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SUPERIOR COURT  
Commercial Division

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTREAL  
DIVISION No.:  
COURT N<sup>o</sup>:  
Estate N<sup>o</sup>:

**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.**

Proposed Monitor

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**PRE-FILING REPORT TO THE COURT  
SUBMITTED BY FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS PROPOSED MONITOR**

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## 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 “**Proposed Initial Order**”) ordering, *inter alia*, a stay of proceedings against the Debtors until August 5, 2024 (the “**Stay Period**”), the appointment of FTI Consulting Canada Inc. as monitor (“**FTI**” or the “**Proposed 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 “**Proposed 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 “**Proposed ARIO**”).
2. This pre-filing report of the Proposed Monitor (the “**Pre-Filing Report**”) has been prepared to provide information to this Court with respect to the Debtors’ financial situation and the reliefs sought by them as part of the Initial Application, and, more specifically, as part of the Proposed Initial Order.
3. More specifically, the purpose of this Pre-Filing Report is to inform the Court on the following:
  - (a) The qualifications of FTI to act as Monitor and an overview of the involvement of FTI with the Debtors to date;
  - (b) The state of the business and affairs of the Debtors and the causes of their financial difficulties and insolvency;
  - (c) The proposed restructuring efforts to be conducted during the CCAA Proceedings ;
  - (d) The Debtors’ weekly cash-flow forecast for the period July 22, 2024, to September 29, 2024 (the “**July 22 Forecast**”);
  - (e) Certain reliefs sought by the Debtors as part of the Proposed Initial Order, including:
    - (i) The approval by the Court of the Interim Financing Term Sheet (the “**Interim Financing Term Sheet**”) entered into on July 25, 2024, between the Debtors, as borrowers, and Vaxiron Inc. (“**Vaxiron**”) and Briva Finance (Équité) SEC (“**Briva**”, together with Vaxiron, the “**Interim Lender**”), as interim lender, pursuant to which the Interim Lender agreed to advance to the Debtors interim financing in the aggregate amount of up to \$4 million (the “**Interim Facility**”), of which 1.2M\$ would be advanced to the Debtors upon the issuance by this Court of the Proposed Initial Order, subject to, *inter alia*, the establishment of a priority charge in favour of the Interim Lender on the assets, property and undertakings of the Debtors to secure their obligations under the Interim Financing Term Sheet (the “**Interim Lender’s Charge**”);
    - (ii) The establishment by the Court of (i) a priority charge in favour of the professionals that have and will be called upon to work with the Debtors during the CCAA Proceedings in order to implement their contemplated restructuring plan (the “**Administration Charge**”), and (ii) a priority charge in favour of the Debtors’ directors and officers, to guarantee the Debtors’ indemnification obligations towards them, for claims which may be filed against them in such capacity (the “**D&O Charge**”); and
  - (f) The Proposed Monitor’s recommendation on the above.
4. The Proposed Monitor understands that if the Proposed Initial Order is granted, the Debtors will also be seeking the issuance of the Proposed ARIO as well as the Proposed SISP Order, at a subsequent hearing to be scheduled with the Court prior to the expiry of the Stay Period (the “**Comeback Hearing**”). If the Initial Order is granted and FTI is appointed by this Court as the monitor in these CCAA Proceedings, FTI will be filing, in its capacity as court-appointed monitor, a subsequent report in advance of the Comeback Hearing to provide to the Court further information and recommendations on the reliefs that will be sought by the Debtors as part of the Proposed ARIO and the Proposed SISP Order.

## TERMS OF REFERENCE

5. In preparing this Pre-Filing Report, the Proposed 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").
6. Except as otherwise described in this Pre-Filing Report:
  - (a) The Proposed 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 Proposed Monitor has not examined or reviewed financial forecasts and projections referred to in this Pre-Filing Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
7. The Proposed Monitor has prepared this Pre-Filing Report solely for the purpose of providing the Court with information in relation with the reliefs sought by the Debtors as part of the Proposed Initial Order, and this Pre-Filing Report should not be relied on for any other purpose.
8. Future oriented financial information reported or relied on in preparing this Pre-Filing Report is based on the assumptions of the management of the Debtors ("**Management**") regarding future events; actual results may vary from forecast and such variations may be material.
9. 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 Initial Application.

### 1. EXECUTIVE SUMMARY

10. The Proposed Monitor is of the view that:
  - (a) The Debtors are insolvent companies pursuant to the terms of the CCAA and are currently facing a severe liquidity crisis;
  - (b) As such, the Proposed Monitor is of the view that the reliefs requested by the Debtors as part of the Proposed Initial Order are reasonable in the circumstances as the granting thereof by the Court will provide the Debtors with the best opportunity to preserve and maximize value for their creditors and other stakeholders and, ultimately, to implement a viable restructuring plan;
  - (c) Given the Debtors' liquidity crisis, the Interim Facility is necessary to allow them to finance their restructuring efforts during the CCAA Proceedings, and the terms proposed by the Interim Lender as part of the Interim Financing Term Sheet are generally reasonable in the present circumstances, with the financial terms set out therein within market parameters, and no creditor will be materially prejudiced by the approval of the Interim Financing Term Sheet or the granting of the Interim Lender's Charge; and
  - (d) The establishment of the Administration Charge and of the D&O Charge, and their proposed quantum are necessary and reasonable in the circumstances.
11. Accordingly, the Proposed Monitor respectfully recommends that the Proposed Initial Order be granted by this Honourable Court.

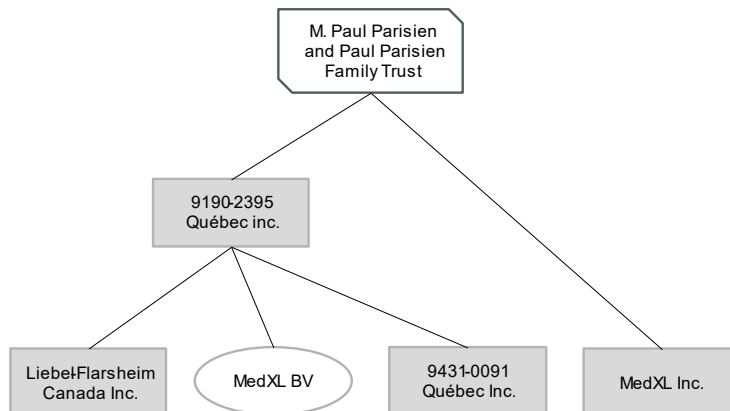
## 2. FTI AND ITS AFFILIATES QUALIFICATIONS TO ACT

12. FTI is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as monitor, as set out in section 11.7(2) of the CCAA. FTI has provided its consent to act as Monitor.
13. As set out in greater detail below, FTI has initially been retained as financial advisor to the Debtors and, therefore, has become familiar with, *inter alia*, the Debtors' business and operations, certain of their personnel, key issues which the Debtors are currently facing, and the key stakeholders in these CCAA Proceedings. The senior FTI representative with carriage of this matter is an experienced Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustee, who has acted as monitor in several restructurings and CCAA matters in Québec.
14. FTI was originally engaged as financial advisor to the Debtors pursuant to an engagement letter entered into between FTI and the Debtors, on June 25, 2024 (the "**FTI Engagement Letter**"), and has since been active in providing assistance and advice to the Debtors, including in their dealings with their principal secured creditors. FTI's role as financial advisor was to provide financial, strategic and restructuring advice and, if necessary, to assist the Debtors in preparing for a filing under the CCAA.
15. FTI has provided no accounting or auditing advice to the Debtors and has provided no consulting services in connection with this matter to any of the parties identified by counsel to the Debtors as a creditor of the Debtors. Fees payable to FTI pursuant to the FTI Engagement Letter are based on hours worked multiplied by normal hourly rates. FTI is not entitled to any success-based or other contingency-based fees.
16. FTI has engaged Stikeman Elliott LLP ("**Stikeman**") to act as independent legal counsel to the Proposed Monitor and, if appointed, to the Monitor.

## 3. THE DEBTORS' BUSINESS & AFFAIRS AND FINANCIAL DIFFICULTIES

### A. The Debtors' Business and Affairs

17. The corporate structure of the Debtors is reflected in the organization chart below:



18. MedXL is a private Canadian manufacturer of medical devices and prefilled syringes based in Pointe-Claire, Québec. MedXL was founded in 1992 and is in the business of designing, manufacturing and marketing medical devices related to drug delivery and more specifically, prefilled syringes (PFS) used for vascular access device maintenance.
19. MedXL operates in a leased facility located at 285 Labrosse Avenue in Pointe-Claire, Québec and has a manufacturing capacity of 40M syringes per year.
20. Liebel is a fill and finish contract manufacturing facility that specializes in the manufacturing of prefilled syringes of saline water-based products. This facility has a 225M units per year capacity, and is located in Pointe-Claire, Québec. Liebel also leases a warehousing facility located at 18101 Trans-Canada Highway in Kirkland, Québec.
21. 9431 is a real estate company that owns the building used by Liebel located at 7500 Trans-Canada Highway in Pointe-Claire, Québec.
22. 9190 is a holding company that primarily owns shares in Liebel, 9431 and 50% of MedXL B.V. 9190 has its head office located at 35, St-Andrew's street, Baie D'Urfé, Québec.
23. As at the date of the Initial Application, the Debtors employed approximately 162 employees, 95 of them are employed by MedXL and 67 are employed by Liebel. However, as will be further discussed below, on July 12, 2024, 153 employees were temporarily laid off due to the Debtors' financial difficulties.

## B. The Debtors' Historical Financial Results

### MedXL Inc.

24. As presented below, according to its financial statements for the years ended on December 31, 2022, 2023 and for the six-month period ended June 30, 2024, MedXL recorded net losses totaling nearly \$2M.

MedXL Inc.			
Historical Results (\$ 000)			
Income statement for the year ended	Audited 31-Dec-22	Unaudited 31-Dec-23	Unaudited 30-Jun-24
Sales	17,486	18,361	6,501
Operating expenses	18,180	18,979	6,462
EBITDA	(694)	(618)	39
Net profit (loss)	(799)	(837)	(248)

25. The table below demonstrates MedXL's historical balance sheet:

<b>MedXL Inc.</b>			
Historical Results (\$ 000)	Audited	Unaudited	Unaudited
Balance sheet as at	31-Dec-22	31-Dec-23	30-Jun-24
<b>Assets</b>			
Cash	524	128	322
Accounts receivable	2,193	1,873	1,417
Inventories	5,949	4,925	3,793
Other current assets	576	834	714
Property, plant and equipment	1,738	1,453	1,387
Other non-current assets	-	37	18
	<b>11,627</b>	<b>9,897</b>	<b>7,651</b>
<b>Liabilities and equity</b>			
Bank loan	885	519	-
Short-term loan	-	-	1,083
Trade suppliers and accrued liabilities	2,244	4,837	4,924
Due to employees	286	417	609
Advance from a parent company	7,596	4,481	3,729
Long-term debt	716	478	430
	<b>12,056</b>	<b>10,732</b>	<b>10,775</b>
<b>Equity</b>			
Equity and retained earnings (Deficit)	(429)	(835)	(3,124)
	<b>11,627</b>	<b>9,897</b>	<b>7,651</b>

26. As shown above, as at June 30, 2024, MedXL owned assets with a net book value of approximately \$7.6M and had total liabilities of approximately \$10.8M.

27. The assets are mainly comprised of inventories (\$3.8M), accounts receivable (\$1.4M) and property, plant and equipment (\$1.4M).

28. The total liabilities are further discussed in the following section of the Pre-Filing Report.

#### Liebel-Flarsheim Canada Inc.

29. As presented below, according to the financial statements for the years ended on December 31, 2022, 2023 and for the six-month period ended June 30, 2024, Liebel recorded net losses totaling nearly \$11M.

<b>Liebel-Flarsheim Canada Inc.</b>			
Historical Results (\$ 000)	Audited	Unaudited	Unaudited
Income statement for the year ended	31-Dec-22	31-Dec-23	30-Jun-24
Sales	17,872	5,231	1,146
Operating expenses	29,953	13,646	6,049
EBITDA	(12,081)	(8,415)	(4,903)
Net loss	(687)	(5,423)	(4,770)

30. The table below demonstrates Liebel's historical balance sheet:

<b>Liebel-Flarsheim Canada Inc.</b>			
Historical Results (\$ 000)	Audited	Unaudited	Unaudited
Balance sheet as at	31-Dec-22	31-Dec-23	30-Jun-24
<b>Assets</b>			
Cash	1,801	253	44
Accounts receivable	1,793	408	390
Inventories	7,193	5,130	5,650
Other current assets	1,294	1,429	4,264
Property, plant and equipment	16,164	13,937	13,124
	<b>31,819</b>	<b>23,128</b>	<b>23,472</b>
<b>Liabilities and equity</b>			
Trade suppliers and accrued liabilities	3,701	3,192	4,690
Due to employees	649	657	797
Advance from a parent company	6,149	6,216	12,583
Long-term debt	4,519	10,023	7,523
Future income taxes	1,878	1,511	1,511
	21,416	23,580	27,104
<b>Equity</b>			
Equity and retained earnings (Deficit)	10,403	(452)	(3,632)
	<b>31,819</b>	<b>23,128</b>	<b>23,472</b>

31. As shown above, as at June 30, 2024, Liebel owned assets with a net book value of approximately \$23.4M and had total liabilities of approximately \$27.1M.

32. The assets are mainly comprised of property, plant and equipment (\$13.1M), inventories (\$5.7M) and other current assets (\$4.2M). The other current assets are mainly comprised of income taxes receivable.

33. The total liabilities are further discussed in the following section of the Pre-Filing Report.

#### 9431-0091 Québec Inc.

34. As presented below, according to the financial statements for the years ended on December 31, 2022, 2023 and for the six-month period ended June 30, 2024, 9431 recorded net losses totaling over \$3.4M.

<b>9431-0091 Québec Inc.</b>			
Historical Results (\$ 000)	Unaudited	Unaudited	Unaudited
Income statement for the year ended	31-Dec-22	31-Dec-23	30-Jun-24
Rental income	620	695	-
Operating expenses	18	-	5
EBITDA	602	695	(5)
Net loss	(1,245)	(1,640)	(509)

35. The table below demonstrates 9431's historical balance sheet:

<b>9431-0091 Québec Inc.</b>			
Historical Results (\$ 000)	Unaudited	Unaudited	Unaudited
Balance sheet as at	31-Dec-22	31-Dec-23	30-Jun-24
<b>Assets</b>			
Cash	38	-	17
Advances to a parent company	7,825	8,145	16,552
Capital assets	18,273	16,563	16,563
	<b>26,136</b>	<b>24,708</b>	<b>33,132</b>
<b>Liabilities and equity</b>			
Bank loan	10,820	11,067	20,000
Other current liabilities	36	-	-
	10,855	11,067	20,000
<b>Equity</b>			
Equity and retained earnings	15,281	13,641	13,132
	<b>26,136</b>	<b>24,708</b>	<b>33,132</b>

36. 9431's assets are mainly comprised of a building where Liebel operates located at 7500, Trans-Canada Highway, in Pointe-Claire, Québec (\$16.6M) and advances to parent companies (\$16.6M), which are insolvent.

37. The total liabilities are further discussed in the following section of the Pre-Filing Report.

9190-2395 Québec Inc.

38. As presented below, according to the financial statements for the years ended on December 31, 2022, 2023, 9190 recorded net profits totaling nearly \$953,000.

<b>9190-2395 Québec Inc.</b>		
Historical Results (\$ 000)	Unaudited	Unaudited
Income statement for the year ended	31-Dec-22	31-Dec-23
Revenue	468	524
expenses	28	10
Net profit	439	514

39. However, the Proposed Monitor understands that 9190 has guaranteed certain debts of MedXL, Liebel and 9431 for an aggregate amount of approximately \$21.1M, and has provided security on its assets in order to guarantee such indebtedness.



40. The table below demonstrates 9190's historical balance sheet:

9190-2395 Québec Inc.		
Historical Results (\$ 000)	Unaudited	Unaudited
Balance sheet as at	31-Dec-22	31-Dec-23
<b>Assets</b>		
Cash	49	515
Other current assets	1	1
Advances to a parent company	2,946	2,508
Investment in subsidiaries	238	238
Land	291	273
	<b>3,525</b>	<b>3,535</b>
<b>Equity</b>		
Equity and retained earnings	3,524	3,535
	<b>3,524</b>	<b>3,535</b>

41. The assets are mainly comprised of advances to parent companies (\$2.5M), a piece of land (\$0.3M) and investment in subsidiaries (\$0.2M).

### C. The Debtors' Indebtedness

#### Secured creditors

42. The following tables provides an overview of the Debtors' principal secured creditors and the amount of indebtedness owing to them by each debtor:

Secured Creditors as at June 30, 2024 (\$ 000)	Amount of indebtedness			Guarantors			
	MedXL	Liebel	9431	MedXL	Liebel	9431	9190
eCapital Commercial Finance (Canada) Corp.	1,083	-	-	-	1,083	1,083	1,083
Business Development Bank of Canada	150	-	-	-	-	-	-
On Deck Capital Canada Inc.	190	-	-	-	-	-	-
Mitsubishi HC Capital Canada, Inc.	-	3,513	-	3,513	-	3,513	-
Investissement Québec	-	2,093	-	-	-	-	-
Private Debt Partners Senior Opportunities Fund LP	-	-	20,000	20,000	20,000	-	20,000
	<b>1,423</b>	<b>5,606</b>	<b>20,000</b>	<b>23,513</b>	<b>21,083</b>	<b>4,596</b>	<b>21,083</b>

#### eCapital Commercial Finance (Canada) Corp. ("eCapital")

43. On April 22, 2024, eCapital, MedXL and Liebel entered into a factoring agreement pursuant to which eCapital granted to the latter entities a factoring facility, up to a maximum amount of \$5,000,000.

44. The amounts due to eCapital under the above factoring agreement are secured by a movable hypothec, registered on April 22, 2024 in the amount of \$6M, on all the assets, tangible and intangible, present and future of MedXL, Liebel, 9431 and 9190.

45. The amounts owing under the above factoring facility is also secured by an immovable hypothec, registered on April 22, 2024 in the amount of \$6M, on a building located at 7500, Trans-Canada Highway, Pointe-Claire, Québec.

46. The Proposed Monitor understands that, as at June 30, 2024, the total amounts owing to eCapital totals approximately \$1,083,000.

#### Business Development Bank of Canada (“BDC”)

47. MedXL entered into distinct loan agreements with BDC, pursuant to which BDC agreed to advance to MedXL the total amount of \$150,000.
48. The amounts due to BDC under the above loan agreements are secured by a movable hypothec on the universality of the equipment, machinery, tools, vehicles and intellectual property of MedXL.
49. The Proposed Monitor understands that, as at June 30, 2024, the total amounts owing to BDC totaled approximately \$150,000.

#### OnDeck Capital Canada Inc. (“OnDeck”)

50. On February 16, 2024, MedXL entered into a *Business Loan and Security Agreement* with OnDeck, pursuant to which OnDeck granted to MedXL a loan in the amount of \$300,000.
51. The amounts due to OnDeck under the above loan agreement are secured by a movable hypothec, registered on May 5, 2023, on all the assets, tangible and intangible, present and future of MedXL.
52. The Proposed Monitor understands that, as at June 30, 2024, the total amounts owing to onDeck totaled approximately \$190,000.

#### Mitsubishi HC Capital Canada, Inc. (“Mitsubishi”)

53. Liebel, 9431 and MedXL entered into a credit agreement with Mitsubishi, pursuant to which the latter granted to them a \$4.0 million facility.
54. The amounts due to Mitsubishi under the above credit agreement are secured by a movable hypothec, registered on August 30, 2023 in the amount of \$6.5M, on all the assets, tangible and intangible, present and future of MedXL, Liebel and 9431.
55. Mitsubishi also registered a movable hypothec on specific equipment of MedXL, Liebel and 9431 on August 30, 2023 in the amount of \$6.5M.
56. The above-mentioned loan is also secured by an immovable hypothec, registered on August 30, 2023 in the amount of \$7.8M on a building located at 7500, Trans-Canada Highway, Pointe-Claire, Québec.
57. The Proposed Monitor understands that, as at June 30, 2024, the total amounts owing to Mitsubishi totaled approximately \$3,513,000.

#### Investissement Québec (“IQ”)

58. On December 3, 2021, Liebel entered into a loan offer with IQ (which was amended on February 28, 2023 and on March 21, 2024), pursuant to which a loan in the amount of \$2,600,000 was made available to Liebel.
59. The amount due to IQ is secured by a movable hypothec, registered on January 27, 2022 in the amount of \$2.6M on all the assets, tangible and intangible, present and future of MedXL and Liebel.
60. The Proposed Monitor understands that, as at June 30, 2024, the total amounts owing to IQ totaled approximately \$2,093,000.

#### Private Debt Partners Senior Opportunities LP (“PDP”)

61. On March 15, 2024, 9431 entered into a credit agreement with PDP, pursuant to which PDP agreed to make available to 9431 a loan in the amount of \$20,000,000.
62. The amounts due to PDP under the above credit agreement are guaranteed by MedXL and Liebel, and are secured by a first-ranking immovable hypothec, registered on March 20, 2024 in the amount of \$30M on a building located at 7500, Trans-Canada Highway, Pointe-Claire, Québec.

63. The loan is also secured by a movable hypothec, registered on March 19, 2024 in the amount of \$30M, on all the assets, tangible and intangible, present and future of MedXL, Liebel, 9431 and 9190.

64. The Proposed Monitor understands that, as at June 30, 2024, the total amounts owing to PDP totaled approximately \$20,000,000.

#### Unsecured creditors

65. The following table presents the amount of the Debtors' indebtedness as at June 30, 2024 per category of unsecured creditors:

Unsecured Creditors as at June 30, 2024 (\$ 000)	Amount of indebtedness		
	MedXL	Liebel	9431
Trade suppliers and accrued liabilities	4,924	4,690	-
Due to employees	609	797	-
Due to parent companies	3,729	12,583	-
Canada Economic Development	-	1,917	-
Due to third party	90	-	-
	<u>9,352</u>	<u>19,987</u>	<u>-</u>

#### **D. The Debtors' Financial Difficulties**

66. MedXL and Liebel's financial situation has significantly deteriorated over the last few years due to several factors, including the permanent interruption of the operations of a very high-volume product manufactured by Liebel, which was caused by a product recall in 2021 of all syringes produced by Liebel on its production line 6 (the "Line 6"), which is further described in the Initial Application, following the discovery of certain issues relating to the rubber gaskets.. Before the product recall, the Liebel's Line 6 had a production capacity of 180 million syringes/year, representing the largest production line for Liebel. Since the product recall in 2021, Liebel has had to suspend all operations on Line 6 up to June 2023 when Line 6 was restarted, but only to supply Canadian clients.

67. In order to mitigate the effects of the aforementioned product recall, Liebel invested in the development of a new product (Praxiject), upgraded its production line and obtained approvals from Health Canada ("HC"), CE Certification in the European Union ("CE") and the Food and Drug Administration ("FDA") in the USA. However, the HC, CE and FDA approvals were only obtained on February 2, 2022, November 3, 2023 and February 28, 2024, respectively.

68. Furthermore, although some of the Debtors recently refinanced their debt obligations in order to support an increase of their manufacturing operations, major raw material suppliers have recently changed their payment terms, requiring to be paid at the time of order for some of the products, and on delivery for others. Such changes in the Debtors' suppliers' payment terms have caused significant pressure on the Debtors' working capital, in addition to causing the Debtors a liquidity crisis, combined with a shortage of raw materials.

69. Due to their liquidity crisis, the Debtors have been unable to pay their employees for their services for the 2-week period ended June 29, 2024 and for their vacation pay, such that during the two-week period from July 1, 2024 to July 12, 2024, the Debtors were forced to implement a planned shutdown of their operations.

70. During the aforementioned planned shutdown, out of the 162 employees of the Debtors, 153 of them have been temporarily laid off by the Debtors on July 12, 2024 and have not yet been paid for their services or vacation up to such date, as management decided to only retain a "skeleton crew" of employees to ship finished goods and collect accounts receivables, all of which have been paid their salaries for their services during such period.

71. To the extent that the reliefs sought by the Debtors are granted by this Court, including its approval of the Interim Financing Term Sheet, the Debtors will be in a position and intend to progressively recall the majority of the abovementioned employees that were temporarily laid off, and to pay the salaries owing to them.

**4. THE PROPOSED RESTRUCTURING EFFORTS TO BE CONDUCTED DURING THE CCAA PROCEEDINGS**

72. As described in the Initial Application, and to the extent that the relief sought thereunder is granted by this Court, the Debtors intend to undertake and implement the following principal measures during the CCAA Proceedings, with the assistance of the Proposed Monitor, and in collaboration with the proposed Interim Lender, PDP and Mitsubishi, who are the Debtors’ principal secured creditors (the “**Secured Creditors**”):

- (a) Progressively recall the majority of their employees, which were temporarily laid off on July 12, 2024;
- (b) Continue to explore potential options to reduce their cash burn;
- (c) Operate partially their manufacturing facility (MedXL facility);
- (d) Maximize and complete sales of inventory; and
- (e) implement a SISP to seek refinancing and/or purchase offers for some or all of the Debtors’ business and assets.

73. If approved by the Court, the SISP will provide for the following milestones:

<b>Event</b>	<b>Date</b>
Approval of the SISP	Comeback Hearing
<b><u>Phase 1</u></b>	
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 Creditor 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
<b><u>Phase 2</u></b>	
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 Date	November 7, 2024

74. The SISP and the proposed milestones described above have been prepared by the Proposed Monitor, in consultation with the Interim Lender and the Secured Creditors.

## 5. THE JULY 22 FORECAST

75. The July 22 Forecast, together with Management's report on the cash-flow statement as required by section 10(2)(b) of the CCAA, is attached hereto as Appendix A. The July 22 Forecast shows a net cash outflow of approximately \$3,9 million for the period from July 22, 2024, to September 29, 2024, as summarized below. Such forecasts exclude advances to be made under the Interim Financing Term Sheet, the purpose of which will be to fund the Debtors' working capital and the costs of these CCAA Proceedings:

<b>\$CAD in thousands</b>	<b>Total</b>
<b>Operating Receipts</b>	<b>2,064</b>
<b>Disbursements</b>	
Purchases	(1,077)
Other operating disbursements	(1,911)
Payroll	(832)
Professional fees	(2,036)
DIP interest and fees	(147)
<b>Total Disbursements</b>	<b>(6,003)</b>
<b>Net cash variation</b>	<b>(3,939)</b>
<b>Cash balance at beginning</b>	<b>228</b>
Net cash variation	(3,939)
DIP funding	3,800
<b>Cash balance at end</b>	<b>89</b>

76. Section 23(1)(b) of the CCAA states that the Monitor shall "review the company's cash-flow statement as to its reasonableness and file a report with the court on the monitor's findings".

77. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports as follows:

- (a) The July 22 Forecast has been prepared by Management of the Debtors for the purpose described in Note A, using the probable assumptions and the hypothetical assumptions set out in Notes C thereof;
- (b) The Proposed 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 Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the July 22 Forecast. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the July 22 Forecast.

78. Based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:

- (a) The hypothetical assumptions are not consistent with the purpose of the July 22 Forecast;
- (b) As at the date of this Pre-Filing 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 July 22 Forecast, given the hypothetical assumptions; or
- (c) The July 22 Forecast does not reflect the probable and hypothetical assumptions.

79. Since the July 22 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 Proposed Monitor expresses no assurance as to whether the July 22 Forecast will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Pre-Filing Report, or relied upon by the Proposed Monitor in preparing this Pre-Filing Report.
80. The July 22 Forecast has been prepared solely for the purpose described in Note A on the face of the July 22 Forecast and readers are cautioned that it may not be appropriate for other purposes.

## **6. THE RELIEF SOUGHT BY THE DEBTORS AS PART OF THE INITIAL ORDER, AND THE MONITOR'S RECOMMENDATIONS THEREON**

### **A. The Stay of Proceedings**

81. As previously discussed, in order to be in a position to undertake the restructuring measures described above, the Debtors require a stay of proceedings, which, as part of the Proposed Initial Order, will be for a limited duration of only 10 days.
82. The Monitor recommends that such stay of proceedings be ordered, since, absent such stay of proceedings, there is a concern that creditors may attempt to initiate execution measures, which would ultimately prevent the Debtors from implementing their restructuring measures, to the detriment of all creditors and other stakeholders.

### **B. Approval of the Interim Financing Term Sheet and Interim Lender's Charge**

83. On July 25, 2024, after several days of discussions and negotiations, the Debtors entered into a Restructuring Term Sheet and an Interim Financing Term Sheet, copies of which have been filed as exhibits of the Debtors' Initial Application, which essentially provided the materials steps to be implemented by the Debtors in the context of the CCAA Proceedings, and the interim financing to be provided to them by the Interim Lender.
84. As previously mentioned, the Interim Lender consist of Vaxiron , a company owned by Mr. Par Nijhawan, an individual with experience in the pharmaceutical sector and Briva, a Montreal-based company which offers businesses interim financing options.
85. Subject to the terms and conditions of the Interim Financing Term Sheet, including, in the case of Briva, final approval by its credit committee, the Interim Lender has agreed to lend up to \$4 million (the "**Facility Amount**") to the Debtors during the CCAA Proceedings, to:
- (a) Fund, in accordance with the cash-flow forecasts, the Debtors' general corporate and working capital purposes, including funding the CCAA Proceedings and the pursuit of the SISP;
  - (b) Pay the reasonable and documented legal fees and expenses of the Secured Creditors, the Debtors' counsel, the Proposed Monitor and the Proposed Monitor's counsel;
  - (c) Pay the interest, fees and other amounts owing to the Interim Lender under the Interim Financing Term Sheet.
86. The Facility Amount consists of two tranches:
- (a) An initial advance of up to a maximum principal amount of \$1.2 million, which will be available to the Debtors upon the issuance of the Initial Order, if applicable, to fund its liquidity needs during the 10-day period from the date of the Initial Order to the date of the issuance of the Amended and Restated Initial Order; and
  - (b) Subsequent Advances, up to a maximum aggregate principal amount of \$2.8 million following the issuance of the Amended and Restated Initial Order, to fund the remainder of the CCAA Proceedings.

87. Subject to satisfaction of the conditions precedent, the Initial Advance would be made directly to the Debtors. Subsequent to the granting of the Amended and Restated Initial Order, further advances would be made in minimum tranches of \$100,000, which advances will be funded to the Borrowers' account within three business days following receipt of an Advance Request Certificate. Draws from the Borrowers' Account may be made by the Borrowers on a weekly basis and must be used in accordance with the Cash Flow as defined in the Interim Financing Term Sheet.
88. The Borrowers are required on a weekly basis to provide the Variance Report comparing the actual receipts and disbursements against the budgeted receipts and disbursements. An event of default will occur under the Interim Financing Term Sheet if there is a cumulative aggregate negative variance from the Cash Flow of more than ten percent in respect of the net cumulative cash variation, excluding the fees and disbursements of the Interim Lender and of the Secured Creditors.
89. The Initial Advance and the balance of the Facility Amount advanced will bear interest, calculated and payable in cash monthly, at an annual rate of 12.5%.
90. In addition, the following fees are payable under the Interim Financing Term Sheet:
- (a) A commitment fee of 2.0% of the Facility Amount, which shall be earned on the date the Court issues an amended and restated initial order (the "ARIO"), and payable concurrently with the first Advance;
  - (b) An exit fee of 2.0% of the Facility Amount, which shall be earned on the date the Court issues the ARIO and payable on the Maturity Date set out below;
  - (c) A servicing fee of \$12,000 per month to Briva as servicer of the Interim Lender.
91. The Interim Facility is repayable in full on the "Maturity Date", being the earliest of:
- (a) the date on which the Interim Lender demands repayment of the Interim Facility upon the occurrence of an Event of Default;
  - (b) the date of the termination of the stay period in the CCAA proceedings or the CCAA proceedings are converted into a bankruptcy or a receivership;
  - (c) the date on which the stay in the CCAA proceedings is lifted, in whole or in part, without the prior written consent of the Interim Lender, which consent shall not be unreasonably withheld;
  - (d) the date on which the Borrowers successfully implement a plan of restructuring and/or arrangement that is satisfactory to the Interim Lender or sells all or substantially all of its assets and business during the CCAA proceedings; and
  - (e) September 29, 2024.
92. The Interim Financing Term Sheet contains terms, conditions, affirmative covenants, negative covenants and events of default which are, in the Proposed Monitor's view, customary for this type of financing, including the granting of the Interim Lender's Charge, with priority to all other liens, subject in priority only to an administration charge in an initial amount of \$300,000, as set out in the Proposed Initial Order, to be increased to an amount of \$750,000, as will be set out in the Proposed ARIO.
93. It should be noted that the Restructuring Term Sheet executed by the Debtors concurrently with the Interim Financing Term Sheet also contains a condition that, upon its appointment, the Monitor shall commence the preparation and, subject to the issuance of the Proposed SISP Order, conduct a SISP with the assistance of the Debtors, and in collaboration with the Secured Lenders.

### C. The Proposed Monitor's Comments and Recommendation on the Interim Financing Term Sheet

94. Section 11.2(4) of the CCAA, sets out certain factors that should be considered, among other things, in deciding whether to make an order granting an interim financing charge. These factors, and the Proposed Monitor's comments thereon, are addressed in turn below.

(i) The period during which the company is expected to be subject to proceedings under the CCAA

95. As noted earlier in this Pre-Filing Report, the Debtors are required pursuant to the terms of the Interim Financing Term Sheet to seek approval of the SISP at the Comeback hearing.

96. Based on the July 22 Forecast, and subject to its underlying assumptions, it is believed that the Interim Financing Term Sheet provides sufficient liquidity to fund operations and the costs of the SISP and the CCAA Proceedings.

(ii) How the company's business and affairs are to be managed during the proceedings

97. The Proposed Monitor understands that it is expected that the Debtors' senior personnel will remain in place to manage the business and affairs of the Debtors during the CCAA Proceedings.

98. The aforementioned personnel will also have the benefit of the expertise and experience of their legal counsel and the Monitor throughout the CCAA Proceedings.

(iii) Whether the company's management has the confidence of its major creditors

99. The Proposed Monitor understands that relations between the Debtors and its senior secured lenders (i.e., the Secured Creditors) remains adequate, and further to their discussions and negotiations, the aforementioned senior lenders are supportive of the Debtors remaining in possession and control of their operations, during the pendency of the CCAA Proceedings.

(iv) Whether the loan would enhance the prospects of a viable compromise or arrangement being made in respect of the company

100. While section 11.2(4) of the CCAA refers to a "compromise or arrangement", given the variety of ways in which successful going-concern outcomes are now structured in proceedings under the CCAA, including asset sales or share sales in the context of "reverse vesting" transactions, the Proposed Monitor is respectfully of the view that it is appropriate for the Court to take a broader view of this factor and expand it to consider these other potential beneficial outcomes.

101. Without the Interim Facility, the Debtors will, in the very near future, exhaust their available liquidity resources and would, as a result, be unable to pay their obligations as they become due, continue operations, maintain its assets, undertake the SISP, or complete any transactions. The Proposed Monitor is of the view that approval of the Interim Financing Term Sheet will enhance the prospects of the business and operations of the Debtors being preserved through a successful going-concern outcome.

102. In addition, and as previously discussed, the Interim Facility will allow the Debtors to recall progressively the majority of their employees previously laid off, and to pay the salaries owing to them.

(v) The nature and value of the company's property

103. The Debtors' assets are partially described in the Initial Application and consist primarily of short-term assets, production equipment and a building. The Proposed Monitor believe that the value of the company's property is dependent on its capacity to maintain a going-concern. The current value of the Debtors' property will ultimately be determined based on offers which may eventually be submitted to the Debtors, including as part of a SISP.



*(vi) Whether any creditor would be materially prejudiced as a result of the proposed charge*

104. The proposed Interim Facility would provide the Debtors the opportunity to relaunch its operations, undertake the SISP, and to successfully complete a restructuring, transaction or series of transactions for the benefit of their stakeholders. The Interim Lender's Charge secures only the obligations under the Interim Term Sheet. The Interim Term Sheet is conditional on the Interim Lender's Charge being granted and the Debtors currently have no viable alternative funding options that would not require such a charge.

105. Accordingly, the Proposed Monitor is of the view that, in the circumstances of this case, no creditor would be materially prejudiced as a result of the proposed Interim Lender's Charge and that any potential detriment caused to the Debtors' creditors by the Interim Lender's Charge is likely outweighed by its advantages. In fact, the Proposed Monitor understands that the Secured Creditors support the approval of the interim Financing Term Sheet.

*(vii) Other potential considerations*

106. The Proposed Monitor has reviewed data on the terms of interim financing approved in CCAA proceedings based on publicly available information. The Proposed Monitor has compared the cost of the Interim Facility to that of other approved interim financing. Based on our analysis, the cost of the Interim Facility, in terms of the fees and interest expressed as a percentage of the maximum amount of the financing appears to be within market parameters.

107. In addition, it should be noted that the Restructuring Term Sheet entered into between the Debtors, the Interim Lender and the Secured Creditors concurrently with the Interim Term Sheet, also provides that, in parallel with the SISP, Vaxiron Inc. shall have the option to submit an offer to the Debtors for a potential transaction by August 12, 2024. Within five business days of the submission of an offer by Vaxiron Inc., if applicable, the Debtors, the Secured Creditors and the Monitor will review such offer and will determine whether it is appropriate to either (a) suspend the SISP and apply to the Court for the approval of the Vaxiron Inc.'s offer or (ii) pursue the SISP. In the event where a dispute arises between, on the one hand, the Debtors, and, on the other hand, the Secured Creditors, with respect to whether or not it is appropriate to suspend the SISP and apply to the Court for the approval of an offer submitted by Vaxiron Inc. (if applicable), then the Secured Creditors reserve the right to file a motion at Court seeking its approval of such offer. As such, it should be noted that: (i) such option will not prevent the Debtors and the Monitor to conduct the SISP (ii) if an offer is submitted by Vaxiron Inc., each of the Debtors, the Secured Creditors and the Monitor will be entitled to review such offer and determine whether, based on the circumstances, it is appropriate to either suspend the SISP and seek the court's approval of such offer, or to pursue the SISP and, in any event (iii) neither the Proposed Monitor or the Court will be bound by such option or potential offer.

108. Finally, the Proposed Monitor has been informed that the Debtors approached a small number of parties with a view to potential secure alternate interim financing. As part of such efforts, the Debtors received an interim financing offer from a third party, which contained, however, slightly higher fees (including a break fee) and interest as contemplated in the Interim Financing Term Sheet. More importantly, the Proposed Monitor understands that such alternative offer for interim financing would not have received the support of the Secured Creditors.

109. Accordingly, the Proposed Monitor is of the view that there is no viable alternative to the Interim Financing Term Sheet currently available.

*(viii) The Proposed Monitor's Recommendation on the Interim Financing Term Sheet*

110. Based on the foregoing, the Proposed Monitor is of the view that, in the present circumstances, the Interim Financing Term Sheet represents the best option currently available that would provide access to financing within the necessary timeframe.

111. Accordingly, the Proposed Monitor respectfully recommends that the Court grant the Debtors' request for approval of the Interim Financing Term Sheet and the granting of the Interim Lender's Charge.

#### D. Approval of Other CCAA Charges

##### (i) Administration Charge

112. In addition to the Interim Lender's Charge, the Debtors also seek the granting of an Administration Charge in the amount of \$300,000 in the Initial Order, with priority over all claims against the property of the Debtors. It is proposed that the Administration Charge be increased to \$750,000 in the Amended and Restated Initial Order.
113. The beneficiaries of the Administration Charge, if granted, would be the Monitor, the Monitor's Counsel, the Secured Creditors' counsel and financial advisor and the Debtors' Counsel. The Proposed Monitor believes that it is appropriate that the proposed beneficiaries of the Administration Charge be afforded the benefit of a charge as they will be undertaking a necessary and integral role in the CCAA Proceedings. Each of the proposed beneficiaries of the Administration Charge has stated that they are not currently prepared to act in the CCAA Proceedings without the Administration Charge having priority over all claims against the property of the Debtors, including priority over claims of the Crown.
114. Ultimately, the Proposed Monitor has reviewed and considered the complexities of the CCAA Proceedings, the underlying assumptions upon which the Debtors have based the quantum of the proposed Administration Charge and the services to be provided by the beneficiaries of the Administration Charge.
115. Given the unpaid amounts in respect of work undertaken to prepare for the CCAA Proceedings, and the quantum of fees expected to be incurred following the granting of the Initial Order, if granted, the Proposed Monitor is of the view that the proposed quantum of the Administration Charge in the Initial Order is reasonable and appropriate in the circumstances for the initial Stay Period and that the proposed increased quantum of the Administration Charge in the Amended and Restated Initial Order is reasonable and appropriate in the circumstances thereafter, the whole with a view of securing several weeks of outstanding fees and expenses because of the delays inherent in the billing and payment process and to protect against the Debtors failure to pay on a timely basis.
116. Accordingly, the Proposed Monitor respectfully recommends that the Debtors' request for the Administration Charge be granted by this Honourable Court.

##### (ii) D&O Charge

117. The Proposed Monitor understands that the Debtors maintain directors' and officers' insurance for an amount of \$2M and that current coverage expires on September 1, 2024 (the "**D&O Insurance Policy**").
118. The Proposed Monitor further understands that, in addition to the fact that there may be insufficient coverage in respect of potential directors' and officers' liability, notably in respect of wages, including accrued vacation pay, and source deductions, other employee-related obligations and sales taxes, the Debtors do not have the necessary liquidities to extend the D&O Insurance Policy or apply for a new D&O insurance policy.
119. The Initial Application provides for a charge in an aggregate of \$300,000 as set out in the Proposed Initial Order, which is to be increased to \$600,000 at the comeback hearing, to secure the indemnity provided to the directors and officers in respect of liabilities they may incur after the issuance of the Proposed Initial Order in their capacity as directors and officers (the "**D&O Charge**"). As per the Initial Application, the D&O Charge becomes effective only if the existing D&O Insurance Policy is not responsive of sufficient.
120. The Proposed Monitor is of the view that the continued support and service of the Debtors' directors and officers during the CCAA process is essential to the Debtors, such that the Proposed Monitor recommends the establishment of the D&O Charge, as contemplated in the Draft Initial Order.

## E. COMI Declaration

121. As part of the Debtors' Initial Application, the Debtors also seek a declaration from the court that their center of main interest (COMI) is in Canada (the "COMI Declaration"), which is the Proposed Monitor's understanding in light of the fact that the Debtors' head office is located in Canada, and so is their management.

122. The Proposed Monitor understands that this request is based on the fact that some of the Debtors' assets are located in the US, and they have some concerns about US creditors potentially enforcing their rights in the US.

123. Accordingly and while Chapter 15 proceedings are not currently contemplated by the Debtors, such proceedings may become necessary depending on whether or not US creditors attempt to enforce their rights as against the Debtors' assets located in the US.

124. In these circumstances, the Proposed Monitor recommends that the COMI Declaration be rendered by the Court.

## 7. CONCLUSION

125. In light of the foregoing, the Proposed Monitor is of the view that the reliefs sought by the Debtors as part of the Proposed Initial Order are reasonable in the circumstances and should therefore be granted by the Court.

The Proposed Monitor respectfully submits to the Court its Pre-Filing Report.

DATED AT MONTRÉAL, this 25<sup>th</sup> day of July 2024

### **FTI Consulting Canada Inc.**

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



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Martin Franco, CPA, CIRP, LIT  
Senior Managing Director

## Appendix A

MedXL - LFC - 9431-0031 Quebec Inc.  
Consolidated Weekly Cash-flow  
For the period from July 22 to September 29, 2024  
Production on L1 to L4  
\$CAD in thousands

Week starting Week ending	CCAA Period										29/Sep Total
	22/Jul 28/Jul	29/Jul 4/Aug	5/Aug 11/Aug	12/Aug 18/Aug	19/Aug 25/Aug	26/Aug 1/Sep	2/Sep 8/Sep	9/Sep 15/Sep	16/Sep 22/Sep	23/Sep 29/Sep	
<b>Receipts</b>											
Canadian receivables	-	-	-	-	357	688	390	33	33	56	1,557
Euro receivables	-	65	65	65	7	7	7	-	-	-	216
Accounts receivable beginning balance	89	202	-	-	-	-	-	-	-	-	291
Other	-	-	-	-	-	-	-	-	-	-	-
GST/QST receivable	-	-	-	-	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>89</b>	<b>267</b>	<b>65</b>	<b>65</b>	<b>364</b>	<b>695</b>	<b>397</b>	<b>33</b>	<b>33</b>	<b>56</b>	<b>2,064</b>
<b>Disbursements</b>											
Accounts payable - Pre-filing balance : Asian suppliers	-	-	-	-	158	-	-	-	-	-	158
Raw materials - Kohope	-	-	-	410	-	-	-	-	-	-	410
Sterilization - Nordion	69	-	6	12	18	18	18	18	18	22	199
Raw materials - Other	-	115	-	-	-	115	-	-	-	-	230
Transportation - Containers	-	34	23	23	-	-	-	-	-	-	80
Payroll	31	147	94	84	128	-	174	-	174	-	832
Rent	-	339	-	-	-	339	-	-	-	-	678
Deposit - Utility providers	-	-	135	-	-	-	-	-	-	-	135
Energy	-	77	-	-	-	77	-	-	-	-	154
Repair, maintenance & operating supplies	76	76	76	76	76	76	76	76	76	76	760
Insurance	-	91	-	-	-	91	-	-	-	-	182
Professional fees	-	509	169	173	181	169	167	167	167	334	2,036
Interests	-	-	-	-	-	-	-	-	-	-	-
GST/QST payable	-	-	-	-	-	-	-	-	-	-	-
Bank fees	-	1	-	-	-	1	-	-	-	-	2
DIP fee	-	-	80	-	-	-	-	-	-	-	80
DIP interest	-	-	-	27	-	-	-	40	-	-	67
<b>Total Disbursements</b>	<b>176</b>	<b>1,389</b>	<b>583</b>	<b>805</b>	<b>561</b>	<b>886</b>	<b>435</b>	<b>301</b>	<b>435</b>	<b>432</b>	<b>6,003</b>
<b>Net cash variation</b>	<b>(87)</b>	<b>(1,122)</b>	<b>(518)</b>	<b>(740)</b>	<b>(197)</b>	<b>(191)</b>	<b>(38)</b>	<b>(268)</b>	<b>(402)</b>	<b>(376)</b>	<b>(3,939)</b>
DIP funding	-	1,200	1,400	-	-	1,200	-	-	-	-	3,800
Cash balance at beginning	228	141	219	1,101	361	164	1,173	1,135	867	465	228
<b>Cash balance at end</b>	<b>141</b>	<b>219</b>	<b>1,101</b>	<b>361</b>	<b>164</b>	<b>1,173</b>	<b>1,135</b>	<b>867</b>	<b>465</b>	<b>89</b>	<b>89</b>
DIP balance	-	1,200	2,600	2,600	2,600	3,800	3,800	3,800	3,800	3,800	3,800

## APPENDIX A

### NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of the Debtors during the CCAA proceedings.

### 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 Proposed 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 Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed 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 believes 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**

<b>Assumptions</b>	<b>Source</b>	<b>Probable Assumption</b>	<b>Hypothetical Assumption</b>
<b>Cash balance at beginning</b>	Based on current bank balances.	X	
<b>Forecast cash receipts</b>			
Sales from operation	Based on the latest forecasts available prepared by Management.	X	
Accounts receivable beginning balance	Based on the accounts receivable as of July 22, 2024, and Debtors’ historical collection days data.	X	
Other	Based on the notice of assessment related to a provincial tax credit for the purchase of an equipment.	X	
<b>Forecast cash disbursements</b>			
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
Professional fees	Management estimate of professional fees to be incurred in the following months for the monitor, the financial advisor, legal services and SISP fees.		X