

***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

FOURTH REPORT OF THE MONITOR – MAY 1, 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 11, 2025, the Court granted the Faucher Approval and Vesting Order 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. On April 30, 2025, the Applicants brought an application for the issuance of an approval and vesting order (the “**Application**”) approving the sale of the assets comprising the Rocky Mountain division of Industries RAD (the “**Rocky Approval and Vesting Order**”).
5. This present report (the “**Fourth 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.
6. The Fourth Report is presented under the following headings:
 - Introduction;
 - Terms of Reference and Disclaimer;
 - The Rocky Mountain SISP;
 - The Rocky Mountain APA;
 - Independent Security Review;
 - Proposed Distribution Waterfall;
 - Request for Additional Powers for the Monitor;
 - Upcoming Restructuring Measures; and
 - Conclusions.

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this Fourth 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**”).
8. 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.
9. 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.
10. Some of the information referred to in this Fourth 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.

11. Future-oriented financial information referred to in this Fourth 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.
12. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Fourth Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.
13. The Monitor has prepared this Fourth Report solely for the use of this Court and the Group's stakeholders in these CCAA Proceedings.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
15. Capitalized terms not otherwise defined in this Fourth Report shall be given the meaning they were assigned in the prior reports of the Monitor and the SISP Approval Order.

THE ROCKY MOUNTAIN SISP²

Phase 1

16. The SISP Approval Order contains the Rocky Bidding Procedures, which set forth the procedures to be followed for the Rocky SISP.
17. Following the issuance of the SISP Approval Order, Ernst & Young Orenda Corporate Finance (Canada) Inc. ("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 Rocky SISP.
18. In accordance with the Rocky Bidding Procedures, on January 13, 2025, the Rocky Mountain Teaser Letter was distributed to the list of 220 potentially interested parties identified by EYO, in collaboration with the Monitor and the Applicants.
19. On January 17, 2025, the Rocky CIM and VDR were made available to the 59 Potential Bidders, potentially interested parties having executed the non-disclosure agreement (the "NDA"), in conformity with the Rocky Bidding Procedures.
20. In addition to the above, EYO, in collaboration with the Monitor and the Applicants:
 - 20.1. Responded to inquiries made by Potential Bidders by email and phone; and,

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.

- 20.2. Scheduled and organized calls with Potential Bidders to respond to their questions.
21. The Phase 1 Rocky SISP solicitation process conducted by EYO in collaboration with the Monitor and the Applicants, resulted in the following outcomes:
- 21.1. 220 potentially interested parties were contacted and received a copy of the teaser letter.
 - 21.2. 141 of the potentially interested parties formally declined the opportunity mainly due to a lack of strategic fit for the business.
 - 21.3. 59 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.
 - 21.4. 8 Potential Bidders submitted non-binding letters of interest (“**LOI**”) by the Phase 1 Bid Deadline of February 14, 2025.
22. 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 8 LOIs received.
23. One of the Potential Bidders that submitted an LOI by the Phase 1 Bid Deadline was the management of the Applicants (the “**Rocky Management Bidder**”).
24. To address the presence of the Rocky Management Bidder, and in accordance with the terms of the Rocky Bidding Procedures, the Monitor implemented information and consultation restrictions to Rocky’s management in order to avoid any potential compromise of the integrity of the Rocky SISP. As such, Rocky’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.
25. The Monitor and EYO, in consultation with the Interim Lender, carefully evaluated the 8 Phase 1 LOIs received. A summary of the Phase 1 LOIs is attached to this Report under seal as **Appendix A**, under seal.
26. In respect of Phase 1 of the Rocky SISP, the Monitor, with the written approval of the Interim Lender, determined that all eight (8) 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 Rocky SISP.
27. 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.

Phase 2

28. As a result of the foregoing, EYO, in consultation with the Monitor, initiated Phase 2 of the Rocky SISP in accordance with the terms of the Rocky Bidding Procedures. The objective of Phase 2 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.
29. The Phase 2 Bid Deadline to submit Binding Offers was March 14, 2025, at 5:00 p.m. EST.
30. During Phase 2 of the Rocky SISP, EYO, and where applicable, the Applicants, carried out the following tasks:
 - 30.1. Held meetings with the various Phase 2 Qualified Bidders to answer their various questions; and,
 - 30.2. Continued to add information and documents requested by the Qualified Bidders to the VDR to enable them to complete their due diligence.
31. Phase 2 of the Rocky SISP resulted in four (4) Binding Offers being received by the Phase 2 Bid Deadline, none of which contemplated retaining substantially all the employees of the Rocky Mountain division. A summary of the Binding Offers is attached to this report as **Appendix B**, under seal.
32. Management of the Applicants did not submit a Phase 2 Binding Offer. Accordingly, the Monitor withdrew the consultation restrictions that had been implemented in accordance with the Rocky Bidding Procedures with respect to Rocky's management and allowed them to participate in the review of the Binding Offers.
33. 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.
34. Following the Phase 2 Bid Deadline, EYO and the Monitor, in consultation with the Applicants and the Interim Lender, carried out the following tasks:
 - 34.1. Held discussions with the Phase 2 Qualified Bidders having submitted Binding Offers to clarify conditions included in their respective offers;
 - 34.2. Requested amendments to certain Phase 2 Qualified Bids; and
 - 34.3. Held discussions with the Interim Lender to review the various options.
35. 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, then to April 11, 2025, and then finally to April 16, 2025, in order to provide additional time to negotiate amendments to the terms of the Phase 2 Binding Offers, to allow certain Phase 2 Qualified Bidders to conduct additional

due diligence, and ultimately to negotiate the most favourable transaction terms for the benefit of the Applicants' stakeholders.

36. On April 16, 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.
37. The Monitor selected a syndicate of investors (the "**Rocky Purchaser**") as the Successful Bidder and selected their Binding Offer to be the Successful Bid. The Rocky Purchaser is a Quebec-based arm's length party with respect to the Applicants. Investors of the Rocky Purchaser are related to i) one of North America's largest distributors of automotive wheels, accessories and tools, as well as parts for recreational vehicles and trailers and ii) an electric bicycle manufacturer.
38. 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 Rocky Asset Purchase Agreement ("**Rocky APA**"), which was executed on April 18, 2025. The Rocky APA is subject to the approval of the Court, as reflected in the Application and its exhibits.

THE ROCKY MOUNTAIN APA

39. The Rocky APA provides for the acquisition of substantially all the assets of the Rocky Mountain division of Industries RAD; however, it does not contemplate the continued employment of the majority of the Rocky employees.
40. The Rocky APA reflects that the following assets will be excluded from the transaction:
 - 40.1. Assets relating to the Faucher division of Industries RAD;
 - 40.2. The Bike Action receivable;
 - 40.3. Any equity interest in the share capital of Bike Action;
 - 40.4. All contracts;
 - 40.5. Tax assets;
 - 40.6. Cash and cash equivalents;
 - 40.7. Insurance policies;
 - 40.8. Deposits made to suppliers after the Filing Date as a result of the filing of the CCAA Proceeding; and
 - 40.9. Benefit plans and collective insurance related to the employees.

41. The Rocky APA does not contemplate the assumption of any liabilities relating to the Rocky Mountain division.
42. The majority of the purchase price is payable upon the closing of the Rocky APA, however, a portion of the purchase price, which will be determined based on accounts receivable and inventory adjustments, is payable 6 months following the closing of the APA (the “**Deferred Consideration**”). The Deferred Consideration will be secured by a first-ranking hypothec on the Rocky Purchaser’s assets, as well as a personal guarantee from two officers of the Rocky Purchaser for the purpose of securing the obligations of the Rocky Purchaser with respect to the payment of the Deferred Consideration.
43. The Rocky APA provides for the Applicants and the Rocky Purchaser to enter into a transition service agreement for a period of no longer than two (2) months following the closing of the transaction (the “**Transition Period**”) to facilitate the transfer of the Rocky Mountain assets to the Rocky Purchaser. The Rocky Purchaser shall be responsible for all costs and expenses in connection with the transition services.
44. The closing of the transaction is planned to occur two (2) business days following the granting of the Rocky Approval and Vesting Order, unless otherwise agreed to by the Rocky Purchaser and the Applicants with the consent of the Monitor. The outside closing date is May 16, 2025.
45. The only condition precedent to the closing of the transaction is the granting of the Rocky Approval and Vesting Order, however, there remain several administrative items to be completed prior to closing, which administrative items are not expected to substantially impede or delay closing of the Rocky APA.

Comparison to Sale in Bankruptcy

46. The Monitor has considered whether the Rocky APA would be more beneficial to the Applicants’ creditors generally than a sale or disposition of assets under a bankruptcy.
47. Given the nature of the Rocky assets and the robust SISP conducted, the Monitor is of the view that a sale or disposition of the Rocky assets under a bankruptcy, or another enforcement or liquidation proceeding, is unlikely to result in a better outcome for the Applicants’ creditors.
48. Furthermore, bankruptcy proceedings would cause additional delays, costs, and uncertainty in the sale of the Rocky assets.
49. Accordingly, it is the Monitor’s view that a sale or disposition of the Applicants’ Rocky assets in a bankruptcy would not be more beneficial to the Applicants’ stakeholders than proceeding with the Rocky APA.

Vesting Order

50. The Monitor is of the view that the Rocky APA is the most advantageous alternative for the Applicants, their creditors, and their stakeholders as a whole for several reasons, including that the Rocky APA:
- 50.1. Represents the Successful Bid selected following a robust SISP for the Rocky Mountain business;
 - 50.2. Had the highest aggregate purchase price, and the price is fair and reasonable having regard to the market value of the assets purchased;
 - 50.3. Is supported by the principal secured creditors of the Applicants namely Wells Fargo Capital Finance Corporation Canada Inc. (“**Wells Fargo**”) and Roynat Inc. (“**Roynat**”), who were consulted throughout the Rocky SISP; and,
 - 50.4. Contemplates continuing to operate the business and maintain the Rocky Mountain brand for the benefit of suppliers and customers, even though the Rocky Purchaser does not intend to assume the majority of the employees of the Rocky Mountain division.

INDEPENDENT SECURITY REVIEW

51. Stikeman Elliott LLP (“**Stikeman**”), the Monitor’s counsel, has prepared independent legal opinions (collectively, the “**Legal Opinions**”) 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. The Legal Opinions conclude that, subject to the customary assumptions, qualifications and limitations set out therein:
- 51.1. 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;
 - 51.2. 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.
 - 51.3. 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.

- 51.4. 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;
 - 51.5. 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
 - 51.6. 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.
52. We have undertaken searches at the Register of Personal and Movable Real Rights of the province of Québec from the opening of the RPMRR on January 1, 1994, to April 4, 2025, which list registrations in favour of Investissement Québec (“IQ”) in respect of certain deeds of hypothec granted by Industries RAD in favour of IQ (the “IQ Security”). Given the *de minimis* amount of the distribution to be made to IQ, the Monitor has not obtained a legal opinion in respect of the validity of the IQ Security.

PROPOSED DISTRIBUTION WATERFALL

53. In accordance with the proposed Rocky Approval and Vesting Order, the net proceeds from the sale of the Rocky assets will be remitted to the Monitor, with authorization to distribute such net proceeds as follows.
54. The Monitor shall retain a reserve in an amount to be agreed in writing between the Interim Lender, Roynat and the Monitor to ensure there are sufficient funds in the estate to pay any priority claims related to employee wages and vacation, and, to cover post-closing operating expenses, professional fees and other costs to complete the CCAA proceedings of the Applicants.
55. The Monitor shall be authorized to distribute the Rocky Mountain transaction proceeds, net of the amounts listed above, as follows:
- 55.1. An amount of \$27,923 owing to IQ in full reimbursement of the indebtedness and obligations outstanding under or in connection with the loan agreements concluded between IQ and the Applicants, to the extent IQ’s security is realized upon and up to the value of its security;

- 55.2. An amount to be determined at the time of the distribution to Wells Fargo in full reimbursement of the indebtedness and obligations owing to it prior to the filling of the CCAA proceedings; and
 - 55.3. All remaining net proceeds to Roynat (less the Proceeds Reserve (as such term is defined in the Rocky Approval and Vesting Order) and the distributions made to IQ and Wells Fargo, as outlined in the Rocky Approval and Vesting Order) in partial reimbursement of the indebtedness and obligations owing to it prior to the filling of the CCAA proceedings.
- 56. Given that the net proceeds of the assets purchased will be inferior to the secured debt held by Roynat, the remaining secured creditor that holds security against the purchased assets, it is not anticipated that Roynat will 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.
 - 57. 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, IQ and Roynat.
 - 58. As provided for in the Rocky 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.

REQUEST FOR ADDITIONAL POWERS FOR THE MONITOR

- 59. Following the closing of the Rocky APA, the majority of the Applicants’ employees will have been terminated with a limited number of employees retained to support the Rocky Purchaser during the Transition Period. By the end of the Transition Period, all of the Applicants’ employees will be terminated. As such, following the completion of the Rocky APA, the Applicants may not have the appropriate employees, management or directors to complete the remaining steps in the CCAA Proceedings and effectuate the orderly wind-down of the Applicants, including the collection of the Deferred Consideration, if necessary.
- 60. Given the foregoing, the Applicants and the Monitor request that this Court provide the Monitor with additional powers as of the closing of the Rocky APA, to the extent the Applicants fail or neglect to maintain their activities in the ordinary course, to ensure that all remaining steps in the CCAA Proceedings can be completed. The requested additional powers for the Monitor include:
 - 60.1. Any and all powers necessary to control the receipts and disbursements of the Applicants;

- 60.2. Any and all powers necessary to control the financial affairs, business and activities of the Applicants, and to act for, and on behalf of, the Applicants, in connection with their financial affairs, business and activities; and
 - 60.3. The power to take any measure or action, for and on behalf of the Applicants, that any one of the Applicants is empowered to take pursuant to the CCAA, pursuant to the orders granted to date in the CCAA and any other order subsequently rendered by the Court.
61. In addition, given the fact that the Deferred Consideration under the Rocky APA is payable to the Monitor within 6 months following the date of closing, the Rocky Approval and Vesting Order includes a provision pursuant to which the Monitor has the power to take any measure or action to recover and obtain, if necessary, any unpaid balance of the purchase price under Rocky APA, including the Deferred Consideration.

UPCOMING RESTRUCTURING MEASURES

62. It is anticipated that the next steps for these CCAA proceedings are as follows:
- 62.1. Execute the closing of the Faucher APA and the proposed Rocky APA;
 - 62.2. Realize upon any excluded Industries RAD assets;
 - 62.3. Collect and distribute the Deferred Consideration;
 - 62.4. Obtain approval and prepare for a process under the Wage Earner Protection Program for the employees that have been laid off by Industries RAD; and
 - 62.5. Complete the orderly wind-down of the Applicants.
63. The foregoing will be more fully commented upon at the next hearing for an extension of the stay of proceedings, which hearing the Monitor expects will occur on or around May 30, 2025, prior to the expiry of the Stay Period.

CONCLUSION

64. 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.
65. 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.
66. The Monitor supports and recommends that the Court grant the relief sought by the Applicants to approve the Rocky Approval and Vesting Order.

All of which is respectfully submitted this 1st day of May 2025.

**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”
Rocky SISP – Phase 1 Results
UNDER SEAL

APPENDIX “B”
Rocky SISP – Phase 2 Results
UNDER SEAL