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C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
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 NOTICE OF INTENTION TO MAKE A PROPOSAL OF:

BOUCLAIR INC.

– and –

BOUCLAIR INTERNATIONAL INC.

Debtors

– and –

DELOITTE RESTRUCTURING INC.
(Martin Franco, CPA, CA, CIRP, LIT designated person in charge)

Trustee

SIXTH REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS TRUSTEE TO THE NOTICE OF INTENTION TO MAKE A PROPOSAL
(*Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3)

INTRODUCTION7

1. On November 11, 2019, Bouclair Inc. ("**Bouclair**") and Bouclair International Inc. ("**Bouclair International**") (collectively the "**Companies**" or the "**Debtors**") each filed a Notice of Intention to make a proposal (collectively, the "**NOIs**") under the relevant provisions of the *Bankruptcy and Insolvency Act.*

2. Deloitte Restructuring Inc. ("**Deloitte**") has been appointed as the Debtors' proposal trustee (the "**Trustee**").

3. The factual background which led to the filing of the NOIs is described in the Debtors' *Motion for the Issuance of an Order (i) Creating Super-Priority Charges, (ii) Approving a Consulting Agreement and (iii) Approving Related Relief* (the "**Initial Motion**"), as well as in the *First Report to the Court submitted by Deloitte in its Capacity as Trustee to the Notice of Intention to Make a Proposal*, both in the Court record.

4. On November 12, 2019, following the presentation of the Initial Motion, the Superior Court of Quebec (Commercial Division) (the "**Court**") rendered an order (the "**First Day Order**"):

    a. Approving the creation of a super-priority charges over all Affected Assets (as defined in the First Day Order);

    b. Approving retroactively the CRO Engagement Letter (as defined in the First Day Order);

    c. Authorizing the payment of certain pre-filing obligations to certain suppliers located outside of the jurisdiction of this Court; and

    d. Approving related relief.

5. On November 15, 2019, the Court rendered an order (the "**Liquidation Order**") approving the Consulting Agreement pursuant to which Gordon Brothers Canada ULC acts as the liquidator of the Liquidation Stores (as defined in the Initial Motion).

6. On December 6, 2019, the Debtors filed a motion to the Court for an order (i) extending the stay period ("**Stay Period**") and (ii) expanding the scope of super-priority charges.

7. On December 10, 2019, the Court rendered an order (i) extending the Stay Period until January 24, 2020, and (ii) declaring that the scope of super-priority charges shall be extended to cover all the assets of Bouclair.

8. The Court has since extended the Stay Period from time to time, most recently until May 8, 2020.

PURPOSE OF THE SIXTH REPORT

9. This sixth report of the Trustee (the "**Sixth Report**") addresses the following matters:

    (i) Activities of the Trustee since the issuance of the Trustee's Fifth Report;
    (ii) Overview of the sale and investment solicitation process;
    (iii) Financial Information, financial performance and cash flow projections;
    (iv) Proposed Sale Transaction; and,
    (v) Trustee's conclusions and recommendations.

10. In preparing this Sixth Report, the Trustee has relied upon unaudited financial information, the Companies' records, the Companies' *Amended motion for the issuance of an approval and vesting order and a contract assignment order* (the "**Motion for a Vesting Order**"), and its discussions with the management of the Companies ("**Management**") and the Companies' Chief Restructuring Officer ("**CRO**"). While the Trustee has reviewed the information, some in draft form, submitted in the abridged time available, the Trustee has not performed an audit or other verification of such information. Forward looking financial information included in the Sixth Report is based on assumptions of the Companies' management regarding future events, and actual results achieved will vary from this information and the variations may be material. This report considers, where possible, the potential impact of the coronavirus (COVID-19) on the Companies. However, the situation is continuing to evolve, and many uncertainties remain as to the effect the COVID-19 crisis will have on the Companies and the broader domestic and global economies. Accordingly, this document does not fully identify and quantify the impact of all COVID-19 related uncertainties and implications. Changes to market conditions could materially affect the Companies and prospective statements in this report.

11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not defined in this Sixth Report are as defined in the Initial Motion or the Motion for a Vesting Order.

12. A copy of this Sixth Report and further reports of the Trustee will be available on the Trustee's website at www.insolvencies.deloitte.ca/bouclair.

ACTIVITIES OF THE TRUSTEE

13. The Trustee continues to monitor the receipts and disbursements and, on a weekly basis, performs a comparison and variance analysis against the cash flow statement.

14. While performing its monitoring duties, it came to the Trustee's attention that some of the post-filing obligations of the Companies were not paid when due, including in particular the rent payments for the month of April. On April 9, 2020, the Petitioners' counsel sent a letter to the Trustee's counsel (the "April 9 Letter") in which the former explained that the Petitioners' decision to hold back payments for rent during the month of April stemmed from the various government decreed shutdowns and measures ordered in the context of the global COVID-19 pandemic, effectively preventing the Petitioners from operating their regular retail business operations in the normal course.

15. The Companies informed the Trustee that they nevertheless wished to reach a negotiated solution to these issues, with a view to implementing a mutually beneficial solution for all parties involved.

16. On April 13, 2020, counsel to the Trustee sent a letter to the Honourable Justice Chantal Corriveau informing the Court that it had received the April 9 Letter from the Companies' counsel. A copy of the letter was sent to the service list. The Trustee was of the view that given:

a. the current highly exceptional circumstances related to the COVID-19 pandemic, including the inability for any retailer to predict with certainty when its store locations would reopen for customers; and

b. the Debtors' efforts to reach a consensual arrangement with their Landlords;

any immediate action by the Court would be more prejudicial to the Companies' stakeholders than the status quo.

17. The Trustee also understands that, for the same reasons, the rent payments for the month of May were not made by Bouclair.

18. As outlined below, the Companies have negotiated extensively with their landlords in order to arrive at a mutually satisfactory solution to the situation described above. However, the Trustee understands that as at the date of this Sixth Report, an agreement has not been concluded with all landlords, as outlined in the Motion for a Vesting Order.

19. As indicated in the Motion for a Vesting Order, the Companies' outstanding post-filing obligations will be assumed by the Proposed Purchaser (as defined below) upon closing of the Proposed Sale Transaction (as defined below).

20. Since the issuance of the Fifth Report, the Trustee continued to participate in several meetings and conference calls with the Companies, the CRO and their advisors in connection with their restructuring efforts.

OVERVIEW OF THE SALE AND INVESTMENT SOLICITATION PROCESS

21. As indicated in the First report of the Trustee, due to the poor financial results of the last few years and more specifically in the current fiscal year ended January 28, 2020, there was significant pressure on the working capital of the Companies.

22. Over the last three years, revenues decreased as a result of a targeted reduction in store count, in an effort to eliminate underperforming locations.

23. Bouclair implemented an e-commerce sales platform to facilitate the sale of its products online and expand sales outside of its typical in-store network. It also invested in capital expenditures mainly related to the development of Bouclair's new e-commerce platform, experiential store concept, and predictive inventory allocation tool.

24. Unfortunately, even though the Companies implemented various measures to reduce operating costs, the Companies were unable to generate sales to the targeted level and consequently, were unable to generate sufficient liquidity to allow them to meet their obligations as they became due.

25. Once Management realized that it would not be able to turn the operations around, a decision was made to initiate a restructuring process (the "**Restructuring Process**") to attempt to identify a strategic partner that could potentially take over the operations, with a view to maximizing the realization value for all stakeholders, and securing the employment of as many of its employees as possible.

26. The Restructuring Process may be summarized as follows:

    a. Provide the opportunity for existing bank lenders (or new lenders, as the case may be) and investors willing to inject new equity into the Companies' business, or to loan or invest in a new entity which would acquire the business, in order to capitalize on the Companies' ongoing growth of the e-commerce platform and new store format, without carrying forward certain of the Companies' legacy liabilities and unprofitable leases, the whole with the support of and in consultation with the Companies' principal secured lender, National Bank of Canada ("**NBC**"); and

    b. As part of its restructuring plan, Bouclair initially intended to close and liquidate 29 unprofitable stores (with an additional potential six stores which could be liquidated following consultation between Bouclair and its landlords). The net proceeds of the liquidation would be remitted to the secured creditors that hold security over the liquidated assets.

27. As outlined in the First Motion, in order to achieve the objective outlined in Section 26 (a) above, a sale and investment solicitation process (the "**SISP**") was conducted by the Companies with the assistance of the CRO and Ernst & Young Orenda Corporate Finance Inc. ("**EYI**").

28. As appears from EYI's "Go-to-Market Summary", in the Court record, on or around August 19, 2019, the SISP was launched and comprised, inter alia, the following steps:

    a. Performing analyses to develop a list of potential purchasers;

    b. Contacting 36 potential purchasers across Canada, the United States of America and Europe;

    c. Providing teasers to seventeen (17) different parties as well as confidentiality agreements to five (5) potentially interested parties; and

    d. Providing confidential information memorandums ("**CIM**") and access to an electronic data room to three (3) potentially interested parties.

29. Mr. Peter Goldberg, President of Bouclair and Bouclair International, presented, together with a group of other investors, a proposal to restructure the business and assets of the Debtors (the "**Indication of Interest**"), which included, among other things:

    a. the creation, by a group of investors comprised of Peter Goldberg and other prominent Canadian and Quebec-based businessmen, of a new entity (i.e. Alston Investments Inc.) that would capitalize on the Debtors' ongoing growth of the e-commerce platform and new store format, without carrying forward certain of the Debtors' legacy liabilities and unprofitable leases, the whole in consultation with the NBC;

    b. the closure and liquidation of 29 Stores (with an additional six (6) option stores which could be liquidated following consultation between the Debtors and their landlords) out of the retail locations currently operated by the Debtors, with a view to remitting the net proceeds of the liquidation to the secured creditors that hold security over the liquidated assets;

    c. the acquisition by the Proposed Purchaser of all or substantially all of the Debtors' assets and property related to the head office, the warehouse and stores other than the Liquidation Stores; and,

    d. the assumption of certain liabilities related to the NBC Loan, the subordinated loans and certain other liabilities to be identified.

30. At the conclusion of the SISP, the Indication of Interest represented the only viable option to restructure the affairs of the Debtors since all three (3) parties who received the CIM declined to submit an offer.

31. Following a thorough review of their alternatives, the Debtors sought creditor protection under the provisions of the BIA in order to implement a comprehensive restructuring of their business and assets through a multi-creditor transaction that includes a sale of a significant portion of Bouclair's assets (the "**Initially Proposed Transaction**") to Alston Investments Inc. (the "**Proposed Purchaser**"), being the same party that submitted the Indication of Interest.

32. As part of its restructuring plan, Bouclair, with the support of Gordon Brothers Canada ULC ("**Gordon Brothers**") closed and liquidated 31 unprofitable stores (the "**Liquidation Stores**") that were not part of the Initially Proposed Transaction.

33. The Initially Proposed Transaction with the Proposed Purchaser was negotiated with certain key stakeholders, including the NBC.

34. On March 23, 2020, several provincial governments announced the closing of all nonessential stores due to COVID-19. This situation resulted in a decrease of more than 65% in sales relative to the same period last year and impacted significantly Debtor's liquidity, the restructuring process and the Initially Proposed Transaction.

35. The Trustee participated in some of the discussions between Management and the key stakeholders in order to implement the Initially Proposed Transaction. The Trustee understands that the ultimate objectives were the following:

    a. Refinance NBC's debt. As a condition to this refinancing, the Debtors need to obtain from a third party a subordinated loan which will be used for capital expenditures and improve the e-commerce platforms, which would not be financed by NBC;

    b. An assumption of the AST Subordinated Loan and the conversion of the Aljusa Subordinated Loan into equity in the restructured business;

    c. An equity injection in the restructured business, coming from certain equity investors;

    d. A reduction of the business's working capital needs to a level sustainable for operations, to continue and allow for the restructured business to meet its financial obligations as they become due; and,

    e. Consolidate the business's presence in specifically identified markets by closing stores for which profitability is not meeting the Companies' targets.

36. However, even though the terms and conditions of the Proposed Sale Transaction are substantially similar to those originally contemplated in the Initially Proposed Transaction, the parties had to renegotiate the terms and conditions given the impact of the COVID-19 Government Measures on the implementation of the closing of the Initially Proposed Transaction.

37. In summary, the NBC agreed to increase the amount of the revolving credit facility it would make available to the Purchaser in order to fulfill its short-term liquidity needs as a result of the COVID-19 Government Measures. Also, Mr. Peter Goldberg, in his personal capacity, and a third-party lender (the "**Third-Party Lender**"), both agreed to provide loan guarantees to the NBC for the indebtedness of the Purchaser, which guarantees will become effective upon closing of the Proposed Sale Transaction.

38. As of the date of this Sixth Report, Management anticipates that the Third-Party Lender will obtain all required approvals prior to the hearing on the Motion for a Vesting Order. The Companies and the Purchaser have undertaken to keep the Third-Party Lender's identity confidential for the time being.

39. As of the date of this Sixth Report and as further detailed below, the Trustee understands that Management has negotiated an Asset Purchase Agreement, which is in final form, and term sheets or final documentation (as applicable) for the refinancing with the Proposed Purchaser, NBC, the Third-Party Lender and subordinated lenders.

FINANCIAL INFORMATION, FINANCIAL PERFORMANCE AND CASH-FLOW PROJECTIONS

Financial information

40. The latest unaudited balance sheet, as at March 28, 2020, is presented below

Historical Results ($ 000)	
Balance sheet as at	March 28, 2020
ASSETS	
Accounts receivable	255
Inventory	23,274
Other current assets	5,476
Property, plant and equipment	12,657
Non-Current assets	68
TOTAL ASSETS	**41,730**
LIABILITIES AND EQUITY	
Trade suppliers and accrued liabilities	21,694
Other current liabilities	1,593
Deffered revenue	416
Revolving credit facility	6,848
Capital lease obligations	163
Long-term debt	4,646
Long-term sub debt	2,779
Unsecured Long-term debt	1,219
Deffered lease inducement	771
TOTAL LIABILITIES	40,129
Retained earnings and equity	1,601
TOTAL LIABILITIES AND EQUITY	**41,730**

41. As shown above, as at March 28, 2020, Bouclair owned assets with a net book value of approximately $41.7M and had total liabilities of approximately $40.1M. The reader should note that the liabilities do not include any restructuring claims in relation with various contractual agreements which were terminated by the Companies.

42. The assets were mainly comprised of inventory ($23.3M) and property, plant and equipment ($12.7M). The reader should note that the book value of the property, plant and equipment category is mainly composed of furniture and fixtures located at the stores, computer software, leasehold improvements and development cost of the Bouclair website.

Secured creditors

43. The following table presents the secured creditors and the amount of indebtedness:

Secured Creditors ($ 000)	
Amount of Indebtedness as at	March 28, 2020
NBC Loans	11,494
AST Trust Company (Subordinated Loan)	1,564
Aljusa Investments Inc. (Subordinated Loan)	1,214
TOTAL SECURED CREDITORS	**14,272**

National Bank of Canada

44. Bouclair obtained a first lien revolving credit facility ("**Revolving Facility**") and a term loan facility ("**Term Facility**" and, collectively with the Revolving Facility, the "**NBC Loans**"), with National Bank of Canada ("**NBC**").

45. The NBC Loan is secured by a first-ranking security on all assets, tangible and intangible, present and future, of Bouclair in favour of NBC.

46. The Trustee obtained an independent opinion from its counsel on the validity, opposability and perfection of the NBC security over the assets of Bouclair and Bouclair International for the provinces of Newfoundland and Labrador, Nova Scotia, New Brunswick, Québec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. The legal opinions indicate that the security of NBC over the assets of the Companies is valid and has been rendered opposable against third persons or perfected in accordance with applicable laws.

47. The amount due under the Revolving Facility as at April 25, 2020, is estimated at approximately $6.8M, excluding interest, fees and expenses, while the amount due under the Term Facility is estimated at $4.6M.

AST Trust Company

48. An AST Trust Company loan ("**AST**") is stated to be secured by a hypothec for the sum of $2M on all of Bouclair's present and future moveable property. The Trustee notes that hypothecs were registered against the name of the Companies by AST on the Register of Personal and Movable Real Rights on February 15, 2019.

49. The AST loan is stated to be subordinated to the NBC security, as agreed between the parties on February 14, 2019.

50. The amount due in respect of the AST loan is estimated, as at March 28, 2020, at $1.6M.

Aljusa Investments Inc.

51. Aljusa Investments Inc. ("**Aljusa**"), a party related to Bouclair, is stated to have granted a loan secured by a hypothec for the sum of $2.5M on all of Bouclair's present and future moveable property. The Trustee notes that hypothecs were registered against the name of the Companies by Aljusa on the Register of Personal and Movable Real Rights on March 23, 2018.

52. The Aljusa loan is stated to be subordinated to the NBC security, as agreed between the parties on February 14, 2019.

53. The amount due in respect of the Aljusa loan is estimated, as at March 28, 2020, at $1.2M.

Cash flow results for the 10-week period ended May 2, 2020

54. When the third Motion for an extension Order was filed, the Debtors submitted a projected cash flow statement for the period from February 22, 2020, to March 28, 2020 (the "**Third Extension Cash Flow Forecast**").

55. When the fourth Motion for an extension Order was filed, the Debtors did not submit to the Court a projected cash flow for the period from March 29, 2020, to May 8, 2020. However, a cash-flow was ultimately prepared to comply with the seventh forbearance agreement with NBC. (refer to **Appendix A**)

56. As a result of COVID-19, over the last few weeks, the Debtors have not been able to meet certain of their post-filing obligations in the ordinary course of business. However, as indicated in the Motion for a Vesting Order, the Companies' post-filing obligations will be assumed by the Proposed Purchaser at closing of the Proposed Sale Transaction.

57. **Appendix B** contains the comparative cash flow statement for the 10-week period ended May 2, 2020. The net cash inflow of approximately $679K for the 10-week period was approximately $3.3M higher than initially forecasted:

    a. Total receipts were approximately $13.3M, or approximately $0.3M less than initially forecasted at the time the relevant cash-flows were prepared. This is caused by the closing of all the stores on March 23, 2020, due to government measures put in place due to the COVID-19 pandemic.

    b. Total disbursements were approximately $12.6M, or approximately $3.6M less than initially forecasted. This is primarily due to the following:

        i. Trade vendor payments (third party) and Freight & Duty: Management decided to reduce significantly the volume of trade purchases following the COVID-19 pandemic shutdown, diminished the receptions of in-transit goods and postponed certain payments due to recent economic uncertainty.

        ii. Sales taxes: The Debtors realized recently that they did not fully consider all taxes paid on expenses and consequently, previous sales tax remittance were overstated and led to a credit being applied on more recent remittances.

        iii. Professional fees - Restructuring: The positive variance is mainly due to timing as some professionals have not yet submitted their invoices.

58. At the time of writing this Sixth Report, the Debtors advised the Trustee that the Seventh Forbearance Agreement that ended on April 27, 2020, was not renewed.

Cash flow forecast for the 2-week period ending June 6, 2020

59. In support of their Motion for a Vesting Order, the Debtors revised and extended their cash flow projections (the "**Pre and Post Closing Cash Flow Forecast**") for the period from May 3, 2020, to May 16, 2020 (refer to **Appendix C** and the summary below). Although the Debtors anticipate proceeding with a closing of the Transaction on or around May 11, 2020, the Debtors revised and extended the Pre and Post Closing Cash Flow Forecast until June 6, 2020, to include the period which would stem in the case a proposal is filed.

Bouclair Inc. and Bouclair International Inc.
Weekly Cash Flow Forecast
For the 5-week period ending June 6, 2020
(Unaudited, in $000s CAD)

RECEIPTS	
Sales receipts - e-commerce	1,291
Advance from Alston	896
Debt assumption by Alston	8,032
TOTAL RECEIPTS	**10,219**
DISBURSEMENTS	
Trade vendor payments (third party)	124
Payroll & related payments	398
Freight	2
Duty	62
Sales taxes	278
Warehouse contractants	11
Marketing & Advertising	171
IT	83
Other expenses (non trade)	378
Professional fees - restructuring	768
Credit card fees	39
NBC Loan repayment	7,754
Letters of credit	141
Contingency	10
TOTAL DISBURSEMENTS	**10,219**
NET CASH FLOW FROM OPERATIONS	**-**

60. The projections reflect the following general assumptions:

    a. Granting of the 3-day period extension to file a Proposal;

    b. Filing of a Proposal on or before May 11, 2020;

    c. Continued operation of the remaining stores until the closing of the Transaction in the week ending May 16, 2020; and

    d. Compliance with any conditions agreed between the Companies and NBC, up to closing of the Transaction, if applicable.

PROPOSED SALE TRANSACTION

61. After several months of discussions and negotiations, the Trustee understands that the Debtors, the Proposed Purchaser, NBC and the Third-Party Lender will agree, prior to the hearing on the Motion for a Vesting Order, on the terms and conditions of an Asset Purchase Agreement (the "**Proposed Asset Purchase Agreement**"). A copy of the Proposed Asset Purchase Agreement, as redacted by the Companies, is included as **Exhibit P-2** to the Motion for a Vesting Order. Unless otherwise defined herein, all capitalized terms in the following paragraphs are as defined in the Proposed Asset Purchase Agreement or the Motion for a Vesting Order.

62. Subject to approval by this Honourable Court, the Proposed Purchaser will be acquiring the majority of the assets and assuming certain of the liabilities of the Debtors, with a view to maintaining approximately fifty-one (51) Bouclair retail store locations and its head office in Pointe-Claire (Quebec), the whole as more fully detailed in the Proposed Asset Purchase Agreement.

63. The Proposed Asset Purchase Agreement also contemplates, inter alia, continued employment of the Accepting Employees, representing an aggregate amount of approximately 745 employees.

64. The Companies are also requesting that this Court order the assignment of the Assigned Commercial Contracts and the Assigned Leases to the Proposed Purchaser. There are certain store leases for which no assignment is sought, even though these stores were not Liquidation Stores. The Trustee understands that, upon further analysis, the Proposed Purchaser indicated that it would not take on these store leases, and that Bouclair intends to disclaim the relevant leases, pursuant to the BIA, on or about the date hereof.

65. In addition, the Trustee understands that Bouclair has taken the position that it has no legal and binding obligation to pay rent to its landlords for all of its retail locations for the period beginning April 1, 2020, until the earlier of the respective authorized reopening of each of the locations or the Closing Date ("**Unpaid Covid-19 Rent**"), considering the impact of the COVID-19 pandemic and the associated store closures. Accordingly, Bouclair has calculated the cure costs to be payable in respect of each of the Assigned Leases to exclude all Unpaid Covid-19 Rent.

66. The Proposed Asset Purchase Agreement provides that the Proposed Purchaser will assume all Unpaid Covid-19 Rent obligations, to the extent that such obligations are determined to be payable by Bouclair pursuant to a final Court order or agreement between the Proposed Purchaser and the relevant Landlord.

67. The Trustee notes that the Motion for a Vesting Order requests that the Court declare that the cure costs payable by the Proposed Purchaser at closing in respect of each of the Assigned Leases be such that they exclude the Unpaid Covid-19 Rent. To the extent that the Unpaid Covid-19 Rent is determined to be payable by Bouclair, as indicated above, the Proposed Purchaser has undertaken to assume such liability as part of the Proposed Sale Transaction.

68. The Trustee believes that the Proposed Sale Transaction is the best outcome for the creditors, including the secured creditors and stakeholders, for the following reasons:

    a. Deloitte prepared, as presented below, a table comparing the estimated liquidation value as at May 4, 2020, and the Proposed Sale Transaction:

Bouclair **Liquidation Value Analysis ($ 000)** As at May 4, 2020	**Book Value as at March 28, 2020**	**Estimated Liquidation Value (1)**
ASSETS		
Accounts receivable (2)	255	204
Inventory (3)	23,274	11,637
Other current assets (4)	5,476	274
Property, plant and equipment (5)	12,657	1,000
Non-Current assets	68	-
TOTAL ASSETS	**41,730**	**13,115**
PRIORITY CLAIMS		
Employee priority claim (6)		1,714
LIABILITIES		
Secured creditors		14,272
Estimated deficit before professional fees		**(2,871)**

Note 1: The estimated liquidation value is before professional fees, other than liquidator fees.

Note 2: The accounts receivable are composed solely of credit cards receivable, which explains an estimate liquidation value of 80% of the net book value.

Note 3: This represents all inventory at the store and distribution centre. The Trustee is of the opinion that the current liquidation value of the inventory is materially impaired. It is expected that the recovery will suffer a substantial negative variance due to various factors such as provincial government measures in place due to the COVID-19 pandemic and uncertainty as to the timing of store re-openings, which will not only delay any liquidation scenario but will also affect (and likely extend) the liquidation period. In light of the above and considering current uncertainty, for the purpose of this report, the Trustee has estimated the liquidation value of inventory at 50% of book value, which it views as an optimistic scenario.

Note 4: This is mostly composed of prepaid expenses, deposits and accrued income tax receivables. Considering the nature of these assets and the potential setoffs that could be applied by the tax authorities, the Trustee estimate that the liquidation value will be approximately 5% of the net book value.

Note 5: Based on the Trustee's experience, the nature and location of these assets (furniture and fixtures located at the stores, leasehold improvements computer software and computer hardware) is such that the liquidation value may vary between 0% and 20% of the net book value.

Note 6: Employee priority claims amount to $2,000 per employee. Bouclair currently employs approximately 857 employees, for a total amount of $1,714,000.

As per the estimated liquidation value analysis presented in the above table, assuming that all asset liquidation receipts (after payment of any priority claims) would be remitted to the secured creditors, it is expected that said secured creditors would suffer an estimated shortfall of approximately $2,9M before payment of any professional fees. In comparison, the Proposed Sale Transaction includes the assumption in full of all indebtedness due to secured creditors as well as the assumption of certain unsecured liabilities. Considering the above, the Trustee is of the view that it is highly unlikely that a forced liquidation would result in sufficient proceeds to reimburse the secured creditors in full let alone generate sufficient funds to provide for a distribution to the unsecured creditors.

b. For the reasons set forth above, the Trustee is of the opinion that the Proposed Sale Transaction is more favourable than a forced liquidation in the Company's current situation. The Trustee notes that the Proposed Sale Transaction, once implemented, will permit approximately 745 jobs to be preserved and continued operations at 51 stores (once the COVID-19 situation permits) and the head office.

c. The Trustee understands that the secured creditors unanimously support the Proposed Sale Transaction.

TRUSTEE'S RECOMMENDATION

69. The Trustee is of the opinion that the reasons invoked in the Motion for a Vesting Order are reasonable and it supports the relief sought therein.

70. The Trustee is of the opinion, based on the relief requested in the Motion for a Vesting Order, that:

    a. It is in the creditors' best interests that an extension of the stay proceedings be granted in order to allow the Companies additional time to file a proposal;

    b. The Debtors have acted, and are continuing to act, in good faith and with due diligence; and

    c. No creditor will be materially prejudiced by the granting of the extension.

The Trustee respectfully submits to the Court this, its Sixth Report.

DATED AT MONTREAL, this 5th day of May 2020.

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

DELOITTE RESTRUCTURING INC.
In its capacity as Trustee

APPENDIX A – Combined cash flow forecast for the ten-week period ended on May 2, 2020

Consolidated - (in $000 CAD)	Budget - four-week period [1]	Budget - six-week period [2]	Total Budget
Receipts			
Sales receipts	9,145	393	**9,538**
Sales receipts - e-commerce	-	4,012	**4,012**
Total receipts	**9,145**	**4,405**	**13,550**
Disbursements			
Trade vendor payments (third party)	3,375	-	**3,375**
Rent	1,900	450	**2,350**
Payroll & related payments	2,017	1,478	**3,495**
Other expenses	611	673	**1,284**
Professional fees - restructuring	658	245	**903**
Freight & Duty	780	316	**1,096**
Marketing & Advertising	364	448	**812**
Warehouse Contractors	382	236	**618**
Professional fees	171	19	**190**
Financial expenses	196	280	**476**
IT	265	193	**458**
Sales taxes	367	676	**1,043**
Contingency	100	20	**120**
Total disbursements	**11,186**	**5,034**	**16,220**
Net cash flow from operations	**(2,041)**	**(629)**	**(2,670)**

Note 1: The 4-week period budget was included in the Trustee's Fifth Report dated February 27,

Note 2: The 6-week period budget has never been issued in court documents. This budget was provided to NBC as part of the Seventh Forbearance Agreement dated April 27, 2020.

APPENDIX B – Comparative Cash Flow Statement

BOUCLAIR INC. - Weekly Report	For the cumulative period of ten-week ended on 05-02-2020			
Consolidated - (in $000 CAD)	**Actual**	**Budget (1)**	**Variance**	**Note**
Receipts				
Sales receipts	9,124	9,538	**(414)**	**1**
Sales receipts - e-commerce	4,160	4,012	**148**	
Total receipts	**13,284**	**13,550**	**(266)**	
Disbursements				
Trade vendor payments (third party)	1,796	3,375	**1,579**	**2**
Rent	1,893	2,350	**457**	**3**
Payroll & related payments	3,444	3,495	**51**	
Other expenses	1,138	1,284	**146**	**4**
Professional fees - restructuring	662	903	**241**	**5**
Freight & Duty	706	1,096	**390**	**2**
Marketing & Advertising	642	812	**170**	**4**
Warehouse Contractors	656	618	**(38)**	
Professional fees	57	190	**133**	**4**
Financial expenses	466	476	**10**	
IT	323	458	**135**	**4**
Sales taxes	773	1,043	**270**	**6**
Contingency	49	120	**71**	
Total disbursements	**12,605**	**16,220**	**3,615**	
Net cash flow from operations	**679**	**(2,670)**	**3,349**	

Note 1: Budget detailed in two separate periods in Appendix A.

Note 1: Sales receipts - The negative variance is mainly explained by the fact that all stores were shutdown on March 23, 2020, due to COVID-19.

Note 2: Trade vendor payments (third party) and Freight & Duty - The positive variance is due to Management's decision to reduce significantly the volume of trade purchases following the COVID-19 shutdown, diminish the receptions of in-transit goods and to postpone some payments due to recent economic uncertainty.

Note 3: Rent - The positive variance is mainly due to the unpaid COVID-19 rent.

Note 4: Other expenses, Professional fees, Marketing & Advertising and IT – The positive variance is mainly due to the Company's operations being significantly reduced in reaction of the COVID-19 economic uncertainty.

Note 5: Professional fees - Restructuring - The positive variance is mainly due to timing as some professionals have not yet submitted their invoices. Management expects to receive the invoices and pay them shortly.

Note 6: Sales taxes - The positive variance is mainly due to the fact that some taxes paid on expenses had not been applied against the taxes collected since the filing of the NOI

APPENDIX C – Pre and Post Closing Cash Flow Forecast

Boudair Inc. Weekly Cash Flow Forecast For the 5-week period ending June 6, 2020 (Unaudited, in $000s CAD)		Pre-closing		Post-closing			TOTAL
Week Ending >>>>	Note	9-May-20	16-May-20	23-May-20	30-May-20	6-Jun-20	
RECEIPTS							
Sales receipts - e-commerce	1	904	387	-	-	-	1,291
Advance from Alston	2	-	-	457	57	382	896
Debt assumption by Alston	3	-	8,032	-	-	-	8,032
TOTAL RECEIPTS		**904**	**8,419**	**457**	**57**	**382**	**10,219**
DISBURSEMENTS							
Trade vendor payments (third party)	4	124	-	-	-	-	124
Payroll & related payments	5	2	396	-	-	-	398
Freight	6	-	2	-	-	-	2
Duty	6	62	-	-	-	-	62
Sales taxes		-	-	158	-	120	278
Warehouse contractants		5	6	-	-	-	11
Marketing & Advertising	7	160	11	-	-	-	171
IT		10	73	-	-	-	83
Other expenses (non trade)	8	204	174	-	-	-	378
Professional fees - restructuring	9	22	128	299	57	262	768
Credit card fees		-	39	-	-	-	39
Letters of credit	10		141				141
Contingency		5	5	-	-	-	10
TOTAL DISBURSEMENTS		**594**	**975**	**457**	**57**	**382**	**2,465**
NET CASH FLOW FROM OPERATIONS		**310**	**7,444**	**-**	**-**	**-**	**7,754**
Opening cash balance		(7,754)	(7,444)	-	-	-	(7,754)
CLOSING CASH BALANCE		**(7,444)**	**-**	**-**	**-**	**-**	**-**
Letters of credit (L/C)		(141)	-	-	-	-	-
Closing cash balance (including L/C)		(7,585)	-	-	-	-	-
Borrowing capacity		10,548	-	-	-	-	-
Surplus of coverage		**2,963**	**-**	**-**	**-**	**-**	**-**

***** To be read in conjunction with the attached Notes and Summary of Assumptions***

Notes and Summary of Assumptions

1. *Sales receipts – e-commerce* includes product sales from e-commerce only. Forecasted product sales from e-commerce (including sales tax) are gross of credit card fees. The Company's forecasted sales are based on the COVID-19 period historical sales patterns on a weekly basis.

2. *Advances from Alston* includes the funds to be received from the Proposed Purchaser to cover Bouclair remaining disbursements after the Proposed Sale Transaction closing date, which disbursements are sales tax payable and professional fees – restructuring.

3. *Debt assumption by Alston* includes the NBC liability (Revolving Facility) that would be assumed by the Proposed Purchaser as part of the Proposed Sale Transaction at the closing date.

4. *Trade vendor payments (third party)* include payments to domestic and international suppliers.

5. *Payroll and related payments* include Stores, Corporate related payroll, fringe benefits.

6. *Freight and duty* include inbound freight for purchased merchandise, outbound freight for shipments to stores, and duty for international purchases based on historical expense patterns. Amounts include sales tax. Deposits made to transport companies and custom brokers, after the NOI filing, will be used against these their invoices for the pre-closing two-week portion of the Cash flow.

7. *Marketing and advertising* include traditional media and social media payments based on historical expense patterns. Amounts include sales tax.

8. *Other expenses* include utilities, insurance, shipping costs related to online sales and other general payments based on historical expense patterns. Amounts include sales tax. Deposits made to utilities companies, after the NOI filing, will be applied against their invoices.

9. *Professional fees - restructuring* includes estimated professional fees for the Trustee, the Trustee's legal counsel, the CRO and the Company's legal counsel. The Company will incur all the fees mentioned above. Amounts include sales tax. Deposits made to professionals will be applied against their invoices for the five weeks of the Cash flow.

10. *Letter of credit* – includes one letter of credit for which the beneficiary has the complete right to draw the full amount of this letter and it is assumed that it will materialize before that the Proposed Sale Transaction closing date.