CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL
No: 500-11-065067-247

SUPERIOR COURT
(Commercial Division)

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

Applicants

and

ERNST & YOUNG INC.

Monitor

THIRD REPORT OF THE MONITOR – APRIL 10, 2025

INTRODUCTION

1. On December 19, 2024, the Superior Court of Québec (the "**Court**") granted an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*[1] (the "**CCAA**"), with respect to Industries RAD Inc. ("**Industries RAD**") and Rocky Mountain Bikes Inc. ("**Rocky Mountain US**" and, collectively with Industries RAD, the "**Applicants**" or the "**Group**"), which Initial Order, among other things, declared that the Applicants are debtor companies subject to the CCAA, appointed EY as the monitor of the Applicants (the "**Monitor**"), approved a stay of proceedings in respect of the Applicants, which, after an initial period of ten (10) days, was deemed extended due to the holiday period to January 6, 2025 (the "**Stay Period**"), approved an initial tranche of the interim financing facility in the amount of $3,000,000 (the "**Interim Financing**"), and granted certain Court-ordered charges.

2. On January 6, 2025, the Court granted an amended and restated initial order (the "**ARIO**"), which, among other things, extended the Stay Period to May 30, 2025, and approved increased Court-ordered charges. On the same day, the Court also granted an order approving two sale and investment solicitation processes (the "**SISP Approval Order**"), one for the Rocky Mountain division of Industries RAD and Rocky Mountain US (the "**Rocky SISP**") and one for the Industries Faucher division of Industries RAD (the "**Faucher SISP**").

3. On April 9, 2025, the Applicants brought an application for the issuance of an approval, vesting and assignment of contracts order (the "**Application**") approving the sale of the assets comprising the Industries Faucher division of Industries RAD (the "**Faucher Approval and Vesting Order**").

[1] *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended

4. This present report (the "**Third Report**") is intended to provide the Court and stakeholders of the Group with information on the state of the Group's business and financial affairs in accordance with section 23(1)(d) of the CCAA, and to address the order being sought in the Application.

5. The Third Report is presented under the following headings:

   - Introduction;
   - Terms of Reference and Disclaimer;
   - Overview of the Restructuring Proceedings to Date;
   - Cash Flow Results;
   - Update on the Faucher SISP;
   - The Faucher APA;
   - Independent Security Review;
   - Proposed Distribution Waterfall
   - Update on the Rocky SISP;
   - Upcoming Restructuring Measures; and
   - Conclusions.

TERMS OF REFERENCE AND DISCLAIMER

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

7. The 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 Monitor that would cause it to question the reasonableness of this assumption.

8. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information.

9. Some of the information referred to in this Third 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.

10. Future-oriented financial information referred to in this Third 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.

11. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Third Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.

12. The Monitor has prepared this Third Report solely for the use of this Court and the Group's stakeholders in these CCAA Proceedings.

13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

14. Capitalized terms not otherwise defined in this Third Report shall be given the meaning they were assigned in the prior reports of the Monitor and the SISP Approval Order.

OVERVIEW OF THE RESTRUCTURING PROCEEDING TO DATE

15. The activities of the Monitor from the date of the Initial Order until January 3, 2025, were described in the Second Monitor's Report. Since that date, the Monitor conducted the following activities:

    15.1. In collaboration with the Applicants and Ernst & Young Orenda Corporate Finance Inc. ("**EYO**"), conducted the SISP processes, as further described herein;

    15.2. Collaborated and transmitted financial information to the Group's secured creditors and participated in meetings and calls with them;

    15.3. Monitored the Applicants' receipts and disbursements as contemplated in the ARIO;

    15.4. Assisted the Applicants in analyzing their actual cash flows compared to the cash flow forecast submitted as Appendix C to the Monitor's Pre-Filing Report (the "**Cash Flow Forecast**") and prepared reports thereon;

    15.5. Assisted Management in updating its cash flow projections;

    15.6. Testified at the January 6, 2025, Court hearing;

    15.7. Populated the Monitor's website at www.ey.com/ca/industriesrad with various documents relevant to these CCAA proceedings;

15.8. Negotiated and concluded, in collaboration with the Applicants, certain consignment agreements with some of the Applicants' suppliers for the purposes of ensuring that relevant product is available for the Rocky SISP;

15.9. Responded to questions and queries from various creditors and stakeholders with respect to the CCAA Proceedings, and this, with the assistance of the Applicants; and

15.10. Prepared the Third Report to the Court.

16. The Applicants' activities from the date of the Initial Order until January 3, 2025, were described in the Second Monitor's Report. Since that date, the Applicants conducted the following activities:

16.1. Continued to manage their operations in the normal course of business;

16.2. Communicated and negotiated with certain suppliers in order to obtain goods and services necessary to maintain operations;

16.3. Communicated with their customers, employees and other stakeholders regarding the CCAA Proceedings;

16.4. Supported the SISPs by supplying information, reviewing and commenting on marketing materials, responding to requests from interested parties, assisting in various meetings with interested parties, and participating in the evaluation of the bids; and

16.5. Maintained ongoing communication and reporting with the Interim Lender.

CASH FLOW RESULTS

17. A comparison of actual receipts and disbursements with the Cash Flow Forecast for the sixteen-week period from December 7, 2024, to March 28, 2025, is attached as Appendix A.

18. The net cash flow for the period was $5.1 million compared to a forecast net cash outflow of $1.6 million representing a favourable net cash flow variance of $6.7 million for the sixteen-week period ended March 28, 2025. This variance is largely due to i) higher than projected sales, ii) settlement of favourable foreign exchange contracts, iii) lower operating disbursements than forecast and iv) lower debt interest payments than forecast.

19. In accordance with the ARIO and with the consent of the Monitor and Interim Lender, the Group disbursed approximately $193,000 to vendors in respect of goods and services provided prior to the Initial Order to secure the supply of critical goods and services.

20. As a result of the positive net cash flows, the Group did not draw on the Interim Financing Facility over the sixteen-week period ended March 28, 2025.

21. The Applicants continue to respect the Cash Flow Forecast and are projected to have sufficient liquidity to continue operating until the end of the stay period on May 30, 2025.

UPDATE ON THE FAUCHER SISP[2]

Phase 1

22. The SISP Approval Order contains the Faucher Bidding Procedures, which set forth the procedures to be followed for the Faucher SISP.

23. Following the issuance of the SISP Approval Order, EYO, in collaboration with the Monitor and the Applicants, prepared a list of potentially interested parties, a teaser letter, a confidential information memorandum ("**CIM**"), and a virtual data room ("**VDR**") for the Faucher SISP.

24. In accordance with the Faucher Bidding Procedures, on January 13, 2025, the Faucher teaser letter was distributed to certain potentially interested parties identified by EYO, in collaboration with the Monitor and the Applicants.

25. By January 24, 2025, the Faucher CIM and VDR were made available to Potential Bidders, i.e., potentially interested parties having executed the non-disclosure agreement ("**NDA**"). The Monitor, with the written approval of the Interim Lender and in consultation with the Applicants, delayed the initial deadline of January 17, 2025, to provide access to the CIM and VDR, by one week, in order to provide more robust and complete information to the Potential Bidders.

26. In addition to the above, EYO, in collaboration with the Monitor and the Applicants,

    26.1. Responded to inquiries made by Potential Bidders by email and phone; and,

    26.2. Scheduled and organized calls with Potential Bidders to answer their questions.

27. The Phase 1 Faucher SISP solicitation process conducted by EYO in collaboration with the Monitor and the Applicants, resulted in the following outcomes:

    27.1. 219 potentially interested parties were contacted and received a copy of the teaser letter.

    27.2. 101 of the potentially interested parties formally declined the opportunity mainly due to a lack of strategic fit for the business.

    27.3. 54 Potential Bidders signed an NDA and were subsequently provided with the CIM and granted access to the VDR. Many of these Potential Bidders had discussions with EYO.

[2] All capitalized terms in this section that are not otherwise defined herein shall have the meaning ascribed to them in the SISP Approval Order.

27.4. 15 Potential Bidders submitted non-binding letters of interest ("**LOI**") by the Phase 1 Bid Deadline of February 21, 2025.

28. One of the Potential Bidders that submitted an LOI was a syndicate of investors, which included certain key members of Faucher's Management (the "**Faucher Management Bidder**").

29. To address the presence of the Faucher Management Bidder, and in accordance with the Faucher Bidding Procedures, the Monitor implemented information and consultation restrictions to Faucher's management to avoid any potential compromise of the integrity of the Faucher SISP. As such, Faucher's management was not provided with a copy of the Phase 1 LOIs and was excluded from participating in any consultation or decision-making with regards to the Phase 1 LOIs.

30. The Monitor and EYO, in consultation with the Interim Lender, carefully evaluated the 15 LOIs received. A summary of the Phase 1 LOIs is attached to this Report under seal as Appendix B.

31. In respect of Phase 1 of the Faucher SISP, the Monitor, with the written approval of the Interim Lender, determined the following:

    31.1. Nine (9) Phase 1 Bidders having submitted a Phase 1 Qualified Bid were determined to be Phase 2 Qualified Bidders and, subsequently, were invited to participate in Phase 2 of the Faucher SISP; and

    31.2. Six (6) Phase 1 Bidders having submitted a Phase 1 Qualified Bid were not invited to participate in Phase 2 of the Faucher SISP, as it was determined that their bids were not competitive.

32. On February 27, 2025, EYO notified each Phase 1 Bidders via email as to whether its bid constituted a Phase 2 Qualified Bid and would be permitted to proceed to Phase 2 of the Faucher SISP.

<u>Phase 2</u>

33. As a result of the foregoing, EYO, in consultation with the Monitor, initiated Phase 2 of the Faucher SISP. The objective of Phase 2 of the Faucher SISP was to allow the Phase 2 Qualified Bidders to conduct any due diligence regarding the opportunity to enable them to submit a Binding Offer before the Phase 2 Bid Deadline.

34. The Phase 2 Bid Deadline to submit a Binding Offer was March 28, 2025, at 5:00 p.m. EST.

35. During Phase 2 of the Faucher SISP, EYO and where applicable, the Applicants, carried out the following tasks:

35.1. Held management meetings with the Phase 2 Qualified Bidders to answer their various questions; and

35.2. Continued to add information and documents requested by the Phase 2 Qualified Bidders to the VDR to enable them to complete their due diligence.

36. Phase 2 of the Faucher SISP resulted in multiple Binding Offers being received by the Phase 2 Bid Deadline. A summary of the Binding Offers is attached to this report as Appendix C, under seal.

37. The Faucher Management Bidder did not submit a Phase 2 Binding Offer. Accordingly, the Monitor withdrew the consultation restrictions that had been implemented in accordance with the Faucher Bidding Procedures with respect to Faucher's Management.

38. In the days following the Phase 2 Bid Deadline, the Monitor, in consultation with the Applicants and the Interim Lender, reviewed the Binding Offers received.

39. Following the Phase 2 Bid Deadline, EYO and the Monitor, in consultation with the Applicants and the Interim Lender, carried out the following tasks:

39.1. Held discussions with select Phase 2 Qualified Bidders having submitted Binding Offers to clarify conditions included in their respective offers;

39.2. Requested amendments to certain Phase 2 Qualified Bids; and

39.3. Held discussions with the Interim Lender and Applicants to evaluate the Binding Offers.

40. On April 4, 2025, the Monitor, with the written approval of the Interim Lender, and in consultation with the Applicants, informed the Phase 2 Qualified Bidders on the status of their offers.

41. The Monitor selected Les Câbles Ben-Mor Inc. (the "**Faucher Purchaser**") as the Successful Bidder and selected their Binding Offer to be the Successful Bid.

42. Following the selection of the Successful Bid, the parties negotiated and made amendments to its terms and conditions in order to structure the acquisition and clarify certain items resulting in the Faucher Asset Purchase Agreement ("**Faucher APA**"), which was executed on April 8, 2025. The Faucher APA and the transaction envisioned by way of the Successful Bid is subject to the approval of the Court, as reflected in the Application and its exhibits.

THE FAUCHER APA

43. The Faucher APA effectively provides for the acquisition of substantially all the assets of the Industries Faucher division of Industries RAD in order to continue operating the business as

a going concern, including offering continued employment to substantially all of the Faucher employees.

44. In addition to the purchased assets, the Faucher APA contemplates that the Purchaser will assume the following liabilities of Faucher:

44.1. Trade payables, whether arising prior to or post filing of the CCAA Proceedings;

44.2. Cure costs under the assumed contracts;

44.3. Liabilities arising out of or relating to product or service warranties of Faucher; and

44.4. Liabilities in respect of the employees retained by the Faucher Purchaser.

45. The Faucher APA reflects that the following assets will be excluded from the transaction:

45.1. Assets relating to the Rocky Mountain division of Industries RAD;

45.2. Excluded contracts, which are comprised of all contracts not expressly retained by the Faucher Purchaser, as such Assumed Contracts are expressly identified in the applicable schedule to the Faucher APA;

45.3. Tax assets;

45.4. Cash and cash equivalents;

45.5. Insurance policies

45.6. Deposits made to suppliers after the Filing Date as a result of the filing of the CCAA Proceeding; and

45.7. Benefit plans and collective insurance related to the employees.

46. The closing of the transaction is planned to occur on April 30, 2025, unless otherwise agreed to by Industries RAD and the Faucher Purchaser, with the consent of the Monitor. The outside closing date is May 16, 2025.

47. The only condition precedent to the closing of the transaction is the granting of the Faucher Approval and Vesting Order, however there remain several administrative items to be completed prior to closing.

48. The Monitor is advised that the Application and certain related materials were notified to all parties on the Service List as well as to most of the contractual counterparties and other stakeholders for which the Monitor and Buyer were provided with the requisite e-mail addresses. While the Monitor cannot confirm whether all affected counterparties have received notice prior to April 11, 2025, the Monitor is committed to ensuring that all requisite

counterparties receive notice in due course, and retains the option to seek direction from this Court in the event there is any contestation to an assignment. The Monitor is also advised that the Faucher Purchaser is an arms-length party in respect of the Applicants.

Comparison to Sale in Bankruptcy

49. The Monitor has considered whether the Faucher APA would be more beneficial to the Applicants' creditors generally than a sale or disposition of assets under a bankruptcy.

50. Given the nature of the Faucher assets and the robust SISP process conducted, the Monitor is of the view that a sale or disposition of the Faucher assets under a bankruptcy, or another enforcement or liquidation proceeding, is unlikely to result in a better outcome for the Applicants' creditors.

51. Although the Faucher APA does not result in any residual amounts being available for distribution to the unsecured creditors, it is not expected that a sale or disposition of assets under a bankruptcy, or another enforcement or liquidation proceeding, would result in a higher realization value. In addition, i) the claims of certain unsecured creditors party to Assumed Contracts are being assumed and paid by the Faucher Purchaser in the context of the transaction in the form of cure costs relating to Assumed Contracts and ii) the claims of the unsecured trade creditors are being assumed and paid by the Faucher Purchaser.

52. Furthermore, bankruptcy proceedings would:

    52.1. Cause additional delays, costs, and uncertainty in the sale of the Faucher assets;

    52.2. Jeopardize the going concern operations of the Faucher business; and

    52.3. Likely result in the termination of the employment of all individuals currently employed in the Faucher division of the Applicants.

53. Accordingly, it is the Monitor's view that a sale or disposition of the Applicants' Faucher assets in a bankruptcy would not be more beneficial to the Applicants' stakeholders than proceeding with the Faucher APA.

Vesting Order

54. The Monitor is of the view that the Faucher APA is the most advantageous alternative for the Applicants, their creditors, and their stakeholders as a whole for several reasons, including that the Faucher APA:

    54.1. represents the Successful Bid received following a robust SISP for the Faucher business;

    54.2. allows for the payment of cure costs in respect of Assumed Contracts;

54.3. allows for the payment of the trade payables arising prior to the filing of the CCAA proceedings;

54.4. provides for continued employment to substantially all employees of Faucher; and,

54.5. ensures that the Applicants' economic activities will continue as a going concern, an outcome that will benefit the Applicants' customers and suppliers.

INDEPENDENT SECURITY REVIEW

55. The Monitor requested independent legal opinions (collectively, the "**Legal Opinions**") from the Monitor's counsel, Stikeman Elliott LLP ("**Stikeman**") in respect of the general security agreements (collectively, the "**Security Agreements**") and deeds of hypothec (collectively, the "**Deeds of Hypothec**") granted by Industries RAD in favour of Wells Fargo and Roynat Inc. ("**Roynat**"). Stikeman has confirmed to the Monitor that it has reviewed the applicable Security Documents and Deeds of Hypothec and is in process of finalizing the Legal Opinions. Stikeman has verbally confirmed to the Monitor that the Legal Opinions will conclude that, subject to the customary assumptions, qualifications and limitations:

    55.1. The Security Agreement in favour of Wells Fargo constitutes a legal, valid and binding agreement of Industries RAD, enforceable against it in accordance with its terms under the laws of the Province of Ontario;

    55.2. Each Security Agreement creates a valid security interest in favour of Wells Fargo or Roynat, as applicable, in the personal property described in such Security Agreement as being subject to a security interest in which Industries RAD has rights and is sufficient to create a valid security interest in favour of Wells Fargo or Roynat, as applicable, in any such personal property in which Industries RAD acquires rights after the date of the applicable Legal Opinion when those rights are acquired by Industries RAD, in each case to secure payment and performance of the obligations described in such Security Agreement as being secured by it.

    55.3. Registration was made in all public offices provided for under the laws of the Provinces of Ontario, Alberta and British Columbia where such registration is necessary at this time to perfect the security interests created by the Security Agreement with respect to the personal property of Industries RAD and the particulars of the registrations are set forth in the applicable Legal Opinion.

    55.4. Each Deed of Hypothec constitutes a legal, valid and binding agreement of Industries RAD, enforceable against it in accordance with its terms under the laws of the Province of Quebec;

    55.5. Each Deed of Hypothec continues to constitute a valid hypothec pursuant to the laws of the Province of Quebec in the movable property described in the applicable

Deed of Hypothec as being secured thereunder, as security for the obligations stated to be secured thereunder; and

55.6. Each Deed of Hypothec has been registered in all places in the Province of Quebec as are currently necessary to render the hypothecs created pursuant thereto opposable to third parties.

PROPOSED DISTRIBUTION WATERFALL

56. In accordance with the proposed Faucher Approval and Vesting Order, the net proceeds from the sale of the Faucher assets will be remitted to the Monitor, with authorization to distribute such net proceeds as follows.

57. The Monitor shall retain the following two amounts from the net proceeds:

57.1. A reserve in an amount to be agreed in writing between the Interim Lender and the Monitor to ensure there are sufficient funds in the estate to pay any priority claims related to unretained employee wages and vacation, and, potentially, to cover post-closing operating expenses, professional fees and other costs to complete the CCAA proceedings of the Applicants; and,

57.2. An escrow amount, as defined in the Purchase Agreement.

58. The Monitor shall be authorized to distribute the Faucher transaction proceeds, net of the amounts listed above, as follows:

58.1. An amount of $201,443 owing to Roynat in partial reimbursement of the indebtedness and obligations outstanding under or in connection with the loan agreements concluded between Roynat and the Applicants, to the extent Roynat's security is realized upon and up to the value of its security; and,

58.2. All remaining net proceeds to Wells Fargo (less the proceeds reserve, the escrow amount and the distribution made to Roynat, as outlined in the Faucher Approval and Vesting Order) in partial reimbursement of the indebtedness and obligations owing to it prior to the filling of the CCAA proceedings.

59. Given that the net proceeds of the assets purchased will be inferior to the secured debt held by Wells Fargo and Roynat, the creditors that hold security against the purchased assets will not be fully repaid under the proposed transaction. As such, the Monitor does not believe that there will be any distribution to unsecured creditors at this time.

60. Additionally, the Monitor communicated and exchanged with counsel and representatives of the government of the province of British Columbia with respect to a lien registered against Industries RAD in British Columbia. The Monitor understands that the government of British

Columbia will not be asserting any priority over the security granted to Wells Fargo and Roynat.

61. As provided for in the Faucher Approval and Vesting Order, the Monitor shall not be liable for making any distributions, disbursements or payments, as applicable, and that any payments, distributions or disbursements shall not constitute a "distribution" by the Monitor.

UPDATE ON THE ROCKY MOUNTAIN SISP[3]

62. The Rocky SISP is ongoing as of the date of this Report. As such, the Monitor has prepared an update to inform the Court of the status of the Rocky SISP.

<u>Phase 1</u>

63. Following the issuance of the SISP Approval Order, EYO, in collaboration with the Monitor and the Applicants, prepared a list of Potential Bidders, a teaser letter, a CIM, and a VDR for the Rocky SISP.

64. In accordance with the Rocky Bidding Procedures, on January 13, 2025, the Rocky Mountain Teaser Letter was distributed to the list of potentially interested parties identified by EYO, in collaboration with the Monitor and the Applicants.

65. On January 17, 2025, the Rocky CIM and VDR were made available to Potential Bidders, i.e., potentially interested parties having executed the non-disclosure agreement ("**NDA**"), in conformity with the Rocky Bidding Procedures.

66. In addition to the above, EYO, in collaboration with the Monitor and the Applicants:

    66.1. Responded to inquiries made by Potential Bidders by email and phone; and,

    66.2. Scheduled and organized calls with Potential Bidders to respond to their questions.

67. The solicitation process conducted by EYO, in consultation with the Monitor, the Applicants and the Interim Lender, resulted in multiple Potential Bidders submitting non-binding letters of intent ("**LOIs**") by the phase 1 bid deadline of February 14, 2025.

68. In the 7 days following the Phase 1 Bid Deadline, the Monitor and EYO, in consultation with the Interim Lender, reviewed, clarified and evaluated the LOIs received. The Applicants were not consulted because, similarly to Faucher, management of the Applicants participated in the Rocky SISP.

69. On February 20, 2025, the Monitor notified each Phase 1 Bidder in writing via email as to whether they would be permitted to proceed to Phase 2 of the Rocky SISP.

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[3] All capitalized terms in this section that are not otherwise defined herein shall have the meaning ascribed to them in the SISP Approval Order.

Phase 2

70. As a result of the foregoing, EYO, in consultation with the Monitor, initiated Phase 2 in accordance with the terms of the Rocky Bidding Procedures. The objective of Phase 2 was to allow Phase 2 Qualified Bidders to conduct any due diligence regarding the opportunity to enable them to submit a binding offer before the Phase 2 Bid Deadline.

71. The Phase 2 Bid Deadline to submit binding offers was March 14, 2025, at 5:00 p.m. EST.

72. During Phase 2 of the Rocky SISP, EYO and where applicable, the Applicants, carried out the following tasks:

    72.1. Held meetings with the various Phase 2 Qualified Bidders to answer their various questions; and,

    72.2. Continued to add information and documents requested by the Qualified Bidders to the VDR to enable them to complete their due diligence.

73. Phase 2 of the Rocky SISP resulted in multiple binding offers being received by the Phase 2 Bid Deadline.

74. In the days following the Phase 2 Bid Deadline, the Monitor, in consultation with the Applicants and the Interim Lender, reviewed the binding offers received. Management of Applicants did not submit a Phase 2 Binding Offer and as such participated in the review of the Binding Offers.

75. Following the Phase 2 Bid Deadline, EYO and the Monitor, in consultation with the Applicants and the Interim Lender, carried out the following tasks:

    75.1. Held discussions with the Phase 2 Qualified Bidders having submitted Binding Offers to clarify conditions included in their respective offers;

    75.2. Requested amendments to certain Phase 2 Qualified Bids; and

    75.3. Held discussions with the Interim Lender to review the various options.

76. The deadline for the selection of the Successful Bid was March 21, 2025 at 5:00 p.m. EST. The Monitor, in consultation with the Applicants and with the written approval of the Interim Lender, extended said deadline to April 2, 2025 and then again to April 11, 2025 in order to provide additional time to negotiate amendments to the terms of the Phase 2 Qualified Bids and to allow certain Phase 2 Qualified Bidders to conduct additional due diligence.

77. As of the date of this Third Report, the Monitor remains in discussions with the Phase 2 Bidders and intends to finalize its negotiations with the Phase 2 Bidders and proceed with the selection of the Successful Bid as soon as practicable.

UPCOMING RESTRUCTURING MEASURES

78. It is anticipated that the next steps for these CCAA proceedings are as follows:

    78.1. Execute the closing of the proposed Faucher transaction;

    78.2. Realize upon any excluded Faucher assets; and

    78.3. Select a Successful Bid in the Rocky SISP and negotiate definitive documentation related thereto.

CONCLUSION

79. Based on the Monitor's review thus far, the Monitor believes the Applicants have displayed diligence, good faith and proper intentions during these CCAA Proceedings.

80. In view of the foregoing and the information received to date, EY considers that the restructuring efforts to be implemented, and that have thus far been implemented, by the Applicants in the CCAA Proceedings are reasonable.

81. The Monitor supports and recommends that the Court grant the relief sought by the Applicants to approve the Faucher Approval and Vesting Order.

All of which is respectfully submitted this 10th day of April 2025.

Ernst & Young Inc., in its capacity as

court-appointed Monitor of the Applicants

and not in its personal capacity

Per:

Corey Geenen, CPA, CA, CIRP, LIT

Senior Vice-President

Michael Nathaniel, CPA, CA, CIRP, LIT

Vice-President

APPENDIX "A"

Cash Flow Variance Report

Cumulative cash flow variance

Industries RAD cashflow

Cumulative variance for the 16 weeks ended Mar 28, 2025	Actuals	Forecast	Delta
Sales			
Sales - RM	8,989	5,171	3,819
Sales - Faucher	7,568	8,132	(565)
Total sales	16,557	13,303	3,254
Receipts			
Sales proceeds - RM	12,372	8,246	4,126
Sales proceeds - Faucher	8,648	9,249	(601)
Sales tax refunds	-	-	-
Shareholder loan	-	-	-
Proceeds from sales process	-	-	-
Other receipts	610	-	610
Total receipts	21,630	17,495	4,135
Operating disbursements			
Payroll & benefits - RM	(2,425)	(2,515)	90
Assembler purchases - RM	(1,068)	-	(1,068)
Other disbursements - RM	(2,460)	(3,290)	830
Duty & sales tax payments	(129)	(85)	(44)
Disbursements - Faucher	(7,692)	(10,171)	2,479
Total operating disbursements	(13,775)	(16,061)	2,286
Net operating cash flow	7,855	1,434	6,421
Non operating disbursements			
Debt principal payments	-	-	-
Debt interest payments	(801)	(948)	147
Capital expenditures	-	-	-
Professional fees	(1,893)	(2,070)	177
Total non-operating disbursements	(2,694)	(3,018)	324
Net cash receipts/(disbursements)	5,161	(1,583)	6,744
Revolving credit facility			
Opening revolver balance	(30,093)	(30,093)	-
Net cash receipts/(disbursements)	(46)	(397)	351
Reconciling items/FX - Revolver	(304)	-	(304)
Ending revolver balance	(30,443)	(30,490)	47
DIP Financing			
Opening DIP balance	-	-	-
(Draws)/repayments	5,207	(1,187)	6,394
Reconciling items/FX - DIP	152	-	152
Ending DIP balance	5,359	(1,187)	6,546
Combined revolver and DIP balance	(25,084)	(31,677)	6,593
Borrowing base collateral			
AR availability	11,267	11,870	(604)
Inventory availability	5,979	6,308	(328)
Letter of credit - EDC Insurance	-	-	-
Less: Borrowing base reserves	(615)	(1,000)	385
Less: Minimum availability covenant	-	-	-
Collateral balance	16,631	17,178	(547)
Borrowing base availability	(8,453)	(14,498)	6,045
Permitted overadvance	15,000	15,000	-
Borrowing base availability after permitted overadvance	6,547	502	6,045

**In the matter of the proposed plan of arrangement or compromise of
Industries RAD Inc. and Rocky Mountain Bikes Inc. (collectively, the "Applicants")**

Appendix "A"
Variance Analysis

The following paragraphs set out the Applicants' explanations for the more significant variances between Applicants' actual cash flows and those included in the cash flow forecast in the Pre-Filing Monitor's Report for the period from December 7, 2024 to March 28, 2025:

1. Sales were higher than forecast by $3.3 million primarily due to better than expected demand for the Rocky Mountain bicycles and unbudgeted purchases of new inventory offset by lower than projected Faucher sales.

2. Sales proceeds were higher than forecast by $3.5 million primarily due to the increased sales made by Rocky Mountain offset by the reduced sales made by Faucher.

3. Other receipts were higher than forecast by $0.6 million primarily related to the settlement of favourable foreign exchange contracts.

4. Assembler purchases were $1.1 million higher than forecast primarily due to the purchase of new bicycles to fulfill new orders.

5. Other disbursements were $0.8 million lower than forecast due to expense management by the Rocky Mountain.

6. Faucher disbursements were $2.5 million lower than forecast due to the lower sales volume and expense management.

7. Debt interest payments were $0.1 million lower than forecast due to lower debt interest and fees than forecast.

8. Professional fees were $0.2 million lower than forecast due to timing differences in the invoicing and payment of professional fee invoices.

APPENDIX "B"

Faucher SISP – Phase 1 Results

UNDER SEAL

APPENDIX "C"

Faucher SISP – Phase 2 Results

UNDER SEAL