
CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION: 01- MONTRÉAL
S.C.: 500-11-057691-194
SUPER: 41-2597413

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF:

8318085 CANADA INC., legal person duly incorporated according to law having its principal place of business at 5353, Thimens Blvd., suite 200, in the city of Montreal, judicial district of Montreal, province of Quebec, H4R 2H4;

Applicant

- and -

KPMG INC., a corporation duly incorporated under the *Canada Business Corporations Act* (Canada), having a place of business at 600, boul. De Maisonneuve Blvd. West, Suite 1500, in the city of Montreal, province of Quebec, H3A 0A3;

Trustee

**TRUSTEE'S REPORT ON THE STATE OF
THE INSOLVENT PERSON'S BUSINESS AND FINANCIAL AFFAIRS
(paragraphs 50.4(7)(b) and 50.4(9)) IN REGARDS WITH THE DEBTOR'S SECOND (3rd) APPLICATION FOR
EXTENSION OF THE DELAY TO FILE A PROPOSAL**

IN THE MATTER OF THE PROPOSAL OF **8318085 CANADA INC.**:

I, Stéphane De Broux, CPA, CA, CIRP, LIT of the firm KPMG Inc. ("**KPMG**" or the "**Trustee**"), the trustee under the Notice of Intention to Make a proposal filed by **8318085 CANADA INC.** (hereinafter the "**Debtor**" or the "**Company**"), hereby report to the Court as follows.

INTRODUCTION

1. On December 17, 2019, the Debtor filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to section 50.4 of the Bankruptcy and Insolvency Act (the "**BIA**"), and KPMG was appointed as Trustee to the NOI. As a result of the filing of the NOI, all proceedings against the Company and its assets were stayed until January 16, 2020 (the "**Stay Period**").
2. On December 18, 2019, the Trustee issued its First Report to Court ("**First Report**"). The Debtor was seeking the authorization and approval of a sale and solicitation process ("**SSP**").
3. On December 19, 2019, the Court issued an "Order for a Sale and Solicitation Process" (the "**SSP Order**") authorizing a sale and solicitation process in order to market the Debtor's business and related assets (the "**Sale Process**") and the rules related thereto (the "**SSP Rules**").
4. On January 16, 2020, the Court issued an Order extending the delay to file a proposal under the NOI until February 28, 2020, which was supported by the Trustee ("**Second Report**").

5. On January 29, 2020, the Debtor filed a Motion seeking the Approval of a transaction and Issuance of a Vesting Order (the "**Approval and Vesting Order**") which was supported by the Trustee ("**Third Report**").
6. On January 31, 2020, following the conclusion of the Sale Process, this Honourable Court issued the Approval and Vesting Order approving the sale of certain of the Debtor's property (the "**Purchased Assets**") to an unrelated party (the "**Purchaser**") pursuant to s. 65.13 BIA (the "**Sale Transaction**"). The Sale Transaction was concluded immediately thereafter.
7. On January 31, 2020, the Trustee issued the Certificate as provided in the Application and Vesting Order which concluded the sale of the Purchased Assets to the Purchaser.
8. On February 27, 2020, the Court issued an Order extending the delay to file a proposal under the NOI until April 10, 2020 (the "**NOI Extension**"), which was supported by the Trustee ("**Fourth Report**").
9. On April 3, 2020, the Company filed a motion to extend the delay to make a proposal until May 25, 2020 (the "**Application for Extension**").
10. The purpose of this fifth report is to provide this Honourable Court with information regarding:
 - a) Background information on the Company;
 - b) The Company's activities since the Fourth Report;
 - c) The Trustee's recommendation with respect to the Company's Application for extension.

RESTRICTIONS AND SCOPE LIMITATIONS

11. In preparing this report, the Trustee has been provided with and has relied upon, unaudited financial information, books and records prepared by certain senior management of the Debtor ("**Senior Management**"), and discussions with Senior Management. Except as further described in this report:
 - a) The Trustee has reviewed the information for reasonableness, internal consistency and use in the context in which it was provided. However, the Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook and accordingly, the Trustee expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
 - b) Some of the information referred to in this report consists of financial forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
12. Future oriented financial information referred to in this report was prepared based on Senior Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections. Even if the assumptions materialize, the variations could be significant.
13. The information contained in this report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Debtor.
14. Unless otherwise stated, all monetary amounts contained in this report are expressed in Canadian dollars, which is the Debtor's common reporting currency.

BACKGROUND INFORMATION

15. This report should be read in conjunction with the Application for Extension and the Trustee's First Report, Second Report, Third Report and Fourth Report which provide background and other information regarding the Debtor and the NOI proceedings. Capitalized terms not defined in this report are used as defined in the Application for Extension.
16. The Debtor is a privately owned company operating a business which designs, imports and distributes women's outerwear garments, and sells such products in Canada as well as Internationally (hereinafter "**Business**").

THE COMPANY'S ACTIVITIES SINCE THE SECOND EXTENSION

17. The Debtor continues to run the Business through this restructuring process. As at April 3, 2020, the value of the accounts receivable and inventory are approximately \$1,440,000 and \$1,260,000 respectively.
18. From the time of the NOI Extension until the COVID-19 pandemic caused a Province-wide shutdown of commercial activities, the Debtor was operating the Business on a going concern basis and had seven (7) employees. In particular, the Business continued to sell existing inventory, receive and sell current inventory and was aggressively pursuing the collection of considerable accounts receivable.
19. Also of note is that, since the NOI Extension, two (2) of the Debtor's three (3) secured lenders have been fully repaid (Investissement Québec and Royal Bank of Canada) while the remaining secured lender, 172893 Canada Inc. (a related party), continues to support the Debtor through its NOI filing.
20. Additionally, the Debtor had been pursuing the solicitation of inventory and intellectual property that were not the object of the Sale Transaction. As an alternative, the Debtor had entered into negotiations with a retail service provider in order explore the option of selling this remaining inventory through one or more retail channels, the whole with a view to maximizing the value of the Debtor's remaining assets.
21. However, since the Québec government declared a public health emergency due to the COVID-19 pandemic, the Debtor has been faced with a situation where the Customers closed their stores and scaled down their own operations, therefore creating a further challenge in the Debtor's collection of accounts receivable and a stop in business activity. The Debtor currently has two (2) employees, its President and a staff member pursuing the collection of accounts receivable.
22. In addition, until the current pandemic situation ameliorates, there will be no worthwhile interest in the purchase of the Debtor's inventory or intellectual property and the retail channels previously explored will be unavailable.

CASH FLOW RESULTS RELATIVE TO PROJECTIONS

23. Cash receipts and disbursements for the 6 weeks period ended on April 3, 2020 as compared to the cash flow projections, are summarized in the following table:

8318085 Canada Inc. Cash flow monitoring Presented in \$CAD Six weeks ended			
	April 3, 2020		
	Actual	Projected	Variance
Receipts			
Sales collections	918 029	1 952 963	(1 034 934)
Other collections	120 074	121 921	(1 847)
	1 038 103	2 074 884	(1 036 781)
Disbursements			
Inventory purchases	131 354	85 000	(46 354)
Payroll	70 477	75 311	4 834
Commission on new sales	-	91 797	91 797
Rent	13 139	26 444	13 305
Operating expenses	230 302	229 583	(719)
Professional fees	163 360	232 020	68 660
Interests and capital on long-term debts	3 807	4 500	693
Refundable Sales Tax	73 408	43 600	(29 808)
Sales tax	98 371	192 661	94 290
	784 218	980 915	196 697
Net cash flow	253 885	1 093 969	(840 084)
Bank cash balance			
Opening balance	69 817	69 817	-
Adjustment to opening balance	198	-	198
Net cash flow	253 885	1 093 969	(840 084)
Closing balance	323 900	1 163 786	(839 886)

24. As at April 3, 2020, the Company's bank balance totaled approximately \$324,000 compared to a projected balance of \$1,164,000, representing a negative variance of \$840,000.
25. The net cash flow during the period was approximately \$1,234,000 lower than projected. The main reasons for this variance are summarized below:
- a) Receipts totaled \$1,038,000 compared to \$2,075,000 in the projections. This negative variance of \$1,037,000 is mainly explained by the deferred payment of a customer that was initially included in the projections and the slow down due to the COVID-19 pandemic; and
 - b) Inventory purchases amounted to \$131,000 compared to \$85,000 in the projection. This negative variance of \$46,000 is mainly due to higher than projected purchases for the new goods.
26. The Company has paid, and continues to pay for any goods and services received subsequent to the date of the filing of the NOI, including payroll and new purchases.

UPDATED CASH FLOW PROJECTIONS

27. The Company has prepared the updated cash flow projections for the period commencing April 4, 2020 and ending on May 29, 2020 (hereinafter the "**Projected Cash Flow**"). The Projected Cash Flow is summarized in the following table. A copy of the Projected Cash Flow as well as the statutory reports of the Debtor and the Trustee are attached to this report as **APPENDIX A**.

8318085 Canada Inc.	
Projected cash flow	
Presented in \$CAD	
	Total
Projected receipts	
E-Com Sales Collections	60 000
Collection of opening A/R	1 043 765
	<u>1 103 765</u>
Projected disbursements	
Other supplier payments	16 000
Payroll	47 131
Commission on new sales	93 766
Rent	15 234
Operating expenses	55 900
Professional fees	98 189
Interests and capital on long-term debts	5 500
	<u>331 720</u>
Projected net cash flow	<u>772 046</u>
Projected bank cash balance	
Opening balance	323 900
Projected net cash flow	772 046
Projected closing balance	<u>1 095 945</u>

28. The Trustee notes the following with respect to the Projected Cash Flow:
- a) The Company opening bank balance as at April 4, 2020 was \$324,000;
 - b) The projected total cash receipts during the period are estimated at \$1,104,000, assuming that the Company receives payments only beginning in May as a result of the COVID-19 pandemic;
 - c) The projected total cash disbursements during the period are estimated at \$332,000;
 - d) The Projected Cash Flow should result in a positive net cash flow during the period of \$772,000; and
 - e) The Projected Cash Flow shows an estimated closing bank balance as at May 29, 2020 of \$1,096,000.
29. Based on the Projected Cash Flow, the Company will have sufficient liquidity to fund its operating activities during the Third Extension Period.

ACTIVITIES OF THE TRUSTEE SINCE THE FOURTH REPORT

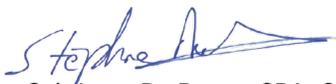
30. Since the Fourth Report, the Trustee's activities have included the following:
- a) Reviewed various financial information of the Debtor in order to assess its financial position, its cash flow situation and the collection of the receivables;
 - b) Posted documents pertaining to the NOI proceedings on the Trustee's website;
 - c) Held various discussions with Management;
 - d) Held various discussions with potential parties interested in purchasing the remaining assets; and
 - e) Drafted this Fifth Report.

APPLICATION FOR EXTENSION

31. The Debtor is seeking a third extension of delay of 45 days to file a proposal given:
- a) the Debtor's progress with respect to reducing its indebtedness toward certain of its secured lenders;
 - b) that there is considerable value remaining with respect to the Debtor's remaining accounts receivable and inventory and that any bankruptcy would greatly reduce such values;
 - c) the current global economic situation with respect to COVID-19 and Québec's declaration of a public health emergency causing the Debtor to be unable to pursue the measures it had taken prior to March 14 to successfully collect accounts receivable and maximize the value of its remaining assets, the whole to the benefit of its creditors generally; and
 - d) that an extension of the NOI Delay would increase the possibility for creditors of the Debtor to be repaid,
32. The Trustee supports the relief sought by the Debtor in its Application for Extension for the following reasons:
- a) The Debtor has acted, and is acting in good faith and with due diligence;
 - b) No creditor would be materially prejudiced if the extension being applied for was granted;
 - c) To the contrary, if the extension is not granted, an immediate bankruptcy will ensue and the value of the Company's remaining assets would be greatly diminished; and
 - d) The Company's ability to make a viable proposal to its creditors depends on the results from the collection of the accounts receivable, the sale of the remaining inventory and the outcome of the discussions with potential parties interested in purchasing the remaining intellectual property and/or inventory.

All of which is respectively submitted this 3rd day of April 2020.

KPMG INC., in its capacity
of Trustee of 8318085 CANADA INC.



Stéphane De Broux, CPA, CA, CIRP, LIT

**APPENDIX A
CASH-FLOW STATEMENT
DEBTOR'S REPORT ON CASH-FLOW STATEMENT
AND TRUSTEE'S REPORT ON CASH-FLOW STATEMENT**

CANADA
 PROVINCE OF QUEBEC
 DISTRICT OF QUEBEC
 Division N° : 01 - Montreal
 Court N° : 500-11-057691-194
 Estate N° : 41-2597413

SUPERIOR COURT
 (Commercial Division)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF :

8318085 CANADA INC., body politic and corporate, duly incorporated according to Law, and having its head office at 5353 Thimens Blvd., suite 200, in the City of Montreal, province of Quebec, H4R 2H4.

8318085 Canada Inc.
 Projected weekly cash flow
 Presented in SCAD

Week ending	1 10-04-20	2 17-04-20	3 24-04-20	4 01-05-20	5 08-05-20	6 15-05-20	7 22-05-20	8 29-05-20	Total
Projected receipts									
E-Com Sales Collections	-	-	-	-	15 000	15 000	15 000	15 000	60 000
Collection of opening A/R	-	-	-	-	108 117	19 879	286 351	629 417	1 043 765
	-	-	-	-	123 117	34 879	301 351	644 417	1 103 765
Projected disbursements									
Other supplier payments	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	16 000
Payroll	-	9 559	-	12 524	-	12 524	-	12 524	47 131
Commission on new sales	-	-	-	-	-	-	34 012	59 754	93 766
Rent	-	6 611	1 437	1 437	1 437	1 437	1 437	1 437	15 234
Operating expenses	20 050	7 550	3 550	3 550	10 550	3 550	3 550	3 550	55 900
Professional fees	13 797	-	8 968	34 493	8 968	-	31 963	-	98 189
Interests and capital on long-term debts	2 000	500	500	500	500	500	500	500	5 500
	37 847	26 220	16 455	54 504	23 455	20 011	73 462	79 765	331 720
Projected net cash flow	(37 847)	(26 220)	(16 455)	(54 504)	99 662	14 868	227 889	564 652	772 046
Projected bank cash balance									
Opening balance	323 900	286 053	259 833	243 378	188 874	288 536	303 404	531 293	323 900
Projected net cash flow	(37 847)	(26 220)	(16 455)	(54 504)	99 662	14 868	227 889	564 652	772 046
Projected closing balance	286 053	259 833	243 378	188 874	288 536	303 404	531 293	1 095 945	1 095 945

Dated April 3, 2020

8318085 Canada Inc.

Per: Brahm Rosenberg

KPMG Inc.

Per: Stéphane DeBroux

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

The management of 8318085 CANADA INC. has developed the assumptions and prepared the attached statement of projected cash-flow of the insolvent Debtor Company, as of the 3 day of April 2020, consisting of the period from April 4, 2020 to May 29, 2020.

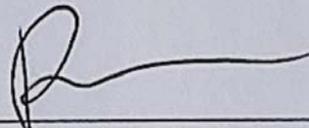
The hypothetical assumptions are reasonable and consistent with the purpose of the projection, and the probable assumptions are suitably supported and consistent with the plans of the insolvent Debtor and provide a reasonable basis for the projections.

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

The projections have been prepared based on a set of probable and hypothetical assumptions. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Montreal, this 3 day of April 2020.

8318085 CANADA INC.



Per: Brahm Rosenberg

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PROVINCE OF QUEBEC
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City of Montreal, province of Quebec, H4R 2H4.

TRUSTEE'S REPORT ON CASH-FLOW STATEMENT
(Paragraphs 50(6)(b) et 50.4(2)(b) of the Act)

The attached statement of projected cash flow of 8318085 CANADA INC., as of the 3th day of April 2020, consisting of the period from April 4, 2020 to May 29, 2020, has been prepared by the management of the insolvent Debtor for the purpose of the current procedures.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the management and employees of the insolvent Debtor. 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 projections. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projections.

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

- a) the hypothetical assumptions are not consistent with the purpose of the projections;
- b) 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 projections, given the hypothetical assumptions; or
- c) the projections do not reflect the probable and hypothetical assumptions.

Since the projections are 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. Accordingly, we express no assurance as to whether the projections will be achieved.

The projections have been prepared solely for the purpose of the current procedures and readers are cautioned that it may not be appropriate for other purposes.

Dated at Montreal, this 3rd day of April 2020.

KPMG INC. – Licensed Insolvency Trustee

By :



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