

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL
No: 500-11-

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

*IN THE MATTER OF THE PROPOSED PLAN
OF COMPROMISE OR ARRANGEMENT OF:
INDUSTRIES RAD INC. AND ROCKY
MOUNTAIN BIKES INC.*

Debtors

and

ERNST & YOUNG INC.

Proposed Monitor

REPORT OF THE PROPOSED MONITOR– DECEMBER 17, 2024

INTRODUCTION AND BACKGROUND

1. On December 19, 2024, Industries RAD Inc. (“**Industries RAD**”) and Rocky Mountain Bikes Inc. (“**Rocky Mountain US**” and, collectively with Industries RAD, the “**Applicants**” or the “**Group**”) brought an application (the “**Application**”) before the Superior Court of Québec (the “**Court**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“**CCAA**”) to commence the present proceedings (the “**CCAA Proceedings**”), seeking an Initial Order (the “**Proposed Initial Order**”) containing a stay of proceedings in respect of the Applicants, the appointment of Ernst & Young Inc., a licensed insolvency trustee, as monitor (“**EY**” or the “**Proposed Monitor**”) and various other relief.
2. The present report (“**Report**”) is intended to provide the Court with information relevant to the Application for the Proposed Initial Order under the CCAA and is based on the information that has been made available to the Proposed Monitor. The Report is presented under the following headings:
 - Introduction;
 - Overview of the Applicants;
 - Background;
 - Appointment of the Proposed Monitor;
 - Terms of Reference and Disclaimer;
 - Financial Position of the Applicants;
 - Cash Flow Forecast;
 - Interim Financing;
 - Priority Charges Contemplated in the Proposed Initial Order;
 - Upcoming Restructuring Measures; and

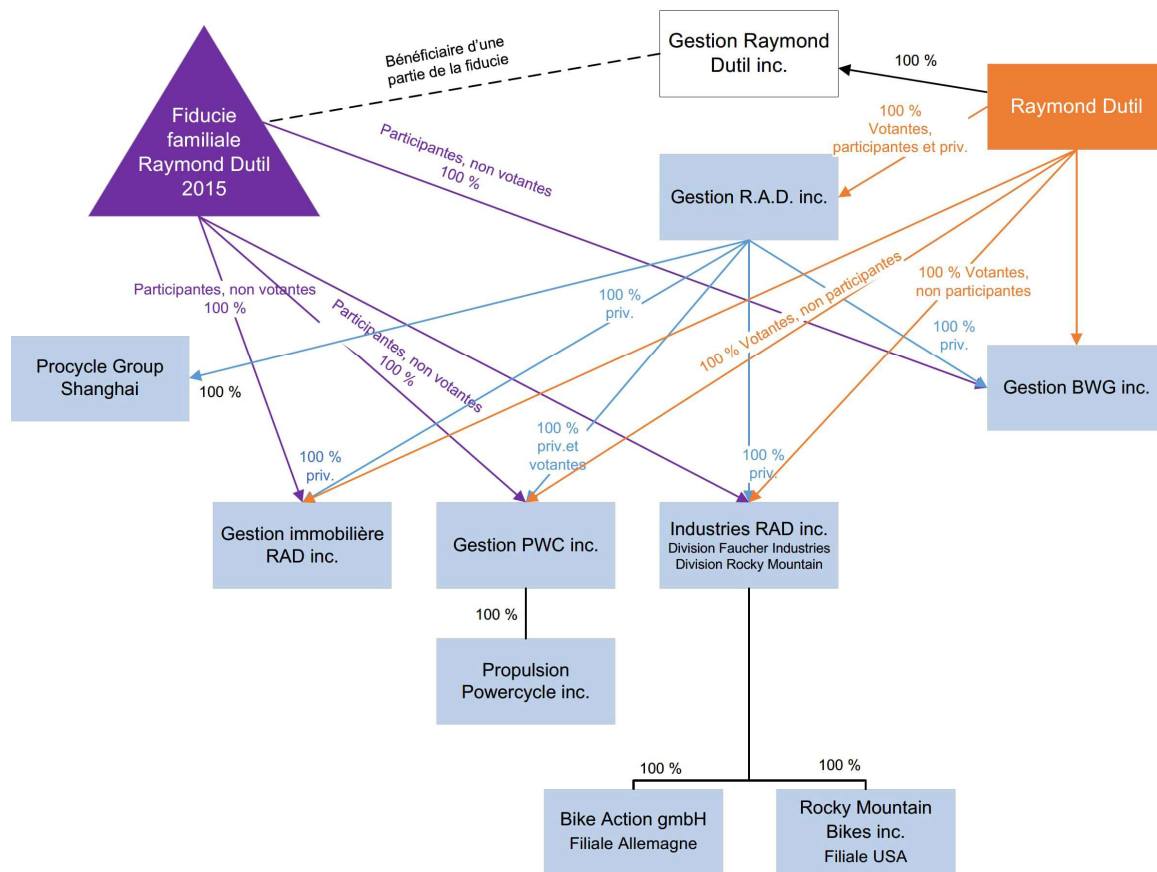
- Conclusions.

3. To the extent that this Court (i) grants the Application and issues the Proposed Initial Order in accordance with the provisions of the CCAA and (ii) appoints EY as monitor, EY will, thereafter, file an additional report setting out its observations and comments concerning the relief sought by the Applicants in the context of an amended and restated initial order to be sought at a comeback hearing which is proposed to be scheduled on or before January 6, 2025 (the “Comeback Hearing”).

OVERVIEW OF THE APPLICANTS

4. The Applicants are some of the main operating entities of a group of affiliated and related companies that are directly or indirectly owned by Mr. Raymond Dutil, Gestion R.A.D. Inc. (“Gestion RAD”) and Raymond Dutil Family Trust.

5. The corporate organizational chart of the Applicants is as follows:



6. The activities of the various entities that are not subject to these CCAA Proceedings are described in the Application.

Industries RAD Inc.

7. Industries RAD is the main operating entity of the Group, with Mr. Raymond Dutil as the sole director and principal officer. Industries RAD operates two distinct divisions, Rocky Mountain (“**Rocky Mountain**”) and Faucher Industries (“**Faucher**”). These divisions are operated completely independently from one another.
8. Rocky Mountain’s operations are comprised of the design, marketing and distribution of Rocky Mountain branded bicycles. Rocky Mountain sells various types of bicycles, including trail bikes, mountain bikes, cross-country bikes, and motor-assisted eMountain bikes. Sales are primarily made in Canada, the U.S. and Europe, both through distributors, retailers and directly to consumers.
9. Rocky Mountain outsources its bike production to three bike assemblers based in Asia.
10. Rocky Mountain operates a storage and distribution facility at its headquarters in Saint-Georges, Quebec and primarily utilizes three third-party warehouses based in i) Salt Lake City, Utah, ii) ‘s-Heerenberg, Netherlands and iii) Delta, British Columbia for additional storage and distribution. It also leases space in North Vancouver where it conducts its research and development and marketing activities.
11. Industries RAD currently employs 110 individuals under the Rocky Mountain division.
12. Faucher is a supplier and distributor of industrial and transportation hardware that has been operating in Quebec for 175 years. Faucher sells a broad assortment of components used to customize the beds and storage compartments of work trucks, including cargo nets, drawers, handles, fasteners, body components, and locks. The majority of Faucher’s products are unbranded, while a smaller proportion consists of items from third-party brands.
13. Faucher operates six branch locations, five are located in Canada and one is located in Michigan. Each of the Faucher’s branches has a warehouse and a will-call area where customers can make purchases and pick up orders. One branch, located in Montreal, Quebec, functions as Faucher’s primary distribution center.
14. Industries RAD currently employs 60 individuals under the Faucher division.

Rocky Mountain US

15. Rocky Mountain US is a wholly-owned subsidiary of Industries RAD, which is incorporated under the *General Corporation Law* of the State of Delaware. It was established for the purpose of employing and paying 9 U.S. salespeople working under the Rocky Mountain division, and to provide benefits to these U.S. salespeople. Rocky Mountain US is supported by Industries RAD and does not have any operations other than the U.S. employees.
16. Mr. Raymond Dutil is the sole director and chief executive officer of Rocky Mountain US.

Other Entities Not Subject to These CCAA Proceedings

17. Bike Action gmbH (“**Bike Action**”) is a German wholly owned subsidiary of Industries RAD Inc., which is not subject to these CCAA Proceedings. Bike Action operates as a distributor of mainly Rocky Mountain branded bicycles throughout Europe. Bike Action is operated independently from Industries RAD.
18. Gestion immobilière RAD holds real estate assets, which include the head office of the Rocky Mountain division, located at 9095 25th Avenue, City of Saint-Georges, Quebec, G6A 1A1 (the “**Rocky Mountain Building**”), as well as a second building serving as an office and warehouse for the Faucher division, located at 920 98th Street, Saint-Georges, Quebec, G5Y 8G1 (the “**Faucher Building**”). The Rocky Mountain Building is leased to Industries RAD for the area occupied by Rocky Mountain with the remaining area leased to third parties. The Faucher Building is leased to Industries RAD for the Faucher division.
19. Gestion RAD is a holding company of the Applicants and other non-applicant entities. Gestion RAD manages and supervises the operations of the Applicants and employs the management and administration team of the Applicants, which includes 4 employees.

BACKGROUND

20. Industries RAD has incurred significant financial losses over the past two years and continues to incur significant financial losses. These losses, combined with unfavourable market conditions in the wake of the Covid-19 pandemic, have resulted in Industries RAD exceeding its credit limits under its existing financing facility with its senior secured lender. As such, Industries RAD can no longer meet its obligations as they come due, which has led the Applicants to conclude that a formal restructuring process is necessary.
21. Industries RAD’s financial difficulties are attributable to Rocky Mountain, as Faucher has reported stable revenues, gross margin and profitability over the past three years and projects to continue to generate similar results.
22. Rocky Mountain’s major financial difficulties are described in detail in the Application, and can be summarized as follows:
 - 22.1. Significant decrease in demand for bicycles following the COVID-19 pandemic, creating negative price pressure in the high-end mountain bicycle market;
 - 22.2. Excess inventory due to the unanticipated decline in demand, resulting in increased borrowing needs;
 - 22.3. The sale of bicycles at significant discounts to reduce the excess inventory and address weaker market conditions;

22.4. Loss of \$17.8 million in fiscal year 2023 relating to a failed venture to supply e-bikes and component parts to a bike sharing company; and

22.5. Depletion of borrowing base availability on its operating credit facilities due to weaker market conditions.

APPOINTMENT OF THE PROPOSED MONITOR

23. EY has been informed that the Applicants are seeking its appointment as monitor in the context of the CCAA Proceedings.
24. EY was engaged by Norton Rose Fullbright Canada LLP (“**Norton Rose**”) on behalf of Wells Fargo Capital Finance Corporation Canada (“**Wells Fargo**”) on July 12, 2024 and, since that time, has worked with the Applicants and their management team to understand the Applicants’ businesses and the issues facing them. While acting as financial advisor to Norton Rose and Wells Fargo in respect of the Applicants, EY has acquired an in-depth understanding of the Applicants’ operations and cash flows. EY understands, as a court officer, it will have obligations to act in the interests of all stakeholders of the Group, including employees and creditors. Accordingly, if EY is appointed as monitor in these CCAA Proceedings, it will immediately resign from its role as financial advisor to Norton Rose and Wells Fargo.
25. EY confirms that it fulfills the requirements of section 11.7(1) of the CCAA, and that neither EY nor its affiliates, directors, and officers are subject to the restrictions referred to in section 11.7(2)(a) and (b) of the CCAA relating to providing accounting or auditing advice to the Applicants.
26. EY is not aware of any conflict-of-interest situation, threat to independence, or other ethical obligation that would affect its ability to act as the monitor in the CCAA Proceedings contemplated by the Applicants.
27. EY further confirms that it has consented to act as monitor in these CCAA Proceedings, if the Court chooses to appoint it as monitor.
28. Stikeman Elliott LLP has been retained to act as the Proposed Monitor’s independent counsel in these CCAA Proceedings, if the Court chooses to appoint EY as monitor.

TERMS OF REFERENCE AND DISCLAIMER

29. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, Group records, management-prepared financial information and projections books and records, and discussions with management of the Applicants (“**Management**”) and the Applicants’ legal advisors (collectively, the “**Information**”).

30. The Proposed Monitor has assumed the integrity and truthfulness of the Information and explanations provided to it, within the context in which it was presented. To date, nothing has come to the attention of the Proposed Monitor that would cause it to question the reasonableness of this assumption.
31. The Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited, or otherwise attempted to verify, the accuracy or completeness of such Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information.
32. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of such financial forecasts and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
33. Future-oriented financial information referred to in this Report was prepared based on 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, and the variations could be significant.
34. Unless otherwise indicated, the Proposed Monitor’s understanding of factual matters expressed in this Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Proposed Monitor.
35. The Proposed Monitor has prepared this Report solely for the use of this Court and the Group’s stakeholders in these CCAA Proceedings.
36. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

FINANCIAL POSITION OF THE APPLICANTS

37. As the Applicants do not publicly report their financial information, their financial statements may include information that could provide insight into their operations, which could put them at a competitive disadvantage or hinder their restructuring. Accordingly, the Applicants have requested that their financial information be sealed and kept confidential.
38. The Applicants’ most recent unaudited consolidated financial statements for the years ended June 30, 2024 and June 30, 2023 are set out in Appendix “A” and Appendix “B”, respectively. These appendices are filed under seal.
39. The following is a summary of key financial information from the financial statements:

(in \$ millions)	June 30, 2022 (12-months)	June 30, 2023 (12-months)	June 30, 2024 (12-months)
<i>Industries RAD Inc.</i>			
Revenues	111.2	146.1	106.7
Gross profit	30.8	40.1	23.7
Operating income/(loss)	5.4	6.3	(10.9)
Net income/(loss)	5.0	(8.3)	(8.5)
Debt	48.2	77.1	68.7

<i>Rocky Mountain Division</i>			
Revenues	86.2	118.5	79.0
Gross profit	18.0	26.5	9.9
Operating income/(loss)	1.5	2.9	(13.9)
Net income/(loss)	2.0	(11.0)	(10.5)

<i>Faucher Division</i>			
Revenues	25.0	27.6	27.7
Gross profit	12.7	13.6	13.8
Operating income/(loss)	3.9	3.5	2.7
Net income/(loss)	3.0	2.6	2.0

40. The following observations can be made from the financial statements:

40.1. Industries RAD has incurred significant losses in the fiscal years 2023 and 2024;

40.2. The Faucher division is profitable and has generated consistent revenues, margins and profits over the past 3 fiscal years;

40.3. Rocky Mountain generated net losses of \$11.0 million and \$10.5 million in the fiscal years 2023 and 2024, respectively;

40.4. Debt has grown from \$48.2 million in the fiscal year 2022 to \$68.7 million in fiscal year 2024; and

40.5. Industries RAD has incurred, and continues to incur, significant operating losses, combined with a high level of indebtedness.

41. The Applicants' key debts are summarized as follows, with further details of the debts, including the security interests held by the Applicants' secured creditors, being described in more detail in the Application:

41.1. Wells Fargo provided Industries RAD an operating credit facility with a balance of \$30.1 million as at December 6, 2024. The outstanding balance exceeds the credit

facility limit, which is determined using a borrowing base calculation (“**Borrowing Base**”), by approximately \$7.7 million.

- 41.2. Roynat Inc. (“**Roynat**”) provided Industries RAD and Gestion immobilière RAD with four term loans with an aggregate outstanding amount of approximately \$12.5 million as at November 30, 2024.
 - 41.3. Desjardins Capital (“**Desjardins**”) provided Industries RAD with an unsecured loan with approximately \$13.7 million outstanding as at November 30, 2024.
 - 41.4. Investissement Québec provided Industries RAD, Gestion immobilière RAD and Gestion RAD with aggregated outstanding loans totaling approximately \$30,550 as at November 30, 2024.
 - 41.5. Gestion RAD provided Industries RAD with approximately \$2.3 million of unsecured loans.
 - 41.6. Trade payables of approximately \$8.2 million as at November 22, 2024.
42. The Applicants received significant support and cooperation from its lenders leading up to the Application.
- 42.1. Wells Fargo entered into a forbearance agreement on August 14, 2024, with Industries RAD which, among other items, allowed it to borrow \$5.7 million in excess of its Borrowing Base.
 - 42.2. Roynat provided a moratorium of principal payments for the period June 1, 2024 to November 30, 2024.
 - 42.3. Desjardins agreed to a moratorium of principal and interest payments for the period from June 1 to November 30, 2024.
43. The Applicants are currently in default with their main lenders, Wells Fargo, Roynat and Desjardins pursuant to the various credit facilities described above. As such, the Applicants are clearly insolvent as they are unable to meet their obligations as they come due.

CASH FLOW FORECAST

44. The cash flow forecast, attached as Appendix “C” to this Report (the “**Cash Flow Forecast**”), has been prepared by Management, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast (the “**Assumptions**”) and represents the estimates of Management of the Group’s projected cash flow on a consolidated basis, and on a weekly basis, for the 25-week period ending May 30, 2025.

45. The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the monitor's findings.
46. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of Management and employees of the Applicants. Since the Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether the Assumptions were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by Management for the Assumptions and the preparation and presentation of the Cash Flow Forecast.
47. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:
 - 47.1. The Assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - 47.2. As at the date of this Report, the Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Assumptions; or that
 - 47.3. The Cash Flow Forecast does not reflect the Assumptions.
48. Since the Cash Flow Forecast is based on the Assumptions, actual results will vary from the information presented even if the Assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. The Cash Flow Forecast has been prepared solely for the purpose described in the notes accompanying the Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.
49. The Proposed Monitor notes the following observations in respect of the Cash Flow Forecast during the forecast period:
 - 49.1. The Cash Flow Forecast shows that the Applicants will generate positive cash flows of \$12.2 million consisting of cash receipts of \$38.6 million, less operating disbursement of \$21.7 million and non-operating disbursements of \$4.7 million;
 - 49.2. The Cash Flow Forecast projects peak additional borrowing of \$3.5 million and peak borrowings in excess of the Borrowing Base of \$14.8 million on the operating credit facility with Wells Fargo; and
 - 49.3. The Applicants require additional interim financing of \$3.5 million in order implement its restructuring measures under the CCAA.

INTERIM FINANCING

50. Wells Fargo has submitted an offer to provide interim financing (the “**Interim Financing Offer**”) and act as the interim lender to the Applicants, with Industries RAD as the “**Borrower**” and Rocky Mountain US as the “**Guarantor**” thereunder, to finance their liquidity throughout the restructuring process (the “**Interim Financing**”). The Interim Financing Offer, a copy of which is appended to the Application as Exhibit **R-17**, takes the form of a revolving credit facility and includes the following terms:

50.1. Initial maximum amount (upon the issuance of an initial order) calculated as the lower of:

50.1.1. \$3.0 million; and

50.1.2. \$13.0 million in excess of the Borrowing Base.

50.2. Maximum amount (upon the issuance of an amended and restated initial order) calculated as the lower of:

50.2.1. \$6.0 million; and

50.2.2. \$15.0 million in excess of the Borrowing Base.

50.3. Interest:

50.3.1. advances in Canadian dollars: CORRA plus 5% per annum; and

50.3.2. advances in U.S. dollars: SOFR plus 5% per annum.

50.4. Closing fee: \$100,000 to be paid on the closing date, which shall be deducted from the first advance and \$250,000 to be paid on May 30, 2025.

50.5. Unused Line Fee: The Borrower shall pay to Wells Fargo an unused line fee in an amount equal to 0.25% per annum times the result of (i) the amount of the Cap (as such term is defined in the Interim Financing Offer), less (ii) the average daily principal amount of the outstanding advances plus the outstanding Existing Obligations (as such term is defined in the Interim Financing Offer) during the immediately preceding month, payable in arrears on the first (1st) day of each month.

50.6. Servicing fee: \$1,000 per month.

50.7. Use of Proceeds: The funds are to be used to: (i) finance the Borrower’s operating expenses and working capital requirements, and to pay administrative and legal fees related to the CCAA Proceedings; (ii) make any payments expressly permitted by the Interim Financing Offer; (iii) pay costs, expenses, interest and other obligations owing to Wells Fargo, as interim lender, under the Interim Financing Offer and existing

obligations pursuant to the credit agreement, as amended and restated, between Wells Fargo and the Borrower and Guarantor; and (iv) pay other expenses related to the implementation of the restructuring contemplated in the CCAA Proceedings. The funds must be used in compliance with the budget and financial forecasts submitted by the Applicants and approved by Wells Fargo.

51. The key conditions of the Interim Financing Offer include, *inter alia*:

51.1. The issuance of the Proposed Initial Order, consistent with the requirements of the Interim Financing Offer, which shall not have been rescinded, amended or revised without the express written consent of Wells Fargo, shall have been rendered executory notwithstanding any appeal, and shall not be the object of any motion for leave to appeal or application to stay execution.

51.2. The Interim Financing shall be secured by a priority charge in favour of Wells Fargo to secure the performance of the Applicants’ obligations under the Interim Financing Offer, up to an aggregate amount of \$3.6 million as of the Proposed Initial Order and increased to \$7.2 million, which will be sought at the Comeback Hearing (collectively, the “**Interim Lender Charge**”).

51.3. The Interim Lender Charge will have priority over all of the Applicants’ property and assets. No charge shall rank senior or *pari passu* with the Interim Lender Charge with the exception of the Administration Charge (as defined below);

51.4. The Applicants shall meet to the following milestones in connection with the contemplated restructuring process:

<u>Action</u>	<u>Date</u>
Service and filing of the application materials in respect of the CCAA Proceedings	December 17, 2024
Hearing before the Court and issuance of the First Initial Order	No later than December 19, 2024
Comeback hearing and SISP approval	No later than January 6, 2025
Launch of SISP	No later than January 13, 2025
Phase 1 bid deadline	February 21, 2025 for the Rocky Mountain and Faucher Industries divisions

<u>Action</u>	<u>Date</u>
Phase 1 retained bids	February 28, 2025 for the Rocky Mountain division and Faucher Industries divisions
Phase 2 bid deadline	March 28, 2025 for the Rocky Mountain division April 25, 2025 for the Faucher Industries division
Selection of successful bid	April 4, 2025 for the Rocky Mountain division May 2, 2025 for the Faucher Industries division
Approval application	April 18, 2025 for the Rocky Mountain division May 16, 2025 for the Faucher Industries division
Closing date	April 30, 2025 for the Rocky Mountain division May 30, 2025 for the Faucher Industries division

52. The Proposed Monitor is of the view that the terms of the Interim Financing Offer are reasonable, particularly considering the risk and uncertainties associated with the future of the Applicants' business.
53. The Cash Flow Forecast suggests that the Applicants do not expect to have sufficient liquidity or the ability to finance the CCAA Proceedings without additional financing.
54. The Proposed Monitor is of the view that the funding set out in the Interim Financing Offer is essential, that its terms are reasonable and within market parameters, and that there is no viable alternative to the offer.

PRIORITY CHARGES SOUGHT

Administration Charge

55. The Proposed Initial Order provides for a charge up to a maximum amount of \$250,000 (the "**Administration Charge**") in favour of counsel to the Applicants, and the Proposed Monitor and its counsel, as security for the professional fees and disbursements incurred prior to and after the commencement of the CCAA Proceedings up to the Comeback Hearing. Professional fee obligations secured by the Administration Charge will be paid in the ordinary course from

funding provided by, among other things, the Interim Financing. The Applicants intend to seek to increase the Administration Charge to \$500,000 at the Comeback Hearing.

56. The Proposed Monitor is of the view that the Administration Charge is reasonable and appropriate in the circumstances, having considered the complexity of the CCAA Proceedings, the work that has been completed to date, the engagement terms and anticipated work levels of the Proposed Monitor and its counsel, the Applicants' counsel and the size of court-ordered charges approved in comparable insolvency proceedings.
57. The amount of the Administration Charge is limited to an amount necessary to ensure the beneficiaries of the Administration Charge have adequate protection during these CCAA Proceedings.

Interim Lender Charge

58. The Interim Lender Charge in the amount of \$3.6 million up to the Comeback Hearing and \$7.2 million thereafter is detailed above in paragraph 51.2 of this Report.
59. The Proposed Monitor is of the opinion that such a charge is necessary and reasonable under the circumstances.

Directors and Officers Charge

60. The Proposed Initial Order provides for a charge in an amount not exceeding \$100,000 (the "**Directors' Charge**") to secure an indemnity in favour of the current directors and officers of the Applicants against obligations and liabilities that they may incur as director or officers of the Applicants after the commencement of these CCAA Proceedings up to the Comeback Hearing, except to the extent that the obligation or liability is incurred as a result of such director's or officer's gross negligence or willful misconduct. The Applicants intend to seek to increase the Directors' Charge to \$250,000 at the Comeback Hearing.
61. Although the Directors' Charge is limited to \$100,000, the total potential liability of the directors and officers amounts to more than \$650,000, which includes (i) one (1) pay period of two weeks as on average employees are paid bi-weekly on Friday and the related payroll deductions (employee and employer portions) (estimated at \$500,000) and (ii) three weeks of sales taxes based on the average sales taxes owing over the past three months (estimated at \$150,000). No amount was considered for accrued vacation as the Applicants' offices will be closed over the holiday period with employees required to use their vacation for non-statutory holiday days.
62. The directors and officers of the Debtors benefit from an insurance policy that provides some protection. The Applicants have advised that this policy was recently renewed until November 2025. The Directors' Charge is intended to provide additional protection beyond what is available under the existing insurance policy.

63. The directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, to the extent that such coverage is insufficient to pay an indemnified amount as described above, or to the extent that such coverage is denied by the insurance provider.
64. The Proposed Monitor is of the view that the Directors' Charge is required and is reasonable under the circumstances.

UPCOMING RESTRUCTURING MEASURES

65. Although, at this preliminary stage, it is not possible to determine with absolute certainty the extent of the Applicants' restructuring strategy, the Applicants anticipate, as indicated in the Application, that their restructuring process will include the following initiatives:
 - 65.1. Stabilize the operations, by concluding the interim Financing and continuing ongoing operations;
 - 65.2. Conduct and implement two SISPs for Rocky Mountain and Faucher respectively for which it intends to seek approval at the Comeback Hearing; and
 - 65.3. Implement any other restructuring options or measures that may be beneficial for the restructuring of the Applicants.

CONCLUSION

66. The Proposed Monitor has reviewed the Applicants' filing materials and has consented to act as the monitor of the Applicants, should the Court see fit to grant the relief sought.
67. Based on the Proposed Monitor's review thus far, the Applicants have displayed diligence, good faith and proper intentions in pursuing these restructuring proceedings.
68. In view of the foregoing and the information received to date, EY considers that the restructuring efforts to be implemented by the Applicants in the CCAA Proceedings herein, are reasonable. EY considers that the Applicants' Application to obtain a stay under the CCAA is necessary and appropriate in the circumstances.
69. Further to its review of the Proposed Initial Order, the Proposed Monitor supports the priority charges in the Proposed Initial Order, including:
 - 69.1. An Administration Charge of \$250,000;
 - 69.2. An Interim Financing Charge of \$3,600,000
 - 69.3. A Directors and Officers Charge of \$100,000

All of which is respectfully submitted this 17th day of December 2024.

**Ernst & Young Inc., in its capacity as
court-appointed Monitor of the Applicants
and not in its personal capacity**

Per:

A handwritten signature in blue ink, appearing to read "Corey Geenen".

Corey Geenen, CPA, CA, CIRP, LIT

Senior Vice-President

A handwritten signature in black ink, appearing to read "MNathaniel".

Michael Nathaniel, CPA, CA, CIRP, LIT

Vice-President

APPENDIX “A”

[Unaudited Consolidated Financial Statements for the year ended June 30, 2024]

Under Seal

APPENDIX “B”

[Unaudited Consolidated Financial Statements for the year ended June 30, 2023]

Under Seal

APPENDIX “C”
[Cash Flow Forecast]

Under Seal