



FTI Consulting Canada Inc.
1000, Sherbrooke Street West
Suite 915
Montréal, QC, H3A 3G4
Canada

Tel.:514-446-5093
Fax:514-656-0285
www.fticonsulting.com

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL
COURT N^o:500-11-064451-244

SUPERIOR COURT OF QUEBEC
(Commercial Division)

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED OF:**

MEDXL INC.

-and-

LIEBEL-FLARSHEIM CANADA INC.

-and-

9431-0091 QUÉBEC INC.

-and-

9190-2395 QUÉBEC INC.

Debtors

-and-

FTI CONSULTING CANADA INC.

Monitor

**FOURTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On July 25, 2024, MedXL Inc. ("**MedXL**"), Liebel-Flarsheim Canada Inc. ("**Liebel**"), 9431-0091 Québec Inc. ("**9431**") and 9190-2395 Québec inc. ("**9190**") (collectively, the "**Debtors**") filed an application (the "**Initial Application**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") seeking the issuance by the Superior Court of Québec (the "**Court**") of (i) an initial order (the "**Initial Order**") ordering, *inter alia*, a stay of proceedings against the Debtors, their properties and their directors and officers, the appointment of FTI Consulting Canada Inc. as monitor ("**FTI**" or the "**Monitor**") in the context of such proceedings (the "**CCAA Proceedings**"), the approval of an interim financing term sheet and corresponding interim financing charge, as well as certain other priority charges further described in the Proposed Initial Order; (ii) an order (the "**SISP Order**") approving the conduct by the Monitor of a sale and investment solicitation process (the "**SISP**") in respect of the Debtors' business and assets; and (iii) an amended and restated initial order (the "**ARIO**").
2. On July 25, 2024, FTI, then in its capacity as proposed Monitor, issued its pre-filing report to the Court (the "**Pre-Filing Report**") as part of the CCAA Proceedings. The purpose of the Pre-Filing Report was to provide information to the Court with respect to (i) FTI's qualification to act as monitor; (ii) the Debtors business, affairs and financial difficulties; (iii) the proposed restructuring efforts to be implemented during the CCAA Proceedings, including the conduct of a SISP; (iv) the Debtors' cash flow forecast; (v) the proposed interim financing facility; (vi) the charges sought in the proposed Initial Order; (vii) the Debtors' request for a declaration that their center of main interest is in Canada; and (viii) the FTI's conclusions and recommendations on the above in its capacity as proposed Monitor.
3. On July 26, 2024, the Court granted, in part, the Initial Application and rendered the Initial Order sought by the Debtors, which provided for, *inter alia*, (i) a stay of proceedings against the Debtors, their properties and their directors and officers until and including August 5, 2024 (the "**Stay Period**"); (ii) the appointment of FTI as Monitor to the Debtors in the context of the CCAA Proceedings; (iii) the approval of an Interim Financing Term Sheet (the "**Interim Financing Term Sheet**") entered into between Vaxiron Inc. ("**Vaxiron**") and Briva Finance (Équité) S.E.C. ("**Briva**"), as co-interim lenders, and the Debtors, as borrowers, as well as the authorization for the Debtors to borrow thereunder an amount of up to \$1,200,000, to be secured by a "**Interim Lenders' Charge**" of \$1,440,000, and (iv) the establishment of an "**Administration Charge**" of \$300,000, and a "**D&O Charge**" of \$300,000.
4. On July 30, 2024, the Debtors' counsel sent an email to the parties on the Service List prepared for the purpose of these CCAA Proceedings advising them of the Court's limited availability for a "*comeback hearing*" on August 5, 2024, and that the Stay Period would therefore be extended by the Court without a court hearing until August 6, 2024, unless a party notified its objection to the Debtors by August 2, 2024, at 2:30 p.m.
5. Since no party notified any objection to the extension of the Stay Period, on August 5, 2024, the Court rendered an order extending the Stay Period until August 6, 2024, and scheduled on such date a "*comeback hearing*" to hear the Debtors' request for the balance of the reliefs sought in the Initial Application.
6. On August 6, 2024, the Court granted the ARIO sought by the Debtors, and ordered, *inter alia*, (i) an extension of the Stay Period until September 19, 2024; (ii) the authorization for the Debtors to borrow under the Interim Financing Term Sheet an amount of up to \$4,000,000, to be secured by an increased Interim Lenders' Charge of \$4,800,000, and (iii) an increase to the quantum of the Administration Charge to an aggregate amount of \$750K, and to the quantum of the D&O Charge to an aggregate amount of \$600K.

7. On August 6, 2024, the Court also granted the SISP Order and approved the conduct by the Monitor of a SISP in accordance with the procedures annexed to the SISP Order (the “**Bidding Procedures**”).
8. On September 20, 2024, the Court granted a second amended and restated initial order (the “**Second ARIO**”) sought by the Debtors, and ordered, *inter alia*, (i) an extension of the Stay Period until October 25, 2024, (ii) the authorization for the Debtors to borrow, under a Supplemental Interim Financing Term Sheet entered into between the Debtors and Briva, an additional amount of up to \$1,900,000, to be secured by a Supplemental Interim Lender Charge of \$2,280,000, which would be subordinated to the Interim Lenders’ Charge. Since the issuance of the Second ARIO, Vaxiron has assigned its rights under the Interim Financing Term Sheet to Briva, such that as currently stand, Briva is the only Interim Lender in these CCAA Proceedings and shall therefore be referred to herein and going forward as the “**Interim Lender**”.
9. The purpose of this Fourth Report of the Monitor (the “**Fourth Report**”) is to provide an update to the Court with respect to:
 - (a) The operations of the Debtors since the issuance of the Second ARIO;
 - (b) The conduct of the SISP;
 - (c) The Debtors’ cash flow results for the period ended October 20, 2024;
 - (d) The Debtor’s weekly cash-flow projections for the period ending on November 24, 2024 (the “**November 24 Forecast**”);
 - (e) The Debtors’ Application for an Extension of the Stay of Proceedings; and
 - (f) The Monitor’s conclusions and recommendations.
10. The present Fourth Report should be read in conjunction with the Monitor’s Pre-Filing Report dated July 25, 2024, its Second Report dated August 5, 2024, and its Third Report dated September 18, 2024.

TERMS OF REFERENCE

11. In preparing this Fourth Report, the Monitor has relied upon unaudited financial information of the Debtors, the Debtors’ books and records, certain financial information prepared by the Debtors and discussions with various parties (the “**Information**”).
12. Except as otherwise described in this Fourth Report:
 - (a) The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) The Monitor has not examined or reviewed financial forecasts and projections referred to in this Fourth Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
13. Future oriented financial information reported or relied on in preparing this Fourth Report is based on the assumptions of the management of the Debtors (“**Management**”) regarding future events; actual results may vary from forecasts and such variations may be material.

14. Unless otherwise stated, all monetary amounts contained herein are expressed in **Canadian Dollars**. Capitalized terms not otherwise defined herein have the meanings given to them in the Third Report or in the Second ARIO.

UPDATE ON THE OPERATIONS OF THE DEBTORS

15. Since the issuance of the Second ARIO, the Debtors continued to operate their production lines 1 to 4 and proceeded to re-launch their production line 5, which produces 10cc syringe size with 3.5 & 10 ml fill capabilities.
16. In addition, the Debtors have also pursued their ongoing discussions with their senior secured lenders, Private Debt Partners Senior Opportunities Fund LP (“PDP”) and Mitsubishi HC Capital Canada, Inc. (“Mitsubishi”, together with PDP, the “**Senior Secured Creditors**”) and their respective legal and financial advisors and have provided to them with all requested information and documentation, including in relation to the SISP and their ongoing operations.
17. As indicated to the Court by the Monitor in previous reports, one of the proposed restructuring measures of the Debtors was to progressively recall the majority of their employees who were temporarily laid off on July 12, 2024, so as to proceed with a gradual relaunch of their operations.
18. As such, as of the date of this Fourth Report:
- (a) 131 employees of the Debtors have been recalled, and their unpaid wages and salaries for the payroll that was payable on June 28, 2024, have been paid; and
 - (b) Production lines 1 to 5 have restarted.

UPDATE ON THE CONDUCT OF THE SISP

19. Following the granting by the Court of the SISP Order, the Monitor and its affiliate, FTICA, with the assistance of the Debtors, and in consultation with the Senior Secured Creditors, have been conducting the SISP in accordance with the Bidding Procedures. Capitalized terms used in this section have the meaning ascribed to them in the SISP Order.
20. Pursuant to the Bidding Procedures, the following milestones were to be implemented as part of the SISP:

Event	Deadline
Approval of the SISP	August 6, 2024
Phase 1	
1. Distribution of Solicitation Letter to potentially interested Parties	August 12, 2024
2. Access to CIM and VDR	August 12, 2024
3. Vaxiron Offer Deadline	August 12, 2024
4. Review by Monitor, Debtors and Secured Creditors and answer on Vaxiron Offer	August 16, 2024
5. Phase 1 Bid Deadline (non-binding LOIs)	September 12, 2024, at 5:00 p.m.
6. Identification and notification in respect of Phase 1 Successful Bids	September 16, 2024

Phase 2	
7. Phase 2 Bid Deadline (firm offers)	October 10, 2024
8. Selection of successful Bids or Auction (if multiple Phase 2 Bids)	October 17, 2024
9. Definitive Documentation	October 24, 2024
10. Approval Application	October 29, 2024
11. Closing	October 30, 2024
12. Outside Closing Date	November 7, 2024

21. Accordingly, and as previously indicated in our Third Report, an extensive SISP marketing process has since been undertaken by the Monitor and FTICA. The efforts undertaken thus far as part of the SISP are summarized below:
- (a) The Monitor, assisted by FTICA and the Debtors, and in consultation with the Senior Secured Creditors, assembled a list of 249 potential buyers and investors (the “**Prospective Bidders**”). The Prospective Bidders included both strategic purchasers and financial investors and any additional potential interested parties that were not originally included in the list that came forward during the SISP;
 - (b) The Monitor, assisted by FTICA, and together with the Debtors, prepared and sent a “teaser” and NDA to all Prospective Bidders on or about August 12, 2024;
 - (c) Prospective Bidders that executed an NDA were provided with a CIM and access to the VDR; in total, 43 interested parties executed the NDA. The remaining Prospective Bidders either decided not to pursue the opportunity prior to signing an NDA or did not respond despite efforts by the Monitor to follow up;
 - (d) As set out in the SISP, the deadline to submit a non-binding letter of intent by any interested bidder was 5:00 p.m. (Eastern Time) on September 12, 2024 (the “**Phase 1 Bid Deadline**”);
 - (e) Non-binding letters of intent were received by the Phase 1 Bid Deadline (the “**LOIs**”);
 - (f) Following the receipt of the LOIs, the Monitor, together with FTICA, sought certain clarification with respect to some of the terms and conditions of such LOIs;
 - (g) On September 16, 2024, after a review of the LOIs received, the Monitor, in consultation with FTICA, the Debtors and the Senior Secured Creditors, advised the offerors under the LOIs that they had been qualified to proceed to Phase 2 of the SISP.
22. As indicated in paragraph 20 above, the Phase 2 Bid Deadline was initially set on October 10, 2024. However, following requests received from certain Phase 2 Qualified Bidders, the Monitor, in consultation with the Debtors and, with the support of the Interim Lender and the Senior Secured Creditors, agreed to extend the Phase 2 Bid Deadline to October 15, 2024 (the “**Revised Phase II Bid Deadline**”) and the deadline to select a successful bid to October 22, 2024.
23. Following the Revised Phase II Bid Deadline, the Monitor and the Debtors reviewed and assessed the results of the SISP and held numerous discussions with the Interim Lender and the Senior Secured Creditors, and, with their support, designated a Successful Bid on October 22, 2024.

24. The Successful Bid, if approved by the Court and implemented, will allow the pursuit of the Debtors' operations as a going concern.
25. The Monitor understands that in the coming days, the Debtors and the Successful Bidder will work on negotiating and finalizing the definitive documentation in respect of the Successful Bid and the Debtors intend to present as soon as possible thereafter an application seeking the Court's approval of the transactions contemplated in the Successful Bid (the "**Approval Motion**").
26. In accordance with the Bidding Procedures and the deadlines indicated in paragraph 20 hereof, the Outside Closing Date is set for November 7th, 2024, and the Successful Bid provides for a closing of the transactions contemplated thereunder by no later than such Outside Closing Date.
27. The Monitor will be providing more details regarding the Successful Bid and the transactions contemplated thereunder in a subsequent report to be filed in connection with the Debtors' upcoming Approval Motion.

THE DEBTORS' CASH FLOW RESULT FOR THE FIVE-WEEK PERIOD ENDED ON OCTOBER 20, 2024

28. Appendix D of the Third Report set out the Debtors' cash flow projection for the period ending October 27, 2024 (the "**September 15 Forecast**").
29. The Debtors' actual cash flow for the five-week period ended on October 20, 2024, is compared to the September 15 Forecast in the table attached hereto as **Appendix A**.
30. The Debtors' closing cash balance as at October 20, 2024, was \$1,534K, which constitutes a favourable variance of approximately \$716K. The Monitor has the following comments regarding the key elements of the Debtors' cash flow to October 20, 2024:
 - (a) Net receipts were \$417K higher than projected. This positive variance is mainly due to an order that came from a new client for finished goods that the Debtors had on hand that will be delivered over the next few weeks and a higher demand for other products.
 - (b) Net disbursements were approximately \$299K lower than projected, primarily due to timing:
 - (i) Raw materials – Kohope (\$74K), this positive variance is permanent and is mainly due to the exchange rate.
 - (ii) Payroll – (\$92K), this negative variance is permanent and is mainly due to the increase in production resulting from higher demand.
 - (iii) Energy (\$45K), this positive variance is due to timing because the invoices were not received and payment was planned during the week ended October 6, 2024. The payment will be made in the week ending November 3, 2024.
 - (iv) Insurance (\$115K), this positive variance is mainly permanent since payment for group insurance is lower than planned.

- (v) Professional fees and Professional fees – MCT and RCGT (\$129K), this positive variance is mainly due to timing. The payment will be made in the week ending October 27, 2024.

31. As requested by the Court, the following table presents a summary of the professional fees incurred as at October 13, 2024:

MedXL Inc., Liebel-Flarsheim Canada Inc., Professional fees up October 13, 2024	Paid ⁽¹⁾ \$	To be Paid ⁽¹⁾ \$	Total ⁽¹⁾ \$	Budget
Fasken Martineau DuMoulin	386,840	80,000	466,840	545,000
FTI Consulting Canada	579,732	47,942	627,674	486,000
FTI Capital Advisors	341,544	64,078	405,622	451,000
Stikeman Elliot	106,456	40,000	146,456	310,000
Other	43,956	-	43,956	26,000
	1,458,528	232,020	1,690,548	1,818,000
McCarthy Tétrault	277,662	24,721	302,383	365,000
Raymond Chabot Grant Thornton	91,563	17,498	109,061	189,000
	369,225	42,219	411,444	554,000
	1,827,753	274,239	2,101,992	2,372,000

⁽¹⁾ All amounts include taxes

32. As of the date of this Fourth Report, all post-filing expenses incurred by the Debtors have been or will be paid in the normal course of business out of the existing working capital of the Debtors.

THE DEBTORS' WEEKLY CASH-FLOW PROJECTIONS FOR THE PERIOD ENDING ON NOVEMBER 24, 2024

33. MedXL, with the assistance of the Monitor, has prepared the November 24 Forecast for the five-week period ending on November 24, 2024 (the "Cash Flow Period") for the purpose of projecting MedXL's estimated liquidity needs during the Cash Flow Period. A copy of the November 24 Forecast is attached as Appendix B to this Fourth Report.
34. The November 24 Forecast shows a net cash outflow of approximately \$1,3M for the Cash Flow Period, as summarized below:

\$CAD in thousands	Total
Operating Receipts	1,588
Disbursements	
Purchases	(293)
Other operating disbursements	(677)
Payroll	(535)
Professional fees	(1,350)
DIP interest and fees	(61)
Total Disbursements	(2,916)
Net cash variation	(1,328)
Cash balance at beginning	1,534
Net cash variation	(1,328)
Cash balance at end	206

35. The Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of Management, employees and advisors of the Debtors. Since hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the November 24 Forecast. The Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the November 24 Forecast.
36. Based on its review, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
 - (a) The hypothetical assumptions are not consistent with the purpose of the November 24 Forecast;
 - (b) As at the date of this Fourth Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Debtors or do not provide a reasonable basis for the November 24 Forecast, given the hypothetical assumptions; the November 24 Forecast does not reflect the probable and hypothetical assumptions.
37. Since the November 24 Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the November 24 Forecast will be achieved.
38. The November 24 Forecast has been prepared solely for the purpose described in Note A on the face of the November 24 Forecast and readers are cautioned that it may not be appropriate for other purposes.

THE DEBTORS' APPLICATION AND THE RELIEF SOUGHT THEREIN

39. The Stay Period is currently set to expire on October 25, 2024.
40. The Debtors are seeking an extension of the Stay Period until November 22, 2024, in order to pursue their restructuring process, which will involve, inter alia:
 - (a) the continued sale of inventory;
 - (b) the finalization of Phase 2 of the SISP, which will include negotiating the definitive documentation in respect of the Successful Bid and presenting an application to obtain the Approval Order;
 - (c) the implementation of the transactions contemplated in the Successful Bid; and, subsequently,
 - (d) the distribution of the proceeds resulting from the aforementioned transactions in accordance with a distribution order to be sought from the Court.
41. The Debtors intend to continue to pay their trade creditors for services rendered and goods provided in the normal course of business following the issuance of the Initial Order.
42. As demonstrated in the November 24 Forecast, the Debtors should have sufficient liquidity to continue to meet their obligations during the proposed extended Stay Period.

THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

43. In light of the foregoing, the Monitor is of the view that:

- (a) The extension of the Stay Period up to November 22, 2024, is reasonable and appropriate to allow the Debtors to pursue their restructuring efforts and finalize Phase 2 of the SISP for the benefit of all their stakeholders; and
- (b) Based on the information presently available, the Monitor believes the Debtors' creditors will not be materially prejudiced by the proposed extension of the Stay Period.

The Monitor respectfully submits to the Court this Fourth Report.

DATED AT MONTRÉAL, this 23rd day of October 2024

FTI Consulting Canada Inc.

In its capacity as Monitor of MedXL Inc.,
Liebel-Flarsheim Canada Inc., 9431-0091 Québec Inc. and
9190-2395 Québec Inc.



Martin Franco, CPA, CIRP, LIT
Senior Managing Director

Appendix A

MedXL Inc., Liebel-Flarsheim Canada Inc., 9431-0091 Québec Inc. and 9190-2495 Québec Inc. Budget to Actual	For the eight-week period ended September 15, 2024 Actual	For the five-week period ended October 20, 2024 Actual	Total	For the thirteen- week period ended Revised Budget	Variance
Receipts					
Canadian receivables	252	660	912	792	120
Euro receivables	119	277	396	121	275
Accounts receivable beginning balance	481	-	481	481	-
Other	56	22	78	56	22
GST/QST receivable	91	-	91	91	-
Total receipts	999	959	1,958	1,541	417
Disbursements					
Accounts payable - Pre-filing balance : Asian suppliers	183	-	183	183	-
Raw materials - Kohope	-	409	409	483	74
Sterilization - Nordion	152	93	245	246	1
Raw materials - Other	187	257	444	417	(27)
Transportation - Containers	76	47	123	147	24
Payroll - Direct Labor	-	-	-	-	-
Payroll	660	767	1,427	1,335	(92)
Rent	652	298	950	949	(1)
Deposit - Utility providers	129	51	180	180	-
Energy	-	42	42	87	45
Repair, maintenance & operating supplies	75	230	305	310	5
Insurance	89	86	175	290	115
Professional fees	799	589	1,388	1,454	66
Professional fees - MCT and RCGT	277	92	369	432	63
Interests	8	-	8	8	-
Bank fees	1	1	2	2	-
DIP fee	80	64	144	110	(34)
DIP interest	-	74	74	160	86
Other interim lender expenses and fees	12	50	62	36	(26)
Transfert entre compte	-	-	-	-	-
Newspaper publication	22	-	22	22	-
Total disbursements	3,402	3,150	6,552	6,851	299
Net cash variance	(2,403)	(2,191)	(4,594)	(5,310)	716
DIP Funding	4,000	1,900	5,900	5,900	-
Cash balance at beginning	228	1,825	228	228	-
Cash balance at end	1,825	1,534	1,534	818	716

Appendix B

MedXL - LFC - 9431-0031 Quebec Inc.
 Consolidated Weekly Cash-flow
 For the period from October 21 to November 24, 2024
 Production on L1 to L5
 \$CAD in thousands

Week starting Week ending	Closing week					21/Oct 24/Nov Total incl. L5
	21/Oct 27/Oct	28/Oct 3/Nov	4/Nov 10/Nov	11/Nov 17/Nov	18/Nov 24/Nov	
Receipts						
Canadian receivables	299	303	333	202	318	1,455
Euro receivables	-	-	27	53	53	133
Total receipts	299	303	360	255	371	1,588
Disbursements						
Sterilization - Nordion	36	24	41	41	41	183
Raw materials - Other	50	50	-	-	-	100
Transportation - Containers	2	2	2	2	2	10
Payroll	-	254	-	281	-	535
Rent	-	297	-	-	-	297
Energy	52	-	-	-	-	52
Repair, maintenance & operating supplies	74	34	34	34	34	210
Insurance	44	14	-	-	59	117
Professional fees	458	246	230	212	204	1,350
Bank fees	-	1	-	-	-	1
DIP Fees	-	-	-	-	-	-
DIP interest	-	-	61	-	-	61
Other interim lender expenses and fees	-	-	-	-	-	-
Total Disbursements	716	922	368	570	340	2,916
Net cash variation	(417)	(619)	(8)	(315)	31	(1,328)
DIP funding	-	-	-	-	-	-
Cash balance at beginning	1,534	1,117	498	490	175	1,534
Cash balance at end	1,117	498	490	175	206	206
DIP balance	5,900	5,900	5,900	5,900	5,900	5,900

APPENDIX B

NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of the Debtors during the period from October 21, 2024, to November 24, 2024.

NOTE B

The Cash Flow Statement has been prepared by the Debtors using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement

The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

NOTE C - DEFINITIONS

(1) CASH-FLOW STATEMENT:

In respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the Act based on Probable and Hypothetical Assumptions that reflect the Debtors planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS:

Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Debtors' judgment but are consistent with the purpose of the Cash-Flow Statement.

(3) PROBABLE ASSUMPTIONS:

Means assumptions that:

- (i) The Debtors believe reflect the most probable set of economic conditions and planned courses of action, Suitably Supported that are consistent with the plans of the Debtors; and
- (ii) provide a reasonable basis for the Cash-Flow Statement.

(4) SUITABLY SUPPORTED:

Means that the Assumptions are based on either one or more of the following factors:

- (i) The past performance of the Debtors;
- (ii) The performance of other industry/market participants engaged in similar activities as the Debtors;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each Assumption, will vary according to circumstances and will be influenced by factors such as the significance of the Assumption and the availability and quality of the supporting information.

NOTE C – ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Cash balance at beginning</u>	Based on current bank balances.	X	
<u>Forecast cash receipts</u>			
Operating receipts	Based on the latest forecasts available prepared by Management.	X	
<u>Forecast cash disbursements</u>			
Purchases	Based on Management’s knowledge of actual purchase orders and future orders that will be needed for the Debtors to maintain the going concern.		X
Transportation-containers	Inbound freight for purchased merchandise and duty for international purchases based on Management’s knowledge and historical expense patterns.		X
Payroll	Based on Debtors’ historical payroll reports and on budgeted number of employees.	X	
Rent	Based on lease agreements.	X	
Energy	Based on Debtors’ historical electricity and natural gas expenses.	X	
Repair, maintenance & operating supplies	Based on Management’s estimate of the operating costs of the facilities such as telecommunications, maintenance, and quality control.		X
Insurance	Based on Debtors’ historical insurance expenses.	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for the monitor, the financial advisor, legal services and SISF fees.		X
DIP interest and fees	Based on the Interim Financing Term Sheet and the Supplemental Interim Financing Term Sheet agreement.	X	