COURT FILE NUMBER	2501 - 01350
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF PEAVEY INDUSTRIES GENERAL PARTNER LIMITED, TSC STORES GP INC., GUY'S FREIGHTWAYS LTD., and PEAVEY INDUSTRIES LIMITED
DOCUMENT	PRE-FILING REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS PROPOSED MONITOR OF AND IN THE MATTER OF A PLAN OF PEAVEY INDUSTRIES GENERAL PARTNER LIMITED, TSC STORES GP INC., GUY'S FREIGHTWAYS LTD., and PEAVEY INDUSTRIES LIMITED **January 27, 2025**
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PRE-FILING REPORT OF THE PROPOSED MONITOR

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INTRODUCTION

1. FTI Consulting Canada Inc. ("**FTI**" or the "**Proposed Monitor**") understands that Peavey Industries General Partner Limited ("**Peavey GP**"), TSC Stores GP Inc. ("**TSC GP**"), Guy's Freightways Ltd. ("**Guy's**"), and Peavey Industries Limited ("**Peavey Industries**") (collectively, the "**Applicants**") intend to make an application before the Court of King's Bench of Alberta (the "**Court**") for an initial order (the "**Initial Order**") to commence proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**") to, among other things, obtain a stay of proceedings (the "**Stay of Proceedings**") to allow the Applicants an opportunity to restructure their business and affairs. As part of the relief sought, the Applicants seek to extend the relief sought in the Initial Order, including the Stay of Proceedings, to Peavey Industries LP ("**Peavey LP**") and Peavey Industries Mutual Fund Trust ("**MFT**") (collectively, Peavey LP, MFT and the Applicants are referred to as the "**Peavey Group**").

2. FTI also understands that the Applicants are proposing that the Court appoint FTI as Monitor in these CCAA proceedings (FTI in such capacity, the "**Monitor**").

3. This pre-filing report of the Proposed Monitor (the "**Pre-Filing Report**" or this "**Report**") has been prepared: (i) prior to, and in contemplation of its appointment as Monitor; and (ii) to provide information to the Court solely in respect of the relief sought by the Applicants at the hearing in respect of the Initial Order. Should FTI be appointed as Monitor, FTI intends to file a further report with the Court in its capacity as Monitor in respect of the relief being sough by the Applicants at the hearing to amend and restate the Initial Order (the "**Comeback Hearing**").

PURPOSE

4. The purpose of this report to inform this Honourable Court and the Applicants' stakeholders with information and the Proposed Monitor's comments with respect to the following:

a. background information with respect to the Applicants;

b. the qualifications of FTI to act as Monitor in the CCAA Proceedings;

c. an overview of the cash flow statement (the "**Cash Flow Statement**") for the 5-week period ending March 1, 2025 (the "**Forecast Period**") as well as the key assumptions on which the Cash Flow Statement is based;

d. the anticipated relief sought by the Applicants in the proposed Initial Order and the Proposed Monitor's recommendations in respect of same, including, among other things:

   i. granting the Stay of Proceedings up to and including February 6, 2025;

   ii. authorization to continue performance of a store closing consulting agreement ("**SC Agreement**") between Peavey LP and Gordon Brothers Canada ULC ("**GBC**") dated December 20, 2024, and continued performance thereunder;

   iii. authorization to continue performance of a master service agreement for consignment of memo merchandise between Peavey LP, as consignee and GBC, as consignor, dated December 20, 2024, ("**Consignment Agreement**") and continued performance thereunder;

   iv. approving the Consignment Agreement (as defined below) and continued performance thereunder;

   v. authorizing (but not obligate) the Peavey Group to pay any critical supplier for inventory delivered prior to the date of the Initial Order, provided such payment is supported by the Agent and the Monitor;

vi. authorizing the Peavey Group to continue to use the Cash Management Accounts (as defined below); and

vii. granting certain Court-ordered charges sought by the Applicants including an administration charge ("**Administration Charge**"), interim lender's charge ("**Interim Lender's Charge**") and a directors and officers charge ("**D&O Charge**") (collectively, the "**Charges**").

5. The Proposed Monitor understands the Applicants intend to seek additional relief at the Comeback Hearing including:

   a. an extension of the stay of proceedings;

   b. increases to the amounts of the Administration Charge, the Interim Lender's Charge, and the D&O Charge;

   c. approval of a Key Employee Retention Plan ("**KERP**") and/or Key Employee Incentive Plan ("**KEIP**") to facilitate retention and incentivize key employees to remain in their employment during the CCAA proceeding, and approval of a corresponding fourth-ranking Charge on the Property;

   d. approval of the SC Consulting Agreement and the Consignment Agreement; and

   e. such further relief as may be necessary or desirable.

6. This Pre-Filing Report should be read in conjunction with the Affidavit of Douglas Anderson, sworn on January 27, 2025 (the "**Anderson Affidavit**"), which describes in more detail the Applicants' operations and circumstances leading to their current situation.

TERMS OF REFERENCE

7. Capitalized terms used but not defined herein are given the meaning ascribed to them in the Anderson Affidavit.

8. In preparing this report, the Proposed Monitor has relied upon certain information (the "**Information**") including the Peavey Group's unaudited financial information, books and records and discussions with senior management ("**Management**").

9. Except as described in this Pre-Filing Report, 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*.

10. The Proposed Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*.

11. Future oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.

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

BACKGROUND INFORMATION

13. Peavey LP operates as a retailer, selling agriculture, farm and ranch, pet, work wear, lawn and garden, hardware and homesteading supplies, principally to rural customers and those who enjoy a rural lifestyle. Peavey LP operates 88 Peavey Mart branded retail stores (42

in Western Canada and 46 in Eastern Canada) and six other branded retail stores. The head office is location in Red Deer, Alberta.

14. Purchased inventory is delivered by suppliers to one of Peavey's two main distribution centres, which are located in Red Deer, Alberta or London, Ontario. Inventory is then sorted before being trucked to individual stores. All of the store locations, the distribution centres and the head office are leased.

15. Peavey LP's performance has suffered due to reduced consumer demand for discretionary goods, inflationary pressures, and the lingering effects of the COVID-19 pandemic. Additionally, interest rates have put pressure on Peavey LP's ability to service its senior debt and suppliers, as described in more detail below. Peavey LP is facing a liquidity crisis. In particular, access to Peavey LP's asset-based revolving credit facility is constrained due to an eroding borrowing base, which is limiting Peavey LP's ability to pay suppliers. This has led to low inventory levels and reduced sales. Since 2023 Management has been pursuing various initiatives to address Peavey Group's declining financial performance including: headcount reductions, freight optimization, closure of redundant distribution centres, rent deferrals, closures of underperforming stores, SKU rationalization, and inventory and relocation, and targeted liquidations.

16. Peavey by its general partner, Peavey GP (as borrower) and Peavey GP and TSC GP (as guarantors) were parties to an Amended and Restated Credit Agreement dated December 18, 2020 with Royal Bank of Canada, as agent for a syndicate of lenders ("**RBC Credit Agreement**"). The RBC Credit Agreement was in default throughout 2023 and 2024 and was amended eleven times, including through the addition of guarantors and pledgors, most recently on November 27, 2024.

17. Due to the default, Management pursued a strategic alternatives process between March and December 2024 with support from FTI Capital Advisors ("**FTI CA**") to identify potential partners to take-out its then-senior lenders under the RBC Credit Agreement.

18. On December 20, 2024 that objective was achieved when a new credit agreement was entered into between 1903 Partners, LLC (being the original lender) ("**Lenders**"), 1903P Loan Agent, LLC, as the Lenders' administrative agent ("**Agent**") and Peavey by its general partner, Peavey GP (as borrower), and Peavey GP, TSC GP and Guy's (as guarantors) dated December 20, 2024 ("**1903 Credit Agreement**"). The 1903 Credit Agreement repaid the RBC Credit Agreement in full. The 1903 Credit Agreement includes:

a. a revolving credit facility ("**GB Revolving Loan Facility**") with a maximum amount of $105,000,000 until April 1, 2025 and thereafter in the maximum amount of $90,000,000, the borrowing base of which is calculated based on amounts of eligible accounts, eligible inventory and eligible credit card receivables, less certain availability blocks and reserves for price adjustments, spoilage and other factors;

b. a term loan facility ("**GB Term Loan Facility**") in the maximum amount of $30,000,000, the borrowing base of which is calculated based on amounts of eligible accounts, eligible inventory, eligible credit card receivables, and eligible equipment, less certain reserves for price adjustments, spoilage and other factors;

c. interest payable at (i) the Canadian Overnight Repo Rate or Royal Bank of Canada's per annum prime reference rate for commercial loans plus (ii) (A) for any Revolving Loan, 6.75% per annum (to be reduced to 5.75% per annum if EBITDA for the fiscal year ended December 31, 2025 is at least equal to the EBITDA projection) and (B) for any Term Loan, 10.50% per annum and default interest of an additional 2% from the date of any event of default;

d. final maturity date of December 20, 2027;

e. reporting requirements to provide internal financial statements, audited financial statements, financial projections, borrowing base certificates, calculations of eligible accounts, eligible inventory and eligible equipment, 13-week budgets, budget variance reports, all at varying intervals;

f. financial covenants relating to minimum sales, minimum cash collections, minimum inventory receipts from vendors, minimum on-site inventory levels, maximum disbursements, and minimum feed inventory levels; and

g. cash dominion obligations for Peavey group to maintain cash management accounts subject to control agreements in favour of the Agent ("**Cash Management Accounts**") and deposit all proceeds of collateral into same. For certain periods of time and following certain events (including the occurrence and continuation of any events of default), all amounts in the Cash Management Accounts must be wired daily to accounts designated by the Agent.

19. Peavey Group also had unsecured obligations owing to approximately 820 suppliers approximately totalling $60,000,000.

20. Refer to the Anderson Affidavit for further details in respect of the organizational structure of the Peavey Group, the 1903 Credit Agreement and its various other stakeholders.

Continued Financial Distress

21. Poor revenue performance and difficulty obtaining inventory from suppliers persisted throughout the holiday season resulting in Peavey quickly defaulting on the financial covenants contained in the newly entered into 1903 Credit Agreement. On January 15, 2025 the Applicants received a notice of default from the Agent and the Lenders and on January 16, 2025 was served with demand letters and notices of intention to enforce security under s. 244 of the *Bankruptcy and Insolvency Act* (Canada). The amount demanded was $66,414,413.41 (plus legal and professional fees, costs, charges, disbursements and expenses).

22. The Applicants are now working with the Agent to liquidate inventory, close additional stores, and identify any parts of Peavey Group that may be able to survive as going concerns. Store closure sales have commenced at all Peavey Group retail store locations.

23. These financial difficulties have resulted in the necessity for the Peavey Group to commence CCAA Proceedings.

FTI'S QUALIFICATIONS TO ACT AS MONITOR

24. FTI is a trustee within the meaning of section 2(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, and, with respect to the Applicants, 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 in the CCAA Proceedings, a copy of which is attached as Exhibit 32 to the Anderson Affidavit.

25. Since being engaged by the Peavey Group, FTI has acquired knowledge of the business and operations of the Applicants, including its key personnel, stakeholders and key issues in the proposed CCAA Proceedings. As a result, FTI is in a position to immediately act as Monitor in the CCAA Proceedings if so appointed by this Court.

26. The senior FTI Consulting personnel with carriage of the matter are Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees who have acted in numerous restructuring and CCAA matters of this nature and scale.

27. Neither FTI, nor any of its representatives, have been, at any time in the two proceedings years:

   a. a director, officer or employee of the Peavey Group;

   b. related to the Peavey Group or to any director of officer of the Peavey Group; or

c. the auditor, accountant or legal counsel, or a partner of employee of the auditor, accountant or legal counsel, of the Peavey Group;

d. FTI CA, an affiliate of the Proposed Monitor, was initially engaged by the Applicants on July 31st, 2023, when the Peavey Group was experiencing challenging financial performance and its credit facility the RBC Credit Facility was in default;

e. FTI CA assisted the Company with:

   i. evaluating the Company's financial situation;

   ii. reviewing management's turn-around plan;

   iii. assisting the Peavey Group with undertaking a sale, investment and solicitation process ("**Pre-Filing SISP**") which included looking for equity partners, refinancing options, sales opportunities and liquidation proposals. This process ultimately culminated in the 1903 Credit Agreement refinancing the RBC Credit Agreement;

f. FTI CA's fee structure was based on hours worked multiplied by an hourly rates;

g. After defaulting on the 1903 Credit Agreement, Peavey Group commenced discussions with FTI's insolvency professionals, this work included;

   i. participating in numerous meetings and discussions with the Peavey Group's senior management and legal advisors in connection with the Peavey Group's business and financial affairs generally and in connection with the preparation of the Cash Flow Statement;

ii. participated in numerous meetings and discussions with the Peavey Group and its legal advisors in connection with relief to be requested in these CCAA Proceedings;

iii. engaged legal counsel who have also participated in certain of the above meetings;

iv. obtained and reviewed financial and certain other information produced by the Peavey Group relating to its operations, cash flow forecast and financial situation;

v. assisted the Peavey Group in the preparation of its CCAA cashflow forecasts; and

vi. prepared this Pre-Filing Report.

STORE CLOSURE AGREEMENT

28. The SC Consulting Agreement is attached as Exhibit 17 to the Anderson Affidavit.

29. The SC Consulting Agreement outlines the terms by GBC has been engaged by Peavey LP to assist it with store closures. Currently Peavey Group has ongoing store closure sales at all of its retail locations. These stores closures are been executed pursuant to the terms of the SC Consulting Agreement. The Applicant is seeking approval of the SC Consulting Agreement and retention of GBC so that it can continue with thew ongoing store closures uninterrupted. The Proposed Monitor notes that GBC is a related affiliate to the Lenders however, operates as a separate legal entity.

30. The Proposed Monitor has reviewed the terms of the SC Consulting Agreement and notes it includes the following fees:

a. Merchandise fee – equal to 2.5% of gross sales proceeds (exclusive of sales tax);

b. FF&E Fee – equal to 20% of proceeds from the sale of owned furnishings, trade fixtures, equipment, machinery, office supplies, racking, rolling stock, vehicles, other modes of transportation and other personal properly; and

c. Additional Consultant Goods – GBC has the right to purchase additional inventory to supplement merchandise in the stores at their own expense, the supplemental inventory and retain the proceeds therefrom. GBC must pay Peavey LP a fee of 5% of the gross proceeds (excluding sales tax) from the sale of the Additional Consultant Goods.

31. The Proposed Monitor reviewed the Merchandise Fee, the FF&E Fee and the Additional Consultant Goods terms and compared them to:

a. other store closure/liquidation sales agreements that have been approved in prior Canadian insolvency proceedings; and

b. third party liquidation/store closure proposals that were sought through Pre-Filing SISP.

32. The below table presents the consultant fees reviewed by the Monitor in considering the reasonableness of the SC Consulting Agreement:

			Consultant Fees			
Company	**Consultant(s)**	**Stores***	**Merchandise Fee**	**FF&E Fee**	**Additional Consultant Goods**	**Sale Term (Weeks)**
SC Consulting Agreement						
Peavey Group	**GBC**	**93**	**2.5%**	**20.0%**	**5.0%**	**14.0**
Prior CCAA Store Closure Agreements						
Nordstrom Canada	Hilco, Gordon Bros	13	1.5%+	15.0%	7.5%	14.6
Comark Inc.	Tiger	221	2.0%	15.0%	n.a.	14.4
Bed Bath & Beyond	Hilco, Gordon Bro's, Tiger, B. Riley	65	1.5%+	12.5%	7.5%	9.3
Mastermind Toys	Gordon Bros	66	2.0%	15.0%	5.0%	8.9
Ted Baker/ Brooks Bros	Gordon Bros	59	2%+	15.0%	n.a.	12.0
Pre-Filing SISP - Proposals						
Peavey Group	Consultant #1	93	2.5%+	17.5%	5.0%	14.0
Peavey Group	Consultant #2	93	2.0%+	20.0%	5.0%	14.0

'' total store count prior to liquidation*
'+' indicates Incentive Fees included in addition to Merchandise Fee based on recovery

33. The fees in the SC Consulting Agreement are on the higher end of the comparable mandates identified however, in the Proposed Monitor's view the slightly higher fees are reasonable compared to the prior Canadian insolvency proceedings and the fees were consistent with the other proposals sought through the Pre-Filing SISP.

34. The Additional Consultant Goods right is typical in store closure/liquidation agreements. The Proposed Monitor's view the Additional Consultant Goods will benefit the Peavey Group and assist in maximizing recoveries to the estate in two ways:

a. The fee charged will be additive to recoveries. Peavey Group does not have sufficient liquidity to purchase new inventory and therefore the Additional Consultant Goods right allows Peavey Group to earn a fee/profit that it would not otherwise be able to earn; and

b. Additional inventory in the stores should increase foot traffic and therefore be accretive to the sale of Peavey Group's existing inventory sales.

35. The Proposed Monitor is supportive of the Peavey Groups request for authorization to continue performance of the SC Consulting Agreement.

CONSIGNMENT AGREEMENT

36. The Consignment Agreement is attached as Exhibit 19 to the Anderson Affidavit.

37. The Consignment Agreement contemplates the supply of merchandise by Gordon Brothers Canada ULC, as consignor, to Peavey LP, as consignee. Consigned merchandise is sold by Peavey LP, which retains the sale proceeds less a consignor's fee, taxes on that fee, expense reimbursement, and the cost of the merchandise. Title to consigned merchandise is retained by the consignor until sold. The Consignment Agreement is already in place and being utilized by Peavey LP, at present, approximately $700,000 worth of consigned merchandise has been provided by Gordon Brother Canada ULC to Peavey LP on a consignment basis under the Consignment Agreement.

38. The Peavey Group is requesting authorization to continue performance of the Consignment Agreement. The Proposed Monitor supports this request as the Consignment Agreement provides the Company with financial benefits that would not otherwise be available as the Peavey Group as it does not have liquidity available to buy their own new inventory. Current inventory levels are being depleted through ongoing store closure sales. Additional consignment inventory available in the store should bring in additional foot traffic

enhancing sales of existing inventory and allow Peavey Group to earn profit on the consignment inventory that it would not otherwise be able to earn.

CASH FLOW STATEMENT

39. As described more fully in the Anderson Affidavit, the Peavey Group has cash dominion obligations which states that all proceeds from collateral are to be deposited into the Cash Management Accounts. For certain periods of time and following certain events (including the occurrence and continuation of any events of default), all amounts in the Cash Management Accounts must be wired daily to accounts designated by the Agent. The operation of the Cash Management Accounts result in all sales proceeds being swept by the Agent who then re-advances cash on a weekly basis to cover the Peavey Group's expenditures.

40. The Proposed Monitor has reviewed the Peavey Group's cash management arrangements and can confirm the importance of these systems for the continuation of the Peavey Group's business and operations. Replacement of the cash management system would be costly, unviable from a short-term operational perspective and very disruptive to the ongoing store closing sales. Accordingly, the Proposed Monitor supports the Peavey Group's request to continue to operate its existing cash management system throughout these CCAA Proceedings.

41. The Peavey Group, with the assistance of the Proposed Monitor, has prepared the Cash Flow Statement to set out the liquidity requirements of the Peavey Group during the Forecast Period for the 5-weeks ending March 1, 2025. The Cash Flow Statement and management's report on the cash-flow statement as required by section 10(2)(b) of the CCAA are attached hereto as Appendix "A". The Cash Flow Statement is summarized in the following table:

Cash Flow Statement

Cash Flow Statement	Initial Stay Jan 26 to Feb 8	Feb 09 to Mar 1	5-Week
(C$000s)	2-Weeks	3-Weeks	Total
Receipts			
Cash Receipts	21,266	41,434	62,700
Cash Sweep	(21,266)	(41,434)	(62,700)
Net Proceeds for Operations	**$ -**	**$ -**	**$ -**
Disbursements			
Operating Disbursements			
Payroll & Benefits	(2,791)	(4,006)	(6,797)
Occupancy Expenses	(3,815)	-	(3,815)
Merchandise Fee	(641)	(1,036)	(1,677)
Other Liquidation Expenses	(1,593)	(1,242)	(2,835)
Sales Tax Payable	(2,202)	(1,075)	(3,277)
Other Operating Expenses	(2,315)	(1,083)	(3,398)
Professional Fees	(385)	(615)	(1,000)
Product Expenses	(2,000)	-	(2,000)
Freight and Duty	(353)	(407)	(760)
Interest Expenses	-	(563)	(563)
Contingency	(50)	(75)	(125)
Total Disbursements	$ (16,144)	$ (10,103)	**$ (26,247)**
Net Cash Flow	**$ (16,144)**	**$ (10,103)**	**$ (26,247)**
Cash			
Opening Cash	3,174	2,000	**3,174**
Net Cash Flow	(16,144)	(10,103)	**(26,247)**
Draw / (Repayment) of Post-Petition Debt	14,970	10,103	**25,073**
Ending Cash	**$ 2,000**	**$ 2,000**	**$ 2,000**
Pre-Filing Secured Debt			
Opening Balance	65,660	44,394	**65,660**
Draw / (Repayments)	(21,266)	(41,434)	**(62,700)**
Ending Pre-Filing Secured Debt	**$ 44,394**	**$ 2,960**	**$ 2,960**
Post-Petition Debt			
Opening Balance	-	14,970	**-**
Draws / (Repayment)	14,970	10,103	**25,073**
Ending Post-Petition Debt	**$ 14,970**	**$ 25,073**	**$ 25,073**

42. The Cash Flow Statement indicates that during the 2-week period ending on February 8, 2025 which covers the period up to the Comeback Hearing, the Peavey Group will have a negative cash flow from operations of approximately $16.1 million. This is because all cash proceeds collected from the sale of the Peavey Group's inventory are being swept by the Lenders pursuant to the obligations under the 1903 Credit Agreement. As a result, the Peavey Group does not have access to any cash receipts and will require post-filing funding of approximately $15.0 million to satisfy operational needs through the February 8, 2025.

43. The Cash Flow Statement indicates that, during the 5-week period ending on March 1, 2025, the Peavey Group will have a net cash flow loss from operations of approximately $26.2 million, including $1.0 million of professional fees. Over the Forecast Period, the Cash Flow Statement shows an additional funding requirement of $25.1 million.

44. The Cash Flow Statement is based on the following key assumptions:

   a. all cash receipts are based on GBC's expectations on the proceeds from the sale of inventory over the 5-week period. Receipts include the collection of applicable Sales Taxes;

   b. payroll & benefits are based on recent payroll amounts and future forecast amounts;

   c. occupancy expenses are based on current rent obligations and future payments required to operate during the term of the SC Consulting Agreement at the Peavey Group's stores, warehouse and offices;

   d. Merchandise Fee represents GBC's fee of 2.5% of Gross Proceeds, net only of sales taxes, of merchandise sold during the term of SC Consulting Agreement.

   e. other liquidation expenses include estimated other fees paid to GBC during the sale timeline pursuant to the SC Consulting Agreement;

f. sales tax payable represents the remittances of sales tax collected through the sale of the Peavey Group's inventory;

g. other operating expenses includes general and administrative expenses including IT costs, utilities and maintenance, equipment rentals, capital leases and other costs necessary for operation during the Forecast Period;

h. professional fees are the estimated legal and professional fees associated with the CCAA proceedings;

i. product expenses represent potential amounts paid to vendors for inventory delivered prior to the date of the Initial Order. These payments are subject to the support of the Agent and the Monitor;

j. freight and duty reflect the payment to freight vendors for transporting product from warehouses to stores during the Forecast Period;

k. interest expenses include interest payable pursuant to the 1903 Credit Agreement;

l. post filing liquidity needs are based on funding requirements throughout the Forecast Period;

m. assumes Peavey Group maintains a minimum of $2.0 million in cash on hand. All post filing liquidity needs consider this minimum cash balance;

n. assumes in accordance with the 1903 Credit Agreement, cash is swept to repay the pre-filing debt obligations of GBC; and

o. post petition debt financing is based on the funding requires through the Forecast Period.

45. Pursuant to the minimum cash requirements, the Cash Flow Statement shows an ending cash balance for the week February 8, 2025, of $2.0 million.

46. The Peavey Group is in an immediate need of post filing liquidity in order to have sufficient cash for on-going operations through the date of the Comeback Hearing.

Proposed Monitor's Comments on the Cash Flow Statement

47. Section 23(1)(b) of the CCAA states that the Proposed Monitor shall, “review the company’s cash-flow statement as to its reasonableness and file a report with the court on the Proposed Monitor’s findings”.

48. 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 Cash Flow Statement has been prepared by management of the Peavey Group for the purpose described in the notes to the Cash Flow Statement, using the probable assumptions and the hypothetical assumptions set out therein;

   b. the Proposed Monitor’s review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of the Peavey Group. Since hypothetical assumptions need not be supported, the Proposed Monitor’s procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor has also reviewed the information in provided by Management in support of the probable assumptions and the preparation and presentation of the Cash Flow Statement;

c. based on its review, and as at the date of this Pre-Filing Report, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:

   i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;

   ii. the probable assumptions developed by management are not suitably supported and consistent with the plans of the Peavey Group or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or

   iii. the Cash Flow Statement does not reflect the probable and hypothetical assumptions;

d. since the Cash Flow Statement 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 Cash Flow Statement will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Proposed Monitor in preparing this Report; and

e. the Cash Flow Statement has been prepared solely for the purpose of estimating liquidity requirements of the Peavey Group during the forecast period. The Cash Flow Statement should not be relied upon for any other purpose.

ADDITIONAL RELIEF SOUGHT IN INITIAL ORDER

Implementing the Stay of Proceedings

49. The Peavey Group is seeking the Stay of Proceedings up to and including February 6, 2025.

50. As a result of its insolvent status, among other things, the Peavey Group requires the Stay of Proceedings and other protections provided by the CCAA. In particular, the Stay of Proceedings is needed to maintain the status quo and provide stability to the Peavey Group while its continues with its ongoing store closure sales and considers its restructuring alternatives.

51. The Applicants are seeking an exemption to the Stay of Proceedings for the Agent, on behalf of the Lenders, to sweep the Cash Management Accounts to pay down the outstanding indebtedness owing to the Lenders.

52. The Monitor supports this exemption because in return the Peavey Group will be permitted continued access to the 1903 Credit Agreement providing necessary liquidity to fund post-filing obligations. In so doing, the Proposed Monitor notes that its counsel has not yet had the opportunity to conduct an independent review of the Lenders' security. This review is being completed on an expedited basis, and absent any material issues, expects the review to be completed by the come-back application. The Monitor also notes that the Lenders' loan and security documentation were completed approximately 3 weeks ago.

53. If it were determined that the Lenders' received repayment of their pre-filing indebtedness to which they are not entitled, then the Monitor further notes that the projected repayment between the date of the Initial Order and the come-back hearing is in the amount of approximately $21.3 million.

54. The Monitor understands that the proposed Initial Order will contain a provision that confirms any amounts that may be paid to the Lenders which they may not have priority to, will be dealt with at future application before this Honourable Court. In this regard, the Monitor notes that the total projected liquidation proceeds are expected to be greatly in excess of the projected payments to the Lenders under the Initial Order.

Proposed interim financing charge

55. As demonstrated by the Cash Flow Statement, the Peavey Group is in immediate need of funding due to the cash sweep aspects of the Cash Management Accounts in the 1903 Credit Agreement.

56. The Peavey Group and the Lender are proposing to carry on with the 1903 Credit Agreement to meet the Applicants' post-filing liquidity needs however are requesting any new advances after the Initial Order be provided a Court ordered charge ("**Interim Lender's Charge**") granting it priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, subject only to the Administration Charge. Effectively this results in a creeping roll up of the secured debt owed to the Lenders as the cash sweep is applied to decrease pre-filing secured debt under the 1903 Credit Agreement, because the cash receipts are being swept it increases the post-filing funding needs of the Company. The post-filing cash needs are contemplated to be funded by continued access to the 1903 Credit Agreement, however, post-filing advances are proposed to be secured by the Interim Lender's Charge.

57. The Peavey Group requires continued access to the liquidity provided by the 1903 Credit Agreement to, among other things, provide stability to operations, pay for post-filing employees, lease costs, operating costs and professional fees and continue with ongoing store closure sales.

58. In the Proposed Monitor's view, the financing contemplated by the 1903 Credit Agreement is necessary to fund the Applicants' operations and restructuring/liquidation efforts. Without access to this financing the Company would immediately cease operations.

59. The Monitor understands that the Lender is supportive of the Peavey Group continuing to utilize the Gordon Brothers Credit Facility post-filing as logn as it receives the Interim Lender's Charge for post-filing advances.

60. Accordingly, the Proposed Monitor supports the Applicants' request for approval of the ability to continue with access to the 1903 Credit Agreement and the Interim Lenders Charge. The Proposed Monitor also supports limiting the Interim Lenders Charge to $15.0 million as this amount will adequately fund the Applicant's liquidity needs through to the Comeback Hearing (with an expectation of increasing the amount to $51.0 million at the Comeback Hearing).

Amount And Priority of Court Ordered Charges

Administration Charge

61. The proposed form of Initial Order provides for a charge in the amount of up to $500,000 (the "**Administration Charge**"), covering the period until the Comeback Hearing charging the assets of the Peavey Group, in favour of the Proposed Monitor, the Proposed Monitor's counsel, and the Peavey Group's counsel, as security for their professional fees and disbursements incurred both before and after the commencement of the CCAA Proceedings.

62. The Administration Charge currently only secures the fees expected to be incurred by the foregoing professionals prior to and during the 10-day stay period prior to the Comeback Hearing.

63. The Proposed Monitor has reviewed: (i) the underlying assumptions upon which the Applicants have based the quantum of the proposed Administration Charge; (ii) the anticipated complexity of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge and (iii) is of the view that the proposed quantum of the Administration Charge is reasonable and appropriate in the circumstances.

64. The Proposed Monitor believes it is appropriate for the beneficiaries to be afforded the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.

Interim Lender's Charge

65. The Peavey Group is seeking an Order granting the Lender the Interim Lender's Charge over all of the present and future assets, property and undertaking of the Applicants, in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, subject only to the Administration Charge. The Interim Lender's Charge will secure all obligations owing to the Lender for post CCAA filing advances under the 1903 Credit Agreement.

66. The Monitor is of the view that use of the 1903 Credit Agreement represents the necessary financing which will allow the Peavey Group to pay for expenses to maintain ongoing operations, continue with store liquidations and pay for the cost of these CCAA Proceedings.

67. The Monitor recommends that the Court approve the request for the Interim Lender's Charge in the amount of $15.0 million through the Comeback Hearing.

Director's Charge

68. The Initial Order provides for the charge over the Peavey Group's property in favour of the directors and officers of the Applicants as security for the indemnity contained in the Initial

Order in respect of specified obligations and liabilities that the directors and officers may incur after the commencement of the CCAA Proceeding (the "**D&O Charge**"). The D&O Charge will not exceed an aggregate amount of $2,500,000.

69. As described in the Anderson Affidavit, the Applicants maintain certain insurance coverage for the directors and officers, but the deductibles and exclusions from the policies mean that the insurance may not fully cover the potential statutory liabilities of the beneficiaries of the D&O Charge. The D&O Charge does not duplicate insurance coverage, but instead is to apply in the event that coverage limitations or exclusions become an issue.

70. The proposed D&O Charge represents the amount applicable during the initial 10-day stay period prior to the Comeback Hearing. The Proposed Monitor will comment on any proposed amendment to increase the amount of the D&O Charge at the Comeback Hearing as part of a further report to this Court.

71. The Peavey Group's directors and officers have the necessary background and knowledge that will be beneficial to the Applicants' efforts to preserve value and maximize recoveries for stakeholders through completion of the CCAA Proceedings.

72. The Proposed Monitor is of the view that the amount of the D&O Charge is reasonable in relation to the quantum of the estimated potential liability of the Peavey Group's directors and officers.

Summary of the Proposed Rankings of the Court-Ordered Charges

73. If the proposed Initial Order is granted, the Charges would have the following ranking:

   a. First – the Administration Charge in the amount of $500,000;

   b. Second – the Interim Lender's Charge in the amount of $15.0 million; and

c. Third – the D&O Charge in the amount of $2,500,000.

74. The Proposed Monitor believes that the Charges, including their proposed quantum and ranking, are required and reasonable in the circumstances of these CCAA Proceedings in order to preserve the going concern operations of the Peavey Group and maintain its enterprise value and, as a result, supports the granting of the granting of Charges as proposed by the Peavey Group.

Payment of pre-filing goods

75. The Applicants are seeking authorization (but not the obligation) for the Peavey Group to pay any critical supplier for inventory delivered prior to of the date of the Initial Order, provided such payment is supported by the Agent and the Monitor.

76. The Monitor is supportive of this relief as there may be circumstances where payment of pre-filing supplies may enhance recoveries to the estate and/or salvaging the prospects of a going concern restructuring.

CONCLUSIONS

77. The Proposed Monitor is of the view that the relief requested by the Peavey Group pursuant to the proposed Initial Order is necessary, reasonable and justified in the circumstances. The Initial Order and Stay of Proceedings will provide the Applicants with stability and the best opportunity to preserve value and maximize recoveries for its stakeholders.

78. Accordingly, the Proposed Monitor respectfully recommends that the Peavey Group's request for the proposed Initial Order be granted.

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All of which is respectfully submitted this 27th day of January 2025.

FTI Consulting Canada Inc., in its capacity as
the Proposed Monitor of the Applicants
and not in its personal or corporate capacity

Deryck Helkaa, CA, CPA, CIRP, LIT
Senior Managing Director
FTI Consulting Canada Inc.

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Appendix A

Peavey Industries General Partner Ltd.

Consolidated Cash Flow Forecast
For the 5 week period ending March 1, 2025

Cash Flow Statement	Note	Week 1 (Initial Stay)	Week 2 (Initial Stay)	Week 3	Week 4	Week 5	5 Week
(C$000s)		1-Feb	8-Feb	15-Feb	22-Feb	1-Mar	**Total**
Receipts							
Cash Receipts	1	9,749	11,517	12,539	14,175	14,720	**62,700**
Cash Sweep	2	(9,749)	(11,517)	(12,539)	(14,175)	(14,720)	**(62,700)**
Net Proceeds for Operations		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Disbursements							
Operating Disbursements							
Payroll & Benefits	3	(1,774)	(1,017)	(1,753)	(968)	(1,285)	**(6,797)**
Occupancy Expenses	4	-	(3,815)	-	-	-	**(3,815)**
Merchandise Fee	5	(353)	(288)	(313)	(354)	(368)	**(1,677)**
Other Liquidation Expenses	6	(1,179)	(414)	(414)	(414)	(414)	**(2,835)**
Sales Tax Payable	7	(2,202)	-	-	(320)	(755)	**(3,277)**
Other Operating Expenses	8	(622)	(1,692)	(212)	(239)	(632)	**(3,398)**
Professional Fees	9	(270)	(115)	(130)	(130)	(355)	**(1,000)**
Product Expenses	10	(1,000)	(1,000)	-	-	-	**(2,000)**
Freight and Duty	11	(198)	(154)	(154)	(154)	(99)	**(760)**
Interest Expenses	12	-	-	-	(563)	-	**(563)**
Contingency	13	(25)	(25)	(25)	(25)	(25)	**(125)**
Total Disbursements		$ (7,623)	$ (8,521)	$ (3,002)	$ (3,168)	$ (3,933)	**$ (26,247)**
Net Cash Flow		**$ (7,623)**	**$ (8,521)**	**$ (3,002)**	**$ (3,168)**	**$ (3,933)**	**$ (26,247)**
Cash							
Opening Cash		3,174	2,000	2,000	2,000	2,000	**3,174**
Net Cash Flow		(7,623)	(8,521)	(3,002)	(3,168)	(3,933)	**(26,247)**
Draw / (Repayment) of Post-Petition Debt	14	6,449	8,521	3,002	3,168	3,933	**25,073**
Ending Cash	15	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	**$ 2,000**
Pre-Filing Secured Debt							
Opening Balance		65,660	55,911	44,394	31,855	17,680	**65,660**
Draw / (Repayments)	2	(9,749)	(11,517)	(12,539)	(14,175)	(14,720)	**(62,700)**
Ending Pre-Filing Secured Debt		$ 55,911	$ 44,394	$ 31,855	$ 17,680	$ 2,960	**$ 2,960**
Post-Petition Debt							
Opening Balance		-	6,449	14,970	17,971	21,139	**-**
Draws / (Repayment)	14	6,449	8,521	3,002	3,168	3,933	**25,073**
Ending Post-Petition Debt	16	**$ 6,449**	**$ 14,970**	**$ 17,971**	**$ 21,139**	**$ 25,073**	**$ 25,073**

Peavey Industries General Partner Ltd.
Karen Dilon, CFO

Peavey Industries General Partner Ltd.

Consolidated Cash Flow Forecast

For the 5 week period ending March 1, 2025

Notes to the Consolidated Cash Flow Forecast:

Management of Peavey Industries General Partner Ltd. and its subsidiaries (the "**Peavey Group**") has prepared this Projected Consolidated Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Peavey Group during the period of January 26, 2025 to March 1, 2025 (the "**Forecast Period**").

This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-16. Consequently, actual results will likely vary from actual performance and such variances may be material.

1 Cash Receipts are based on GBC's expectations on the proceeds from the sale of inventory over the 5-week period. Receipts include the collection of applicable Sales Taxes.

2 The Forecast assumes in accordance with the 1903 Credit Agreement, cash is swept to repay the pre-filing secured debt obligations of GBC.

3 Payroll & Benefits are based on recent payroll amounts and future forecast amounts.

4 Occupancy Expenses are based on current rent obligations and future payments required to operate during the term of the SC Consulting Agreement at the Peavey Group's stores, warehouses and offices.

5 Merchandise Fee represents GBC's fee of 2.5% of Gross Proceeds, net only of sales taxes, of merchandise sold during the term of SC Consulting Agreement

6 Other Liquidation Expenses include estimated other fees paid to GBC during the sale timeline pursuant to the SC Consulting Agreement.

7 Sales Tax Payable represents the remittances of sales tax collected through the sale of the Peavey Group's inventory.

8 Other Operating Expenses includes general and administrative expenses including IT costs, utilities and maintenance, equipment rentals, capital leases and other costs necessary for operation during the Forecast Period.

9 Professional Fees are the estimated legal and professional fees associated with the CCAA proceedings.

10 Product Expenses represent potential amounts paid to vendors for inventory delivered prior to the date of the Initial Order. These payments are subject to the support of the Agent and the Monitor.

11 Freight and Duty reflects the payment to freight vendors for transporting product from warehouses to stores during the Forecast Period.

12 Interest Expenses includes interest payable pursuant to the 1903 Credit Agreement.

13 Contingency is an estimate for unexpected costs that may arise during the Forecast Period.

14 Draws / (Repayments) represent the post filing liquidity needs based on funding requirements throughout the Forecast Period.

15 The Forecast assumes Peavey Group maintains a minimum of $2.0 million in cash on hand. All post filing liquidity needs consider this minimum cash balance.

16 Post-Petition Debt financing is based on funding requirements throughout the Forecast Period.