for the period from March 15 to May 9, 2020 and projected claims onwards based on the program's criteria.

- **Projected Cash Disbursements**
 - Payroll is based on current headcount levels adjusted to reflect management's restructuring and reopening plan;
 - Rent is based on rent agreements with lessors adjusted to reflect management's restructuring plan. Amounts include sales taxes;
 - Other expenses are primarily comprised of inventory purchases, warehouse and head office costs as well as interest payments. These expenses are based on historical data adjusted to reflect the current level of activity, current agreements and current interest rates. Amounts include sales taxes where applicable;
 - Professional fees reflect management's best estimate of the professional involvement required to implement the Company's restructuring plan. Amounts include sales taxes;
 - The current government remittances for source deductions and sales taxes are included in the disbursement assumptions;
 - The cash disbursements do not provide for the payment of arrears to unsecured creditors.