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CANADA **S U P E R I O R C O U R T**

PROVINCE OF QUÉBEC **Commercial Division**

DISTRICT OF MONTRÉAL

COURT N^{O}: 500-11-067058-269

ESTATE NUMBER: 41-345338

IN THE MATTER OF THE RECEIVERSHIP OF:

JEANIOLOGIE INC., a legal person having a place of business at 4951, boul. de la Côte-Vertu, Montréal, Québec H4S 1E1

Debtor

-and-

FTI CONSULTING CANADA INC.

Receiver

REPORT SUPPORTING THE APPLICATION
TO COMPEL EXAMINATION AND TO GRANT SUBPOENA POWERS TO THE RECEIVER
(Section 248 of the *Bankruptcy and Insolvency Act,* R.S.C. 1985, c. B-3 ("BIA"))

The present report (the "**First Report**") is being submitted to the Superior Court of Quebec, Commercial Division (the "**Court**") by FTI Consulting Canada Inc. ("**FTI**" or the "**Receiver**"), in connection with the *Application to compel examination and to grant subpoena powers to the receiver* (the "**Application**") dated May 25, 2026 brought by the Royal Bank of Canada ("**RBC**" of the "**Bank**"), as secured creditor of Jeaniologie Inc. ("**Jeaniologie**" or the "**Debtor**").

INTRODUCTION

1. Jeaniologie is a designer and manufacturer of denim apparel that focuses on jeanswear, including brands like Foxy Jeans, Bauhaus and Denim Society, offering products for men, women, and children. Jeaniologie also provides private label services and focus on accessible pricing.

2. Jeaniologie's head office is located at 4951, Boul. de la Côte-Vertu, Montréal, Québec, H4S 1E1. Shipment of goods is located at 1280, rue Jules-Poitras, St-Laurent, Québec, H4N 1X7.

3. On April 6, 2026, RBC filed an application (the "**Receivership Application**") for the issuance of an order to appoint FTI as receiver to the assets of Jeaniologie Inc.

4. On April 9, 2026, the Court rendered a receivership order (the "**Receivership Order**") to appoint FTI as receiver of Jeaniologie.

SUBJECT OF THIS REPORT

5. This first report of the Receiver (the "**First Report**") is filed in support of the Application and is intended to inform the Court on the following matters:

   a) The Receiver's activities since its appointment;
   b) The cash flow results for the period that ended on May 23, 2026;
   c) Context and concerns of the Receiver;
   d) The Receiver's observations and recommendations with respect to the relief sought pursuant to the Bank's Application;
   e) Conclusion.

6. The First Report should be read in conjunction with the Receivership Application and the Application, all of which have been filed in the Court record and are available on the Receiver's website.

TERMS OF REFERENCE

7. Unless otherwise indicated, all cash amounts referred to herein are expressed in Canadian dollars.

8. Capitalized terms that are not otherwise defined herein shall have the meaning ascribed to them in the Receivership Application.

ACTIVITIES OF THE RECEIVER SINCE THE ISSUANCE OF THE RECEIVERSHIP ORDER

9. Since the issuance of the Receivership Order, the Receiver has performed the following tasks;

   a) Took possession, changed the locks and secured both premises on April 9, 2026;

   b) Opened a trust account;

   c) Met with certain former employees in an attempt to obtain their support and assist the Receiver in carrying out its duties, but without success;

   d) Appointed Services FL to conduct a physical count and a valuation of the inventory;

   e) Held discussions with the president of Jeaniologie, Mr. Franco Di Zazzo, and its former employees, including its former controller, Mr. Scott Muldrew, in an attempt to get a better understanding of Jeaniologie's business operations, assets and financial situation and have access to the accounting software and to the payroll provider;

   f) Held several discussions with the Bank's legal counsel to address the difficulties encountered by the Receiver in obtaining cooperation from Mr. Di Zazzo and Mr. Muldrew. Additional details regarding

the various requests made to Mr. Di Zazzo and Mr. Muldrew are set out in paragraphs 11 to 21 of this report;

g) Paid rent to Jeaniologie's landlords for the months of April and May 2026;

h) Obtained an insurance policy for Jeaniologie's assets;

i) Prepared, filed, and sent documentation to Jeaniologie's former employees under the Wage Earner Protection Program ("**WEPP**");

j) Requested two drawdowns totalling $400,000 under the Interim Financing Facility made available by the Bank of $1,000,000;

k) With the approval of RBC, sold certain office furniture located at the head office situated at 4951 Boulevard Côte-Vertu for an amount of $4,000, plus applicable taxes. The purchaser was the landlord of the premises;

l) Assisted the Bank in the preparation of the Application, more specifically, regarding the presentation of the facts that have led to such Application.

10. Separately from its receivership mandate, FTI also entered into a service agreement with Fédération des caisses Desjardins du Québec ("**FCDQ**"), in order to assist FCDQ relating to the collection, and the obtaining of documents potentially necessary for such collection, of the Walmart Receivables that have been sold and assigned by Jeaniologie to FCDQ since June 2025 pursuant to a factoring agreement, as further detailed in the Receivership Application and in the Application.

CASH FLOW RESULTS FOR THE PERIOD ENDED MAY 23, 2026

Jeaniologie Inc. in $CAD	For the period ended May 23, 2026
Receipts	
Accounts receivable	12,205
Other	1,660
Interim Financing	400,000
Asset sale	4,000
Sales tax collected	599
Total receipts	**418,464**
Disbursements	
Utilities	1,010
Rent	94,917
Conservatory measures	140
Bank fees	55
Professional fees	78,869
Payroll fees	229
Sales tax paid	26,231
Total disbursements	**201,451**
Net cash variance	**217,013**
Cash balance at beginning	-
Cash balance at end	**217,013**

Notes

Accounts receivable: corresponds to the collection of invoices due from clients.

Other: corresponds to a cheque received by the Receiver from the CNESST.

Interim financing: corresponds to the interim financing received from RBC following the issuance of the Receiver's certificates dated April 10, 2026, and May 13, 2026.

Asset sale: corresponds to the proceeds from the sale of certain office furniture located at the head office, completed with the approval of RBC.

Rent: corresponds to the payment for the months of April and May 2026 for the offices and the warehouse.

Professional fees: corresponds to the services rendered by FTI in its capacity as receiver for the month of April 2026.

CONTEXT AND CONCERNS OF THE RECEIVER

11. As outlined in the Application, the Receiver was required to issue multiple demand letters and undertake repeated follow-ups in order to obtain access to financial information and secure the participation of Mr. Franco Di Zazzo and Mr. Scott Muldrew. Despite these efforts, the information obtained to date has been incomplete, inconsistent and, in several instances, contradictory.

12. Following these formal demands, the Receiver held a meeting by Teams with Mr. Scott Muldrew on May 13, 2026, and subsequently met with him in person on May 16, 2026. During these meetings, the Receiver reviewed accounting entries recorded in the Debtor's accounting system ("**Visual**") and compared such entries to third-party data, including Retail Link, Walmart Canada Corp's supplier platform pertaining to the Walmart receivables.

13. This review revealed discrepancies between invoices recorded in Visual and corresponding transactions in Retail Link. In certain instances, a single purchase order was associated with multiple invoices recorded in Visual, whereas only one corresponding transaction (invoice) could be identified in Retail Link. In other instances, invoices recorded in Visual could not be located in Retail Link at all.

14. It was acknowledged that transactions not reflected in Retail Link would not be recognized or processed by Walmart. As a result, such discrepancies call into question the potential legitimacy and collectability of certain invoices recorded in the Debtor's books and records.

15. Further analysis identified repeated instances of multiple invoices bearing identical key attributes such as purchase orders, products, quantities and amounts, but recorded multiple times under different invoice numbers. Audit logs in Visual indicate that such entries were posted, reversed and reposted on several occasions. These patterns are inconsistent with standard accounting practices and raise serious concerns regarding the integrity of the accounts receivable records. It appears that Jeaniologie might have obtained financing based on invoices recorded in Visual, which means that Jeaniologie has likely overstated its accounts receivable to RBC and FDCD.

16. It appears that similar issues may exist with other customers. Unlike Walmart, whose transactions were tracked through Retail Link, accounts receivable relating to other customers were not subject to systematic monitoring within the accounting system. Reconciliations of cash receipts to outstanding receivables were not performed in a timely or consistent manner. Instead, reliance was placed on customer communications to determine payment status. It was also acknowledged that the Debtor's books and records had not been properly reconciled for a period of time. As a result, the accounts receivable aging as at the date of the Receivership Order is inaccurate and unreliable, and the Receiver cannot properly identify and contact former clients with outstanding balances.

17. The Receiver also notes that Jeaniologie listed $5,800,000 in accounts receivable as of December 2025 but only collected approximately $300,000 from customers other than Walmart between January and April 2026.

18. It was acknowledged that the accounting records were not up to date during that period, due to staffing changes and other operational disruptions. Therefore, Jeaniologie may have provided inaccurate or outdated accounts receivable listings to lenders, advisors and other third parties.

19. The Receiver also identified significant discrepancies relating to inventory. The Tiger Appraisals report as at December 31, 2025, was based on an inventory listing of approximately 757,000 units. Sales data

indicates that approximately 148,000 units were sold between January 1 and April 9, 2026, such that inventory would be expected to approximate 609,000 units, assuming no material purchases.

20. However, an independent physical inventory count conducted following the Receiver's appointment identified approximately 160,000 units on hand, resulting in an unexplained variance of approximately 449,000 units.

21. No satisfactory explanation has been provided for this variance. It has been suggested that the underlying inventory records may not have been accurate or reliable, however, no clarification has been provided regarding their origin, preparation, or the basis upon which they were relied upon by third parties.

22. The Receiver further notes that internal controls over financial reporting appear to have been deficient. Multiple employees had access to the accounting system, entries could be modified through posting and reverse entries, and responsibilities were not clearly segregated. In these circumstances, it is presently unclear who initiated, modified or duplicated certain transactions.

23. Taken together, the foregoing demonstrates that the Debtor's books and records, in particular accounts receivable and inventory, are unreliable. The nature, extent, and repetition of the discrepancies, including potentially unsupported sales, duplicated transactions and significant unexplained inventory variances, raise serious concerns regarding the integrity of the Debtor's financial records.

THE RECEIVER'S OBSERVATIONS AND RECOMMENDATIONS WITH RESPECT TO THE RELIEF SOUGHT PURSUANT TO THE RECEIVER'S APPLICATION

24. In light of the foregoing, and in order to enable the Receiver to fully investigate the concerns outlined above, the Receiver is of the opinion that it is necessary for additional powers be granted to it.

25. More specifically, these powers should permit the Receiver to issue subpoenas and to examine, under oath, any person who may possess relevant information regarding the aforementioned concerns, so as to enable the Receiver to fully carry out its duties as set out in the Receivership Order.

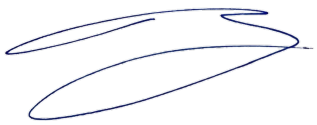
26. In this context, the Receiver is of the view that the granting of such additional powers, as more fully described in the Application, is just and reasonable in the circumstances.

CONCLUSION

27. In light of the foregoing, the Receiver respectfully recommends that the Court grant the Application.

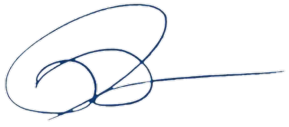
Dated in Montreal, this 26th day of May, 2026.

FTI CONSULTING CANADA INC.
Licensed Insolvency Trustee



Martin Franco, CPA, CIRP, LIT
Senior Managing Director

FTI CONSULTING CANADA INC.
Licensed Insolvency Trustee



Patrick Fillion, CPA,
Managing Director