

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

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

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

S U P E R I O R C O U R T  
 Commercial Division

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

**PELICAN INTERNATIONAL INC.,**

- and -  
**PELICAN US TOPCO LLC.,**  
 - and -  
**CONFLUENCE OUTDOOR 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 February 28, 2025, Pelican International Inc. ("**Pelican**") filed a Notice of Intention to Make a Proposal under the relevant provisions of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, ("**NOI Proceedings**"), and KPMG Inc. was appointed as the proposal trustee in the Pelican NOI Proceedings (the "Proposal Trustee").

2. On March 18, 2025, National Bank of Canada ("**NBC**", as administrative agent, collateral agent and hypothecary representative (in such capacity, the "**Agent**"), of a syndicated secure loan including NBC, Bank of Montreal, Fédération des Caisses Desjardins du Québec and The Toronto Dominion Bank (collectively the "**Lenders**"), filed an application entitled *Application for the Issuance of an Initial Order, an Amended and Restated Initial Order and a Sale and Investment Solicitation Process Order* (the "**Application**") before this honourable Court (the "**Court**") to commence proceedings under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 (as amended, the "**CCAA**") seeking the issuance of an order (the "**Initial Order**") declaring that Pelican International Inc. ("**Pelican**"), Pelican US Topco LLC. ("**Pelican US Topco**") and Confluence Outdoor Inc. ("**Confluence**" and, together with Pelican and Pelican US Topco, the "**Debtors**") are debtor companies subject to the CCAA, providing for a stay of proceedings in respect of the Debtors, the appointment of FTI Consulting Canada Inc. ("**FTI**" or the "**Proposed Monitor**") as Monitor and various other relief measures (the "**CCAA Proceedings**").
3. 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 the Lenders as part of the Application, and, more specifically, as part of the proposed Initial Order.
4. More specifically, the purpose of this Pre-Filing Report is to inform the Court on the following:
  - The qualifications of FTI to act as Monitor;
  - The state of the business and affairs of the Debtors and the causes of their financial difficulties and insolvency;
  - The pre-filing restructuring efforts and current financial risks;
  - The proposed restructuring efforts to be conducted during the CCAA Proceedings including the Going Concern SISP (as defined herein);
  - The relief sought as part of the Application;
  - The Debtors' weekly cash-flow forecast for the period starting March 17, 2025, and ending March 30, 2025;
  - The COMI Declaration; and
  - The Proposed Monitor's recommendation on the above.

## **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 relief sought by the Applicant 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 discussions with certain members of the management of the Debtors ("**Management**") and is based on assumptions regarding future events; actual results may vary from forecasts 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.

## **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. The proposed restructuring process outlined in the Application including namely the proposed Going Concern SISP (failing which, the Liquidating SISP) represent the best possible means of maximizing value for all stakeholders and is appropriate in the circumstances;
  - c. On March 13, 2025, the Agent received an offer from a potential purchaser interested in acquiring the Debtors' businesses, which offer requires the implementation of a going concern transaction. It is to be noted that the offer involves a party related to the Debtors (the "**Related Party Offer**"). In addition to the Related Party Offer, the Applicant is aware of certain other third parties having expressed an interest in the business or the assets of the Debtors;
  - d. As such, the Proposed Monitor is of the view that the request to initiate an expedited three (3) week going-concern sale and investment solicitation process ("**Going Concern SISP**"), is reasonable in the circumstances and will provide the best opportunity to preserve and maximize value for the creditors and other stakeholders;
  - e. If the Going Concern SISP fails to provide satisfactory results, the Monitor will then have the discretion, with the consent of the Interim Lender (as herein defined), to pivot into a broader liquidation sale and investment solicitation process (the "**Liquidating SISP**");
  - f. Given the Debtors' liquidity crisis, the Interim Financing (as defined below) is necessary to finance the Debtors' operations and these CCAA Proceedings, and the terms proposed by the Interim Lender as part of the Interim Financing 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 or the granting of the Interim Lender's Charge (as defined below);
  - g. The establishment of the proposed CCAA charges and their proposed quantum are necessary and reasonable in the circumstances.
11. Accordingly, the Proposed Monitor respectfully recommends that the Initial Order and the SISP Order (as defined in the Application) be granted by this Honourable Court.

### **QUALIFICATIONS TO ACT**

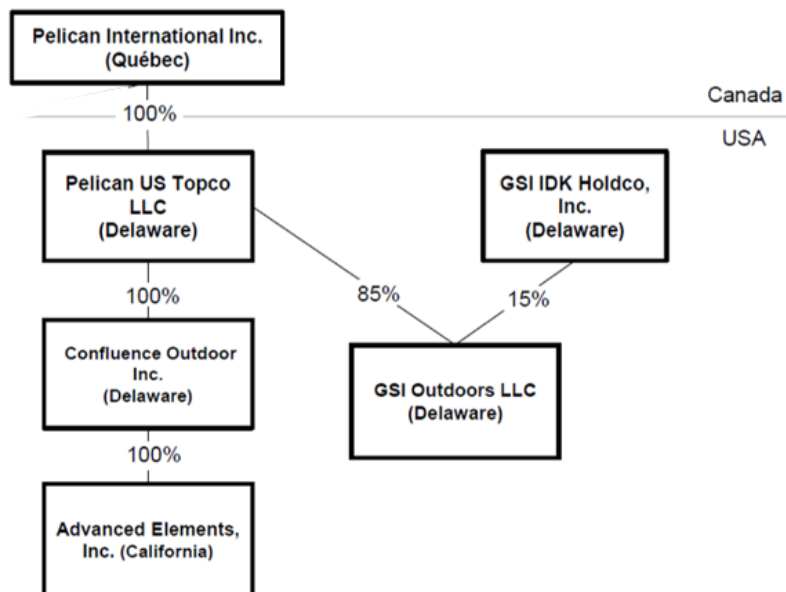
12. FTI is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as monitor, as set out in section 11.7(2) of the CCAA.

13. FTI was initially retained in late December 2024 as financial advisor to the Lenders 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. In the context of these CCAA Proceedings, FTI as proposed court-appointed Monitor intends to initiate, with the assistance of FTI Capital Advisors – Canada ULC ("**SISP Advisor**"), a sale and investment solicitation process of the shares and/or business, property and assets of the Debtors, the whole as set forth in the Application and described more fully below.
15. FTI further confirms that it has consented to act as monitor in these proceedings should the Court grant the proposed orders.
16. The Proposed Monitor has retained Osler, Hoskin & Harcourt LLP to act as its Canadian independent counsel and Troutman Pepper Locke LLP and Haynsworth Sinkler Boyd, P.A as its US independent counsel in these CCAA proceedings.

## **THE DEBTORS' BUSINESS & AFFAIRS AND FINANCIAL DIFFICULTIES**

### **The Debtors' Business and Affairs**

17. The Pelican Group (as defined herein) is a leader in the paddle sports industry and is comprised of three (3) operating entities and one holding company as appears from the organizational chart below:



**\*\*Please note that GSI IDK Holdco, Inc. (Delaware) is an arm's length third party. Both GSI IDK HoldCo, Inc. and GSI Outdoors LLC (Delaware) are not Debtors in these CCAA Proceedings\*\***

18. The activities of the entities comprising the GSI Outdoors LLC (Delaware) ("**GSI**") and together with Pelican, Pelican US Topco and Confluence, the "**Pelican Group**") are described in detail in the Application and are summarized below.

***Pelican International Inc. (Operating company)***

19. Founded in 1968, and having its head office in Montreal, Quebec, Canada, Pelican designs and manufactures kayaks, windsurfing boards, canoes, pedal boats, stand-up paddle boards, fishing boats and a variety of camping and water sport accessories.
20. In 2000, Pelican acquired the boat division of The Coleman Company Inc., which allowed it to enter mass-market distribution channels in the United States.
21. Pelican is the ultimate parent company of the Pelican Group, and directly or indirectly owns all of the issued and outstanding shares of the entities forming part of the Pelican Group (with the exception of GSI, for which Pelican ultimately owns 85% of the share capital).

22. Pelican operates out of three leased facilities in the province of Québec; (i) a 297,769 sq. ft. facility in Laval, Québec that houses its head office, production activities and a part of its warehousing (the “**Laval Facility**”) (ii) a 320,403 sq. ft. facility located in Valleyfield, Québec, featuring state-of-the-art production equipment and advanced production capabilities (the “**Valleyfield Facility**”) and (iii) a 246,000 sq. ft warehouse premises in Varennes, Québec (the “**Varennes Premises**”).
23. The strategic, financial and operational decisions of each of the Debtors are made by Pelican’s management team in Montreal, Quebec.

***Pelican US Topco LLC (holding company)***

24. Pelican US Topco is a wholly owned subsidiary of Pelican and is a limited liability company formed in Delaware on January 13, 2022, to support Pelican’s expansion into the United States.
25. Pelican US Topco holds all of the issued and outstanding shares of Confluence, as well as 85% of the issued and outstanding shares of GSI. Pelican US Topco is a holding company with no commercial operations nor activities and is incorporated solely for the purposes of holding the aforementioned shares.
26. Pelican US Topco has its registered office located at 251 Little Falls Drive, Wilmington, Delaware 19808, County of New Castles, USA.

***Confluence Outdoor Inc. (Operating Company)***

27. In 2019, Pelican acquired Confluence, a US company with operations based in Greenville, South Carolina.
28. Founded in 1998, Confluence manufactures premium paddle sports equipment and accessories.
29. Confluence has its office located at 575 Mauldin Road, Greenville, South Carolina, United States of America.
30. Confluence operates out of 550,000 sq. ft. leased facilities located in Greenville, South Carolina (the “**Greenville Facility**”).

## **Other Non-Applicant Entities excluded from these CCAA Proceedings**

### ***GSI Outdoors LLC (Operating Company)***

31. In 2022, Pelican US Topco acquired 85% of the issued and outstanding shares of GSI in an effort to diversify the Debtors' overall product offerings. The remaining 15% of the outstanding shares are held by GSI IDK Holdco Inc., a corporation owned by the founders of GSI. The Proposed Monitor understands that a balance of purchase price equal to approximately USD\$12 million remains in respect of this sale.
32. Founded in 1985 and based in Spokane, Washington, GSI develops and distributes a complete line of camping cookware and outdoor accessories.
33. GSI is a limited liability company created pursuant to the laws of Delaware and has its registered head office located at 1023 S. Pines Road, Spokane, Washington.
34. GSI distributes its products out of a 45,260 sq. ft. facility located in Spokane, Washington (the "**Spokane Facility**").
35. While GSI is currently not a debtor in these CCAA Proceedings, it is currently contemplated that a concurrent sale process will be run by the SISP Advisor in respect of its business and assets.

### ***Advanced Elements Inc.***

36. In 2021, Confluence acquired Advanced Elements Inc ("**Advanced Elements**"), a pioneer in the inflatable boat market for over 20 years.
37. Since then, Advanced Elements' business and operations have been amalgamated into Confluence's operations.
38. FTI understands that, as of the date of this Pre-Filing Report, Advanced Elements has no operations nor activities of its own and is not an applicant in these CCAA Proceedings.



### **Sales and distributions channels**

39. The Pelican Group sells its products primarily through the following six sales channels: (i) Independent specialty stores, (ii) Outdoor specialty stores (e.g. Sail Outdoors), (iii) Big-box sporting good chains (e.g. Dick's Sporting Goods), (iv) Big-box general merchandise & hardware chains (e.g. Walmart, Costco), (v) International customers (outside of Canada and the United States), and (vi) E-commerce sites (e.g. Amazon as well as their own websites).
40. The Pelican Group has longstanding relationships with several of its major customers, with many relationships having existed for over 20 years.

### **Employees**

41. Pelican currently has approximately 294 employees.
42. Pelican's factory workforce at the Laval Facility, Valleyfield Facility and Varennes Premises are unionized and are affiliated with the union Fraternité des Syndicats de l'Industrie et du Commerce ("**FISC**").
43. Confluence currently employs approximately 111 non-unionized employees.
44. The Proposed Monitor understands that due to the seasonal nature of the nautical and utility product industries, factory full-time employment fluctuates between low season and peak season.

### **Cash Management System**

45. The Debtors' business and financial affairs require bank accounts to be maintained in both Canada and the United States to facilitate collections, disbursements, and intercompany transfers of funds.
46. In the ordinary course of business, the Debtors utilize a centralized cash management system to accumulate funds and pay expenses associated with its operations (the "**Cash Management System**"), and to efficiently and accurately track and control corporate funds and to ensure cash availability.
47. The Proposed Monitor understands that any significant change to the current system would result in significant disruptions to the Debtors' operations. Accordingly, it is intended that course intercompany transactions continue. All intercompany transactions will be subject to such changes, governing principles, policies or procedures as the Proposed Monitor may require, and subject to its consent and approval.

## The Debtors' Historical Financial Results

48. The Debtors' historical financial results for the fiscal years ended October 31, 2022, 2023 and 2024 and for the 2-month period ended December 31, 2024 are presented below.

<b>Pelican International Inc., Historical Results (\$ 000)</b>					
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Unaudited</b>
<b>Income statement for the year ended</b>	<b>Oct.31/ 21</b>	<b>Oct.31/ 22</b>	<b>Oct.31/ 23</b>	<b>Oct.31/ 24</b>	<b>12/31/2024 (2 months)</b>
Sales	248,297	230,282	153,750	115,189	7,986
<b>EBITDA</b>	<b>48,058</b>	<b>23,345</b>	<b>10,547</b>	<b>(8,948)</b>	<b>(2,126)</b>
Financial expenses	2,524	5,105	13,005	15,312	1,784
Amortization	14,114	8,527	8,205	8,226	1,212
Other expenses/(income)	(3,409)	-	(4,345)	(9,253)	(280)
<b>Income/(Loss) before taxes</b>	<b>34,829</b>	<b>9,713</b>	<b>(6,318)</b>	<b>(23,233)</b>	<b>(4,842)</b>

49. As a result of, *inter alia*, the Covid-19 pandemic, the Debtors experienced significant unforeseen growth and increased sales during this period and were able to obtain additional financing to support the acquisition of the GSI equity, and pay a dividend.
50. Starting in 2023, the water sports market, like other outdoor recreational markets in Canada and the United States, experienced a significant slowdown, which can be explained by several factors:
- The demand for watersports equipment began to normalize as government-imposed lockdowns resulting from the Covid-19 Pandemic were lifted and social distancing activities were no longer required;
  - Retailers had accumulated excess inventory and, as a result, reduced their orders from manufacturers and wholesalers; and
  - Macro-economic headwinds due to the highly inflationary environment resulted in consumers deferring their discretionary purchases, namely those related to recreational products.

51. As a result of the foregoing, the Debtors were not able to achieve their anticipated sales targets in both 2023 and 2024.
52. For the 12-month period ended on October 31, 2024, the Debtors, on a consolidated basis, incurred losses before taxes of approximately \$23,2 million.
53. These operating losses were primarily due to the Debtors' weaker than expected sales volumes, continued significant operational expenses and relatively high debt service obligations.
54. As at December 31, 2024, the Debtors had, on a consolidated basis, total assets with a book value of approximately \$229.3 million, consisting of current assets with a book value of approximately \$91.6 million and non-current assets with a book value of approximately \$137.7 million, as detailed in the table below:

Assets	
As at December 31, 2024	
(CAD 000's)	
<b>Current Assets</b>	
Cash	398
Accounts receivables	10,311
Inventories	70,234
Prepaid expenses and other current assets	10,691
	<b>91,634</b>
<b>Non-Current Assets</b>	
Property, plant and equipment	27,958
Intangible assets	10,961
Deposits	124
Note receivable from subsidiaries	-
Goodwill	3,061
Investment in subsidiaries	95,565
Future income taxes	4
	<b>137,673</b>
	<b>229,307</b>

55. The assets are mainly comprised of inventory, accounts receivable and equipment and also include intangible assets, notably the investment in GSI.
56. As at December 31, 2024, the Debtors, on a consolidated basis, had outstanding indebtedness in the aggregate amount of \$181.4 million, which amount is comprised of the following:

**Pelican International Inc., Pelican US Topco LLC and Confluence Outdoor Inc.**  
**Liabilities**  
**As at December 31, 2024**  
**(CAD 000's)**

**Current Liabilities**

Accounts payable and accrued expenses	19,178
Current portion of lease liabilities	34
Liability on foreign exchange contract	625
	<hr/>
	19,837

**Non-Current Liabilities**

Long-term debt and other debts	4,140
Bank loan	117,623
Deferred revenue	6,264
Lease liabilities	3
Due to an affiliated company	18,672
Due to minority shareholders of an affiliated company	14,820
	<hr/>
	161,522
	<hr/>
	181,359

**The Debtors' Indebtedness**

***Secured creditors – Credit Agreement with the Banking Syndicate***

57. Pelican and Pelican US TopCo, as borrowers, and GSI and Confluence, as guarantors, are parties to a credit agreement dated as of December 15, 2023 entered into with the Lenders, as such credit agreement was amended by a First Amending Agreement dated as of March 26, 2024, a Second Amending Agreement dated as of August 1, 2024, a Third Amending Agreement dated as of October 31, 2024, a Fourth Amending Agreement dated as of December 3, 2024, and a Fifth Amending Agreement dated as of December 30, 2024 (collectively the "**Credit Agreement**").
58. The Credit Agreement that was put in place to support management's growth plan provides for a revolving credit facility up to a maximum amount of CAD \$175,000,000, which was made available to finance working capital and for other general corporate purposes and a term facility in the maximum principal amount of US \$60,000,000.

59. The Credit Agreement is secured by first-ranking liens against all the Debtors' property in both Canada and the United States. The Proposed Monitor's Canadian and United States counsel are conducting a review of the Lenders' security at this time and the Proposed Monitor will be reporting to the Court in respect thereof in due course.
60. As at March 18, 2025, the aggregate amounts outstanding under the Credit Agreement were CAD \$39,976,555 and USD \$62,670,339, subject to adjustment (collectively, the "**Secured Indebtedness**").
61. The Pelican Group's current debt and capital structure does not allow it to be sufficiently profitable given that a significant portion of revenues must be allocated to debt service under the Credit Agreement and other burdensome financial obligations such as payments under its leases.

#### ***Unsecured trade and other payables and Employee Matters***

62. As at February 27, 2025, the Debtor's aggregate indebtedness to their suppliers and other unsecured creditors amounted to approximately \$18.7 million, as further ventilated in the table below.

<b>Pelican International Inc., Pelican US Topco LLC and Confluence Outdoor Inc.</b>	
<b>Creditors' list</b>	
<b>(CAD 000's)</b>	
<i>Unsecured creditors</i>	
Trade payables	14,555
Employees	1,557
Other	2,589
<b>Total</b>	<b>18,701</b>

63. The Debtors are current in respect of wages owing to their employees, with the exception of certain amounts owing in respect of accrued vacation pay, namely \$1,337,398 CAD for Pelican and \$153,213USD for Confluence. The Debtors are also current on deductions at source.

#### **PRE-FILING RESTRUCTURING EFFORTS AND CURRENT FINANCIAL RISKS**

64. The Proposed Monitor understands that initial restructuring efforts commenced with the implementation of various cost reduction measures, including notably the reduction of the footprint of the Laval Facility and the relocation of certain equipment to the Valleyfield Facility.

65. In this context, in July 2024, National Bank Financial Inc. was retained as financial advisor to pursue a sale and investment solicitation process in respect of GSI to secure a transaction that would allow for a material improvement of Pelican's financial position.
66. Notwithstanding the efforts, the Proposed Monitor understands that no satisfactory offers were received as part of this process due to, *inter alia*, market conditions of this industry, the inflationary environment and declining demand for recreational consumer goods.
67. Additionally, Pelican now also faces significant potential disruptions in its business as a result of the uncertainty related to the potential 25% tariffs by the United States on all imports into the United States.
68. It is anticipated that the new tariffs, if implemented, will have a material negative impact on the Pelican Group's profit margins or, to the extent that those costs are passed on to the customers, demand will likely be impaired, and result in a further erosion of sales, which would indirectly reduce profit margins and increase pressure on its working capital.
69. In the context of the foregoing, the Debtors implemented certain material operational restructuring measures.
70. Notwithstanding these efforts, this ultimately resulted in Pelican initiating the NOI Proceedings.
71. The Proposed Monitor understands that in the context of the NOI Proceedings, the Agent recently received the Related Party Offer and became aware of certain other third parties having expressed an interest in the business or the assets of the Debtors.
72. However, as appears from the Cash Flow Forecast (as defined below), the Debtors cannot continue operating, conduct a sale process, nor meet their obligations as they become due without immediate interim financing.
73. As a result of the foregoing and in collaboration with the Debtors, the Lenders brought the Application to initiate these "creditor-led" CCAA Proceeding and agreed to provide sufficient funding to maintain Pelican Group's going concern operations for a period of three (3) weeks in order to conduct the Going Concern SISP.
74. As noted above, the Lenders are owed approximately \$130,000,000 and accordingly, have the main economic interests. Their support of these CCAA Proceedings is conditional to the Proposed Monitor being vested with extended powers, as provided for in the Application.

75. Considering the presence of the Related Party Offer, the Proposed Monitor is supportive of the initiation of these creditor-led proceedings, and the granting of the extended monitor powers being sought by the Lenders. This will allow the Proposed Monitor to conduct a fair, transparent, structured and expedited sales process in the context of these proceedings while ensuring the maintenance of going concern operations for an initial three (3) week period.

### ***Forbearance Agreements***

76. The Pelican Group's financial difficulties resulted in the breach of various provisions of the Credit Agreement, including with respect to the minimum reported EBITDA requirements.
77. Between August 1, 2024 and December 30, 2024, the Pelican Group and the Lenders entered into various forbearance agreements, the term of which ultimately expired on February 20, 2025.
78. On February 28, 2025, the Agent, Lenders and the Pelican Group entered into a Support and Forbearance Agreement (as amended from time to time, the "**Support and Forbearance Agreement**") pursuant to which the Lenders agreed to further tolerate the defaults under the Credit Agreement, forbear from the exercise of their rights, recourses and remedies resulting therefrom, continue to finance the operations of the Pelican Group, and support the CCAA Proceedings (and any parallel proceedings in the United States of America), all subject to the terms and conditions of this Support and Forbearance Agreement.
79. The Support and Forbearance Agreement expired on March 10, 2025.

### **THE PROPOSED RESTRUCTURING EFFORTS TO BE CONDUCTED DURING THE CCAA PROCEEDINGS**

80. The objective of the CCAA proceedings is to allow the Proposed Monitor to implement the Going-Concern SISF for an initial three (3) week period, with the assistance of the SISF Advisor and under the supervision of this Court, the whole for the benefit of creditors and stakeholders.
81. As indicated above, it is currently contemplated that the SISF Advisor shall also initiate a concurrent process in respect of the business and assets of GSI, with its own distinct timeline.
82. Considering the Related Party Offer, and the third-party interest expressed in acquiring the business of the Debtors, the Proposed Monitor is hopeful that the Going Concern SISF will yield positive results, for the benefit of all stakeholders.

83. Should the Going Concern SISP fail to provide a satisfactory result, the Proposed Monitor will, at its discretion and with the consent of the Interim Lender, immediately pivot towards the Liquidating SISP and implement drastic cost-cutting measures in order to liquidate the Debtors remaining assets, product and raw materials.
84. Accordingly, considering the limited liquidity, the Lenders, in consultation with the Proposed Monitor, believe that these CCAA proceedings and the immediate implementation of the expedited Going Concern SISP constitute the best option in the circumstances.

## **THE RELIEF SOUGHT AS PART OF THE INITIAL ORDER, AND THE PROPOSED MONITOR'S RECOMMENDATIONS THEREON**

### ***Conversion of NOI Proceedings to CCAA Proceedings***

85. The Lenders seek an order that the NOI Proceedings be continued under the CCAA Proceedings and that the provisions under Part III of the *Bankruptcy and Insolvency Act* shall have no further application to Pelican.
86. The Proposed Monitor supports the request to convert to CCAA proceedings for the following reasons:
  - a. the requirements for continuing NOI Proceedings under the CCAA are met given that the Debtors' are an insolvent person and total claims against the Debtors, on a consolidated basis, far exceed \$5,000,000;
  - b. the initiation of CCAA proceedings, and the recognition of same in the United States, will be required in order to implement efficiently and seamlessly a transaction for the Debtors' assets and to effectuate the proposed restructuring strategy;
  - c. the relief sought by continuing the restructuring through these CCAA Proceedings will enhance the Debtors' ability to achieve the best possible outcome for its stakeholders;
  - d. an offer, the Related Party Offer, has already been received, and the Lenders need to implement an independent competitive process to canvass the market, for the benefit of all stakeholders; and
  - e. the Lenders are acting in good faith and with due diligence in taking steps to maximize the value of their assets for the benefit of their stakeholders.



### ***The Stay of Proceedings***

87. A stay of proceedings in favour of the Debtors, as well as their directors and officers, is necessary to allow the restructuring efforts set out in the Application to pursue their course.
88. The Proposed Monitor recommends that a stay of proceedings be granted, failing which there is concern that creditors may attempt to initiate execution measures, to the detriment of all creditors and other stakeholders.

### ***The Proposed Going Concern Sale and Investment Solicitation Process***

89. As indicated above, the primary objective of these CCAA Proceedings is to initiate the expedited Going Concern SISP for a period of three (3) weeks.
90. The Going Concern SISP is intended to solicit interest in:
- The sale of the Debtors through one or multiple transactions; and/or
  - An investment, recapitalization, refinancing or other form of reorganization transaction(s).
91. The Going Concern SISP is to be conducted by the Monitor with the assistance of the SISP Advisor, an affiliate of the Proposed Monitor, and in consultation with the Interim Lender, in accordance with the procedures attached to the Draft SISP Order (as defined in the Application) (the “**SISP Procedures**”). The SISP Advisor has experience in conducting sale processes in the context of insolvency proceedings, with significant contacts internationally.
92. The terms of the Going Concern SISP are more fully set out in the SISP Procedures, a summary of the key milestones of the Going Concern SISP is provided below:

<b><u>Event</u></b>	<b><u>Date</u></b>
<b>1. <u>Bid Deadline &amp; Qualified Bidders</u></b> Bid Deadline (for delivery of definitive offers by Qualified Bidders in accordance with the requirement of the SISP Procedures)	By no later than April 10, 2025 at 5:00 p.m. (prevailing Eastern Time)
<b>2. <u>Auction(s)</u></b> Auction(s) (if needed)	April 14, 2025
<b>3. <u>Selection of final Successful Bid(s)</u></b> Deadline for selection of final Successful Bid(s)	By no later than April 14, 2025, at 5:00 p.m. (prevailing Eastern Time)

<b><u>Event</u></b>	<b><u>Date</u></b>
<b>4. <u>Definitive Documentation</u></b> Completion of definitive documentation in respect of Successful Bid(s)	Week of April 14, 2025,
<b>5. <u>Approval Application - Successful Bid(s)</u></b> Filing of Approval Application in respect of Successful Bid(s)	Week of April 21, 2025
<b>6. <u>Closing - Successful Bid(s)</u></b> Anticipated deadline for closing of Successful Bid(s)	Week of April 21, 2025 or such earlier date as is achievable
<b>7. <u>Outside Date – Closing</u></b> Outside Date by which the Successful Bid must close	April 28, 2025

93. Despite its short timeframe, the conduct of the Going Concern SISP in accordance with the SISP Procedures will provide for a fair, efficient and transparent process, which, in turn, will allow the maximization of the value of the Debtors' assets and, if possible, the pursuit of its business operations as a going concern, all for the benefit of its creditors and other stakeholders.
94. The SISP Procedures also include specific provisions in respect of related party participation in the SISP, the whole for the purposes of ensuring the integrity of the process for all participants, with a view to maximizing value for all stakeholders. The Related Party Offer is subject to such provisions in the context of the Going Concern SISP.
95. As set out above, if the Going Concern SISP fails to provide a satisfactory result, the Proposed Monitor, at its discretion and with the consent of the Interim Lender, will immediately pivot towards the Liquidating SISP and implement forthwith drastic cost-cutting measures in order to liquidate the Debtors remaining assets, product and raw materials.

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

96. The Lenders are prepared to provide the interim financing required to support and fund these restructuring proceedings as well as the Debtors during the Going Concern SISP.
97. The Cash Flow Forecast (as defined below) indicates that the Debtors need to borrow funds immediately upon the commencement of these CCAA Proceedings. The projections indicate that continued funding will be required throughout these CCAA Proceedings.

98. Based on the Cash Flow Forecast (as defined below), interim financing of \$4,000,000 will be required during the initial 10-day stay of proceedings.
99. The offer presented by the Lenders (in this capacity the “**Interim Lender**”) provides for a \$4,500,000 non-revolving demand credit facility (the “**Interim Financing**”). The Proposed Monitor understands that a further increase of the Interim Financing will be sought at the comeback hearing.
100. In substance, the Interim Financing offer provides for the following:
- a. The Interim Financing is intended to be secured by a charge over all property, assets and undertakings of the Debtors (the “**Interim Lender Charge**”), ranking in first priority subject only to the Administration Charge and the KERP Charge, up to an amount of \$4,800,000 in the Initial Order;
  - b. The Interim Financing offer is subject to an annual interest rate equal to 12%;
  - c. A non-refundable commitment fee of \$20,000 for the initial draw; and
  - d. The Interim Financing also contemplates the reimbursement of the reasonable out-of-pocket expenses incurred by the interim lender (including legal fees) in connection with the restructuring proceedings and the ongoing monitoring, administration and enforcement of the interim credit facility.
101. The Lenders request that the Proposed Monitor, upon appointment, be authorized to enter into the Interim Financing provided by Lenders, and that the Court grant the Interim Financing Charge.
102. The Interim Financing offer 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.
103. Based on the information available to the Proposed Monitor to date, FTI believes that (i) the estimates made regarding the financing needs of the Debtors are reasonable in the circumstances; and (ii) that the pricing and terms of the Interim Financing are reasonable in the circumstances.

## **Approval of Other CCAA Charges**

### **(i) Administration Charge**

104. In addition to the Interim Lender's Charge, the Lenders also seek the granting of an Administration Charge ("**Administration Charge**") in the amount of \$1,000,000 in the Initial Order, with priority over all claims against the property of the Debtors. It is proposed that the Administration Charge remain at \$1,000,000 in the Amended and Restated Initial Order ("**ARIO**").
105. The Administration Charge will be in favour of FTI, Canadian counsel to the Proposed Monitor (Osler, Hoskin & Harcourt LLP) as well as US counsel to the Proposed Monitor (Troutman Pepper Locke LLP and Haynsworth Sinkler Boyd, P.A), the Debtors counsel (Fasken Martineau DuMoulin LLP), the Interim Lender's counsel (McCarthy Tétrault LLP) and the SISP Advisor.
106. The Proposed Monitor has reviewed and considered the complexities of the CCAA Proceedings, the underlying assumptions upon which the Lenders have based the quantum of the proposed Administration Charge and the services to be provided by the beneficiaries of the Administration Charge.
107. 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 Draft Initial Order is reasonable and appropriate in the circumstances.
108. Accordingly, the Proposed Monitor respectfully recommends that the Administration Charge be granted by this Honourable Court.

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

109. The Proposed Monitor understands that while the Debtors maintain an insurance policy for the benefit of its Directors and Officers (the "**D&O Insurance**"), which policy is set to expire on May 1, 2025, the Debtors assert that the amount of coverage provided by the D&O Insurance may ultimately not be sufficient to adequately protect the Directors and Officers from potential liability and that additional insurance would not be available or would be prohibitively expensive.
110. Accordingly, in the Initial Order the Applicant is requesting the establishment of a directors and officers charge ("**D&O Charge**") in favour of the Directors and Officers in an amount of \$1,300,000, which amount will remain unchanged in the ARIO.

111. The amount of the D&O Charge has been calculated by the Proposed Monitor, taking into consideration the periodic gross payroll costs of existing employees (including the accrued vacation thereon).
112. In these circumstances, the Proposed Monitor, is of the opinion that the requested D&O Charge is reasonable and adequate given, notably, the complexity of its business, and the corresponding potential exposure of the Directors and Officers to personal liability. The D&O Charge is intended to offer additional protection beyond what is available under the insurance policy.

(iii) KERP

113. The Debtors and the Proposed Monitor have identified certain key employees (collectively, the "**Key Employees**") who will be critical in the conduct of these CCAA Proceedings and the implementation of the restructuring efforts to be undertaken in the context thereof, including the conduct of the Going Concern SISP.
114. The Debtors and the Proposed Monitor are of the view that retaining these Key Employees during the CCAA Proceedings will enable the Debtors to maintain their operations, maintain existing customer relations, support the Going Concern SISP and collection of receivables as well as maximize enterprise value throughout the course of these CCAA Proceedings.
115. Accordingly, the Debtors and the Proposed Monitor has developed, in consultation with the Interim Lender, a Key Employee Retention Plan ("**KERP**"). A summary table setting out the material terms of the KERP (and amounts owing thereunder the "**KERP Table**") provided herewith, *under seal*, as Appendix A.
116. The KERP provides for an initial payment on May 31, 2025, and a subsequent final payment on the earlier of the following events: (i) termination of beneficiary's employment by the Debtors or the Proposed Monitor without cause, (ii) the sale of all or substantially all of the Pelican Group or its assets, in accordance with the Going Concern SISP, (iii) the termination of these CCAA Proceedings or the bankruptcy of the Debtors; or (iv) on July 31, 2025.
117. The KERP provides financial incentives for Key Employees to continue their employment with the Debtors during these CCAA Proceedings, and it is an essential condition of the KERP that the Key Employees remain employed and render services to the Debtors throughout the entire KERP Period. In order to secure the payment of amounts owing under the KERP, the Applicant is seeking the approval of the KERP and the establishment of a KERP Charge over the Property of the Debtors in the amount of \$495,000.

118. The Proposed Monitor understands that the Key Employees covered by the KERP are essential to the restructuring process, which will include, notably, the implementation of the Going Concern SISP. In this context, Key Employees are deemed necessary to attempt to maximize the value of the Debtors' businesses and assets. The Proposed Monitor understands that the Key Employees will play a crucial role in the Debtors' restructuring process given their professional skills and unique and relevant experience related to the Debtors' activities and operations.
119. The KERP is designed to encourage Key Employees to retain their current employment during the CCAA Proceedings. Without the retention of the Key Employees, it is the Debtors' belief that their ability to maximize value for all stakeholders would be seriously compromised. The Debtors believe that:
- a. The Key Employees are essential to continuing restructuring efforts and reduced operational continuity throughout these CCAA Proceedings. Their departure would have an immediate impact on the remaining operations and the Going Concern SISP.
  - b. Considering the uncertainty regarding the Debtors' restructuring proceedings, these employees could be solicited by others.
120. Consequently, the Proposed Monitor supports the approval of the KERP and the KERP Charge proposed by the Applicant.

## **CASH FLOW FORECAST**

121. The Proposed Monitor has prepared a statement of projected cash flow (the "**Cash Flow Forecast**"), on a weekly basis, for the 2-week period ending March 30, 2025. The Cash Flow Forecast is accompanied by the notes outlining the significant assumptions made in preparing the Cash Flow Forecast.
122. A copy of the Cash Flow Forecast, accompanying notes and a report containing prescribed representations are attached hereto as Appendix B.
123. The Cash Flow Forecast is presented on a consolidated basis for all the Debtors. The Cash Flow Forecast, including the notes attached thereto for the 2-week period ending March 30, 2025 have been prepared by the Proposed Monitor for the purpose described in the notes accompanying the Cash Flow Forecast, using probable and hypothetical assumptions set out in the said notes.

124. The Proposed Monitor's review consisted of inquiries, analytical procedures and discussions related to information supplied by the Debtors. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by the Debtors for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.
125. Based on this review, nothing has come to the Proposed Monitor's attention that causes it to believe that, in all material respects:
- a. The hypothetical assumptions are not consistent with the purpose of the projection;
  - b. As at the date of this Pre-Filing Report, the probable assumptions developed by the Debtors are not suitably supported and consistent with the plans of the Debtors or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
  - c. The Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
126. Since the Cash Flow 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.
127. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. The Cash Flow Forecast has been prepared solely for the purpose described in the notes accompanying the Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.
128. While the Proposed Monitor does not express reservations regarding the Cash Flow Forecast, some components thereof are noteworthy and are addressed below.
129. The Cash Flow Forecast indicates that operating cash receipts over the 2-week period total approximately \$608,000.
130. The Cash Flow Forecast also illustrates that operating disbursements over the same 2-week period total approximately \$4 million and consist primarily of purchases, overhead, distribution expenses, sales and general administration expenses, payroll and professional fees.
131. Moreover, that same period net negative cash flow is forecast to approximate \$3,3 million.

132. Finally, it is anticipated that the Proposed Monitor, once appointed, will be required to draw on the Interim Financing immediately in order to meet the Cash Flow Forecast and effectuate the proposed restructuring strategy.

### **COMI DECLARATION**

133. As two (2) of the Debtors are United States entities, the Proposed Monitor intends to initiate proceedings before the United States Bankruptcy Court for the District of South Carolina, immediately following the issuance of the Initial Order, seeking the recognition of the CCAA Proceedings under Chapter 15 of the U.S. Bankruptcy Code.
134. The Proposed Monitor is of the view that this recognition is essential to properly initiate and implement the restructuring strategy described in this First Report and the Application.
135. Chapter 15 proceedings will be necessary as certain US creditors may attempt to enforce their rights as against the Debtors' assets located in the US.
136. In these circumstances, the Proposed Monitor recommends that the COMI Declaration be rendered by the Court.

### **CONCLUSION**

137. In light of the foregoing, the Proposed Monitor is of the view that the relief sought by the Applicant as part of the Application is 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 March 18, 2025

**FTI Consulting Canada Inc.**

In its capacity as Proposed Monitor of the Debtors




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Martin Franco, CPA, CIRP, LIT  
Senior Managing Director



**Appendix A****(under seal)**

## Appendix B

## Pelican International Inc. - Consolidated

## CCAA CFF

in thousands of \$CAD

Week #	1	2	Mar.17 to Mar.30
Week starting	Mar.17/ 25	Mar.24/ 25	2 weeks
Week ending	Mar.23/ 25	Mar.30/ 25	Total
<i>Receipts</i>			
Accounts receivable - opening balance	119	489	608
<b>Total receipts</b>	<b>119</b>	<b>489</b>	<b>608</b>
<i>Disbursements</i>			
Raw materials purchases - COD	736	383	1,119
Overhead - COD	232	232	464
Distribution expenses - COD	151	151	302
Sales, general & admin. expenses	122	122	244
Payroll	-	495	495
Utilities security deposit	-	172	172
Professional fees	610	548	1,158
DIP fee	-	20	20
<b>Total disbursements</b>	<b>1,851</b>	<b>2,123</b>	<b>3,974</b>
<b>Net cashflow</b>	<b>(1,732)</b>	<b>(1,634)</b>	<b>(3,366)</b>
DIP funding/(reimbursement)	2,100	1,900	4,000
Cash balance at beginning	-	368	-
<b>Cash balance at end</b>	<b>368</b>	<b>634</b>	<b>634</b>
<b>DIP financing balance</b>	<b>2,100</b>	<b>4,000</b>	<b>4,000</b>

## **APPENDIX B**

### **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 - GENERAL**

The Cash Flow Forecast has been prepared by the Proposed Monitor with the support of the management using probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast.

The Proposed Monitor's review of the Cash Flow Forecast 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 Forecast. The Proposed Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.

### **NOTE C - DEFINITIONS**

#### **(1) CASH-FLOW FORECAST:**

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 Forecast.

#### **(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 Forecast.

#### **(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><u>Cash balance at beginning</u></b>	Based on current bank balances.	X	
<b><u>Forecast cash receipts</u></b>			
Sales receipts	Based on the latest forecasts available prepared by Management.		X
Accounts receivable beginning balance	Based on the accounts receivable ledger, discussions with clients and Debtors' historical collection days data.	X	
<b><u>Forecast cash disbursements</u></b>			
Raw materials 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
Overhead, distribution and SG&A	Based on Management's estimate of the operating costs of the facilities such as transportation, telecommunications, utilities, maintenance, and IT.		X
Payroll	Based on Debtors' historical payroll reports and on budgeted number of employees.	X	
Professional fees	Proposed Monitor's estimate of professional fees to be incurred in the forecasted period for the monitor, the monitor's legal counsels, the SISP Advisor, the Debtors legal counsel and the Applicant' legal counsel. Please note that it also includes estimated accrued professional fees as at March 18, 2025.		X