

CANADA  
Province of Quebec  
District of Québec  
Division No.: 01-Montréal  
Court No.: 500-11-055629-188  
Estate No.: 41-2449058

SUPERIOR COURT  
(Commercial Division)  
*Bankruptcy and Insolvency Act*

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IN THE MATTER OF THE NOTICE OF  
INTENTION TO MAKE A PROPOSAL OF:

2964-3277 QUEBEC INC. (DBA CARPET ART  
DECO)

Petitioner / Debtor

-and-

RICHTER ADVISORY GROUP INC.

Proposal Trustee

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FIFTH REPORT OF THE TRUSTEE  
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS

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Richter Advisory Group Inc. ("**Richter**" or the "**Proposal Trustee**"), in its capacity as trustee with respect to the Notice of Intention to Make a Proposal ("**NOI**") filed by 2964-3277 Quebec Inc., doing business as Carpet Art Deco (the "**Debtor**" or the "**Company**"), an insolvent person, hereby reports to the Court the following:

**INTRODUCTION**

1. On November 29, 2018, the Debtor filed the NOI in accordance with Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S. C. 1985, c. B.-3, as amended (the "**BIA**"), and Richter was appointed as Proposal Trustee under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy is annexed as Exhibit "A" to the First Report of the Trustee dated December 12, 2018 ("**First Report**").
2. On December 5, 2018, documents were sent by regular mail to all creditors of the Debtor, as identified by it, which included a copy of the Debtor's NOI, which is annexed as Exhibit "B" to the First Report.

3. On December 6, 2018, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("**Projections**") together with his report pursuant to Section 50.4(2)(c) of the Act, covering the period from November 29, 2018, to January 11, 2019, which included the major assumptions used in the preparation of the Projections. Concurrently therewith, the Proposal Trustee filed its Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act, all of which are annexed as Exhibit "C" to the First Report.
4. On December 10, 2018 the Debtor filed a motion entitled *Motion for the Issuance of an Order for an Administrative Charge, a Directors and Officers Charge, a Key Employee Incentive Program and Other Remedies* (the "**Charge and KEIP Motion**"). The Charge and KEIP Motion was granted on December 13, 2018.
5. On December 12, 2018, the Debtor filed a motion entitled *Motion for the Extension of the Delay to File a Proposal* (the "**Stay Extension Motion**"). The Stay Extension Motion was granted on December 17, 2018.
6. On December 14, 2018, the Proposal Trustee filed its Second Report in support of the Stay Extension Motion ("**Second Report**").
7. On December 18, 2018, the Court issued a Settlement Approval Order approving the settlement of a dispute between Oriental Weavers International SAE and the Debtor, as appears from the Court record.
8. On January 11, 2019, the Debtor filed a motion entitled *Motion for the Approval of a Consulting Agreement* (the "**Consulting Agreement Motion**"), which motion was granted on January 14, 2019 (the "**GB Consulting Agreement Order**").
9. On January 11, 2019, the Proposal Trustee filed its Third Report in support of the Consulting Agreement Motion ("**Third Report**").
10. On January 14, 2019, the Proposal Trustee, through its counsel, agreed to provide counsel for Oriental Weavers International SAE ("**OW**") with a copy of the legal opinion prepared by its legal counsel as regards the validity and opposability of the security interest registered by the secured creditors of the Debtor, the whole subject to certain undertakings which were provided by OW. Follow up requests for the copies of the underlying loan and security documents were also fulfilled by the Proposal Trustee.
11. On January 23, 2019, the Debtor filed a motion entitled *Motion for the Extension of the Delay to File a Proposal* (the "**Second Stay Extension Motion**"). The Second Stay Extension Motion was granted to March 8, 2019 and was subsequently extended to March 13, 2019.

12. On January 23, 2019, the Proposal Trustee filed its Fourth Report in support of the Second Stay Extension Motion (“**Fourth Report**”).
13. On March 11, 2019, the Debtor filed the following motions:
  - a) *Third Motion for the Extension of the Delay to File a Proposal* (the “**Third Extension Motion**”); and
  - b) *Motion for the Issuance of an Approval and Vesting Order with Respect to the Sale of Racking* (the “**Racking Motion**”).
14. On March 12, 2019, the Debtor filed the *Motion for the Issuance of an Order for a Key Employee Retention Program* (the “**KERP Motion**”).
15. The Third Extension Motion, the Racking Motion and the KERP Motion will all be heard on March 13, 2019.
16. In order to monitor the affairs and finances of the Debtor, the Proposal Trustee has been provided with access to the books, records and other important documents of the Debtor.

#### **PURPOSE OF THIS REPORT**

17. The purpose of this Fifth Report is to provide this Court with information pertaining to:
  - a) The Debtor’s statement of projected cash flow for the period from March 2, 2019 to April 26, 2019 and results for the period ended March 1, 2019;
  - b) The Debtor’s request for a third extension of the statutory delay to file a proposal (the “**Proposal Period**”) to April 26, 2019;
  - c) The Debtor’s request for the issuance of an approval and vesting order with respect to the sale of certain racking;
  - d) The Debtor’s request for the issuance of an order approving a key employee retention program; and
  - e) The Proposal Trustee’s recommendations that this Court make orders, as requested by the Debtor:
    - Approving the Third Stay Extension Motion and extending the stay to April 26, 2019 (the “**Third Extension Order**”);
    - Approving the Racking Motion (the “**Racking Order**”); and
    - Approving the KERP Motion (the “**KERP Order**”).

## TERMS OF REFERENCE

18. Unless otherwise noted, all monetary amounts contained in this Fourth Report herein are expressed in Canadian dollars.
19. In preparing this Fifth Report, the Proposal Trustee has relied upon certain unaudited financial information prepared by the Debtor's representatives, the Debtor's books and records, and discussions with the Debtor's representatives and legal counsel (the "Information").
20. Except as otherwise described in this Fifth Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("GAAS") pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

## THE DEBTOR'S CASH FLOW FORECAST

21. Annexed as **Exhibit "A"** are the reported results versus the Debtor's projections for the period November 29, 2018 to March 1, 2019. The results which are summarized in the table below, reflect a negative net cash flow variance of approximately \$468,000 mainly attributable to timing variances with respect to liquidation sales:

2964-3277 Québec Inc. Reported vs Projected For the period Nov 29, 2018 to Mar 1, 2019 (\$000's)			
	<i>Reported</i>	<i>Projected</i>	<i>Variance</i>
<b>Cash Receipts</b>	<b>\$ 10,554</b>	<b>\$ 11,368</b>	<b>\$ (813)</b>
<b>Disbursements</b>			
Payroll	(1,509)	(1,547)	38
Rent & Utilities	(1,021)	(1,062)	41
General Expenses and Other	(2,003)	(2,196)	194
Purchases	(1,053)	(1,053)	-
Filing Deposits	(116)	(123)	7
Sales Taxes	(274)	(423)	149
Interest	(521)	(536)	15
Professional Fees	(854)	(757)	(97)
	<b>(7,351)</b>	<b>(7,697)</b>	<b>346</b>
<b>Net Cash Flow</b>	<b>\$ 3,203</b>	<b>\$ 3,671</b>	<b>\$ (468)</b>

22. In support of the extension sought, the Debtor has prepared a statement of projected cash flow (**Exhibit "B"**) covering the period March 2, 2019 through April 26, 2019 which we summarize as follows:

2964-3277 Québec Inc. Statement of Projected Cash Flow For the period Mar 2 to April 26, 2019 (\$000's)		Total <i>(56 days)</i>
<b>Cash Receipts</b>		<b>\$ 4,020</b>
<b>Disbursements</b>		
Payroll		(730)
Rent & Utilities		(520)
General Expenses and Other		(690)
Sales Taxes		(50)
Interest		(220)
Professional Fees		(140)
		<b>(2,350)</b>
<b>Net Cash Flow</b>		<b>\$ 1,670</b>
<b>Opening Bank Indebtedness</b>		<b>\$ (19,314)</b>
Net Cash Flow		1,670
<b>Ending Bank Indebtedness</b>		<b>\$ (17,644)</b>

Bank Indebtedness is presented net of cash, funds held in trust by the Trustee, OS checks and does not include outstanding LGs of \$642K (US\$484K) which have not yet been drawn upon and the collection of the EDC LG guarantee receivable for past LGs which have been drawn upon prior to the projected period.

23. The statement of projected cash flow was prepared on the basis of collections of existing accounts receivables and projected liquidation sales during the period covered by the cash flow. In preparing these cash flows, the Debtor consulted with Gordon Brothers (“GB”), the Company’s liquidation consultant who were formally engaged on January 14, 2019.

**REQUEST TO EXTEND THE PROPOSAL PERIOD TO APRIL 26, 2019**

24. The Debtor is requesting the extension of the Proposal Period to April 26, 2019 (the “**Extension**”).
25. The Proposal Trustee supports the Debtor’s request for the Extension for the following reasons:
- a) GB was engaged by the Debtor on January 14, 2019 to assist in the liquidation of the Debtor’s inventory, collection of accounts receivable and the sale of the intellectual property (the “**GB Agreement**”). As noted in the Third Report, the GB Agreement estimates that this process will take 120 days and could be extended if required. It is thus necessary to continue the stay period in order to maximize value for the stakeholders;
  - b) The Debtor is acting in good faith and with due diligence in taking steps to maximize the value of its assets for the benefit of its creditors;
  - c) It is the Proposal Trustee’s view that the Extension will not prejudice or adversely affect any group of creditors (see paragraph 26 below); and

- d) Both the CIBC and the BDC have been advised of the Extension and do not oppose the Extension sought herein.
26. The Proposal Trustee is aware that the Debtor is in negotiations with the landlord to one of its three warehouses in respect of the termination of the lease and the timing to exit that warehouse. The Debtor and the landlord are hopeful to reach a negotiated settlement without the need for the Court to intervene. The Proposal Trustee is assisting in the discussions.

## RACKING MOTION

27. Pursuant to the Racking Motion, the Proposal Trustee understands that the Debtor is seeking permission, *nunc pro tunc*, to sell specific racking to Ohio Racks Inc. (“Ohio”).
28. Based on discussions with the Debtor, it appears that the Debtor has been purchasing racking from Ohio over the last several years.
29. As noted in the Racking Motion and as detailed in Exhibit R-3 to the Racking Motion, the Debtor began reselling racking to Ohio in October 2018 (prior to the commencement of the NOI) and continued to resell racking to Ohio after commencing the NOI for approximately 77% of the value that the Debtor originally paid for the same racking (the “Ohio Agreement”). The following table provides a summary of the sales to Ohio based on the information contained in Exhibit R-3 of the Racking Motion:

Carpet Art Deco Reported Transactions with Ohio Racks Inc.		
(US\$000's)	# of invoices	Value of invoices
Pre-Filing	8	96,000
Post-Filing	10	130,500
<b>Total</b>	<b>18</b>	<b>\$ 226,500</b>

The Debtor has reported as follows regarding the net proceeds generated from the aforementioned sales of racking:

- (a) US\$48,000 of net proceeds from pre-filing sales was deposited in the ordinary course into the Debtor’s account with CIBC;
- (b) US\$124,500 of net proceeds from pre and post-filing sales was deposited into a trust account with Borden Ladner Gervais LLP (“BLG”) counsel to the Debtor; and
- (c) US\$54,000 remains unpaid and must be collected from Ohio as of the date of this Fifth Report.

30. The Debtor advises that it intends to sell the balance of this type of racking to Ohio for an estimated value of US\$280,000 with the approval of the Court for a gross realization of approximately US\$506,000, prior to any costs of realization.
31. The process leading to the Ohio Agreement can be summarized as follows:
- a) Sales and Solicitation Process (“**SSP**”):
- The Debtor with the assistance of the Proposal Trustee initiated the SSP on November 29, 2018 with the issuance of a teaser to approximately 120 interested parties;
  - Following a due diligence process, three offers were submitted by the December 19, 2018 noon deadline, while a fourth offer was submitted after the deadline. Following an analysis of the offers received, the Debtor, the CIBC, the BDC and the Proposal Trustee reached a consensus that the most advantageous offer received was from GB;
  - GB is thus acting as the Debtor’s liquidation consultant in respect of the liquidation of all inventory, the collection of receivables and the sale of intellectual property for a fee. While the offer from GB also contemplated acting as liquidation consultant for the Fixed Assets (also for a fee), BDC, the first ranking creditor with respect to the Fixed Assets preferred to evaluate its options with respect to the eventual liquidation of the Fixed Assets;
  - Further details regarding the SSP can be found in the Proposal Trustee’s reports dated December 12, 2018 (the “**First Report**”) and January 11, 2019 (the “**Third Report**”);
- b) Subsequent Sales Efforts
- BDC subsequently had direct discussions with GB in respect of a guaranteed floor price for the liquidation of the Fixed Assets but ultimately did not conclude a transaction with GB.
32. The Proposal Trustee was not involved in the process to sell the racking to Ohio apart from the SSP described above and in the First Report and Third Report. In respect of the post-filing sales of racking, the Proposal Trustee was informed by the Debtor that certain transactions had occurred and informed the Debtor that any such sales outside the ordinary course of business would require approval of the Court. The Proposal Trustee is also aware that BLG has been holding the net proceeds from such sales in trust.
33. In light of the foregoing, the Proposal Trustee cannot opine on the process undertaken by the Debtor to sell the racking to Ohio, however it has taken cognizance of various emails sent in February 2019 by the Debtor and included as Exhibit R-4 to the Racking Motion, which reflect attempts by the Debtor to locate other purchasers for the racking. Based on discussions with GB following the SSP and based on the proceeds projected to be realized from the Ohio Agreement, the Proposal Trustee believes that the Ohio Agreement should result in a realization that is at least

equal to the value that would have been achieved by GB pursuant to their offer submitted through the SSP.

## **KERP MOTION**

34. Pursuant to the KERP Motion, the Proposal Trustee understands that the Debtor is seeking permission to implement a key employee retention program (the “**KERP**”), the purpose of which is to enable the Debtor to retain certain key employees whose assistance is needed to enable the Debtor to continue and to proceed with the liquidation of all of its assets, including the assets to be sold pursuant to the GB Agreement as well as the Debtor’s racking and other fixed assets.
35. The KERP filed under seal as Exhibit R-3 provides for the payment of approximately \$59,000 to six (6) employees who perform various accounting and operational tasks. The KERP ranges from eight (8) to twelve (12) weeks of the annual salary of the respective employees.
36. The Proposal Trustee is aware that since the commencement of the NOI, various employees have left the Debtor to seek employment elsewhere. There is therefore a need to ensure that a critical mass of key employees be retained until their services are no longer required. The employees to be remunerated pursuant to the KERP include operational and accounting personnel. The Proposal Trustee supports the KERP and believes it is reasonable in the circumstances.
37. The Proposal Trustee notes that the Court has already approved a Key Employee Incentive Plan (the “**KEIP**”) on December 13, 2018. In this instance, the KEIP can be distinguished from the KERP in two important ways:
  - a) In order to achieve the amounts payable under the KEIP, various realization targets must first be achieved, failing which no incentive will be paid. The KERP is not tied to specific targets but requires the affected employees to perform their duties and remain employed by the Debtor until their services are no longer needed; and
  - b) The KEIP is targeting the most senior management of the Debtor whereas the KERP is directed at mid-level management employees.
38. The Proposal Trustee understands that both the CIBC and BDC support the KERP Motion.

## CONCLUSION AND RECOMMENDATION

39. Based on all of the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the relief sought in the Third Extension Motion, the Racking Motion and the KERP Motion as summarized in paragraph 17(e) of this Fifth Report.

Respectfully submitted at Montreal, this 12<sup>th</sup> day of March 2019.

**Richter Advisory Group Inc.**  
Licensed Insolvency Trustee



Olivier Benchaya, CPA, CA, CIRP, LIT



Andrew Adessky, CPA, CA, MBA, CIRP, LIT

# **Exhibit A**

2964-3277 Québec Inc.  
 Reported vs Projected  
 For the period Nov 29, 2018 to Mar 1, 2019  
 (\$'000's)

	<i>Reported</i>	<i>Projected</i>	<i>Variance</i>	<i>Notes</i>
<b>Cash Receipts</b>	<b>\$ 10,554</b>	<b>\$ 11,368</b>	<b>\$ (813)</b>	
<b>Disbursements</b>				
Payroll	(1,509)	(1,547)	38	
Rent & Utilities	(1,021)	(1,062)	41	
General Expenses and Other	(2,003)	(2,196)	194	
Purchases	(1,053)	(1,053)	-	
Filing Deposits	(116)	(123)	7	
Sales Taxes	(274)	(423)	149	
Interest	(521)	(536)	15	
Professional Fees	(854)	(757)	(97)	
	<b>(7,351)</b>	<b>(7,697)</b>	<b>346</b>	
<b>Net Cash Flow</b>	<b>\$ 3,203</b>	<b>\$ 3,671</b>	<b>\$ (468)</b>	
<b>Opening Bank Indebtedness (Net of Cash and OS Checks)</b>	<b>\$ (23,899)</b>	<b>\$ (23,899)</b>	<b>\$ -</b>	<b>1</b>
Net Cash Flow	3,203	3,671	(468)	
Draw-Down on LGs by trade suppliers	(2,696)	(783)	(1,912)	
Draw-Down on LCs by trade suppliers	(213)	(87)	(126)	
LG Draw-Down Reimbursement by EDC	4,290	2,730	1,560	
<b>Ending Bank Indebtedness (Net of Cash and OS Checks)</b>	<b>\$ (19,314)</b>	<b>\$ (18,368)</b>	<b>\$ (946)</b>	<b>2</b>

Note 1: Opening Bank Indebtedness does not include outstanding LGs of \$3,065K (US\$2,296K) and outstanding LCs of \$824K (US\$617K) which have not yet been drawn upon.

Note 2: Ending Bank Indebtedness does not include outstanding LGs of \$642K (US\$484K) which have not yet been drawn upon.

## **Exhibit B**

District of: Quebec  
Division No. 01 - Montréal  
Court No. 500-11-055629-188  
Estate No. 41-2449058

-- FORM 29 --

Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
2964-3277 Québec Inc.  
Of the City of Montréal  
In the Province of Québec

The attached statement of projected cash flow of 2964-3277 Québec Inc., as of the 11th day of March 2019, consisting of March 2, 2019 to April 26, 2019, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by:  the management and employees of the insolvent person or  the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by:

management or  the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us 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 report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection 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, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 11th day of March 2019.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Licensed Insolvency Trustee

Per:

  
\_\_\_\_\_  
Olivier Benchaya, CPA, CA, CIRP, LIT - Licensed Insolvency Trustee

1981 avenue McGill College, 11th floor

Montréal QC H3A 0G6

Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec  
Division No. 01 - Montréal  
Court No. 500-11-055629-188  
Estate No. 41-2449058

\_FORM 29\_ - Attachment  
Trustee's Report on Cash-flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
2964-3277 Québec Inc.  
Of the City of Montréal  
In the Province of Québec

Purpose:

2964-3277 Québec Inc. filed a Notice of Intention to Make a Proposal on November 29, 2018. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of 2964-3277 Québec Inc. (the "Company"), for the period from March 2, 2019 to April 26, 2019, relating to the filing of a Motion to extend the delay to Make a Proposal.

This Statement of Projected Cash Flow has been prepared by management on March 11, 2019, based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from March 2, 2019 to April 26, 2019, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The statement of projected cash flow was prepared on the basis of collections of existing accounts receivables, sales to existing customers of the Debtor based on the current programs with these customers as well as reported and projected liquidation sales during the period covered by the cash flow. In preparing these cash flows, the Debtor consulted with Gordon Brothers ("GB"), the Company's liquidation consultant who were formally engaged on January 14, 2019.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

Payroll is based on current headcount levels adjusted to reflect management's restructuring plan;

Rent is based on rent agreements with lessors;

General expenses are mainly composed of freight, temporary labor and insurance. They are based upon historical data adjusted to reflect the current level of activity and management's best estimates;

The interest is based on current loan balances and interest rates;

The professional fees are related to the current restructuring and are based on management's estimate;

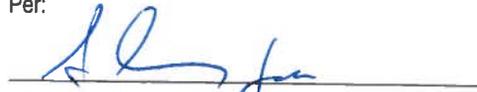
The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 11th day of March 2019.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Licensed Insolvency Trustee

Per:

A handwritten signature in blue ink, appearing to read 'O. Benchaya', is written over a horizontal line.

Olivier Benchaya, CPA, CA, CIRP, LIT - Licensed Insolvency Trustee

1981 avenue McGill College, 11th floor

Montréal QC H3A 0G6

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District of: Quebec  
Division No. 01 - Montréal  
Court No. 500-11-055629-188  
Estate No. 41-2449058

- FORM 30 -  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
2964-3277 Québec Inc.  
Of the City of Montréal  
In the Province of Québec

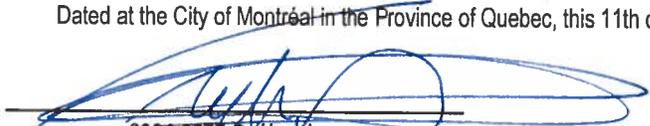
The Management of 2964-3277 Québec Inc., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 11th day of March 2019, consisting of March 2, 2019 to April 26, 2019.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 11th day of March 2019.

  
\_\_\_\_\_  
2964-3277 Québec Inc.  
Debtor

*Fadi Melki, President*  
\_\_\_\_\_  
Name and title of signing officer

\_\_\_\_\_  
Name and title of signing officer

District of: Quebec  
Division No. 01 - Montréal  
Court No. 500-11-055629-188  
Estate No. 41-2449058

FORM 30 - Attachment  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
2964-3277 Québec Inc.  
Of the City of Montréal  
In the Province of Québec

Purpose:

2964-3277 Québec Inc. filed a Notice of Intention to Make a Proposal on November 29, 2018. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of 2964-3277 Québec Inc. (the "Company"), for the period from March 2, 2019 to April 26, 2019, relating to the filing of a Motion to extend the delay to Make a Proposal.

This Statement of Projected Cash Flow has been prepared by management on March 11, 2019, based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from March 2, 2019 to April 26, 2019, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The statement of projected cash flow was prepared on the basis of collections of existing accounts receivables, sales to existing customers of the Debtor based on the current programs with these customers as well as reported and projected liquidation sales during the period covered by the cash flow. In preparing these cash flows, the Debtor consulted with Gordon Brothers ("GB"), the Company's liquidation consultant who were formally engaged on January 14, 2019.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

Payroll is based on current headcount levels adjusted to reflect management's restructuring plan;

Rent is based on rent agreements with lessors;

General expenses are mainly composed of freight, temporary labor and insurance. They are based upon historical data adjusted to reflect the current level of activity and management's best estimates;

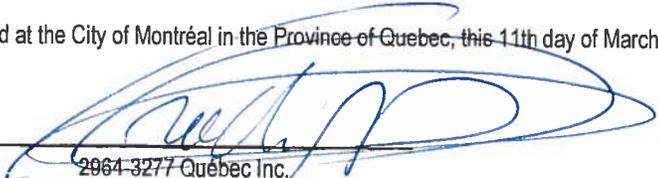
The interest is based on current loan balances and interest rates;

The professional fees are related to the current restructuring and are based on management's estimate;

The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 11th day of March 2019.

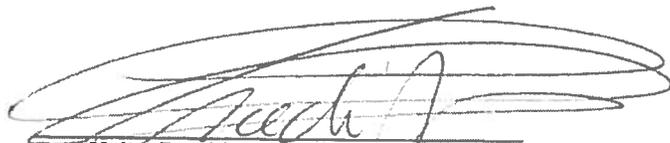


2064-3277 Québec Inc.

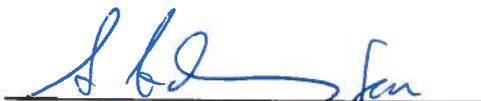
2964-3277 Québec Inc.  
Statement of Projected Cash Flow  
For the period Mar 2 to April 26, 2019  
Week ending  
(\$000's)

	Note	1 08-Mar-19 (7 days)	2 15-Mar-19 (7 days)	3 22-Mar-19 (7 days)	4 29-Mar-19 (7 days)	5 05-Apr-19 (7 days)	6 12-Apr-19 (7 days)	7 19-Apr-19 (7 days)	8 26-Apr-19 (7 days)	Total (56 days)
<b>Cash Receipts</b>		\$ 450	\$ 270	\$ 270	\$ 270	\$ 270	\$ 950	\$ 590	\$ 950	\$ 4,020
<b>Disbursements</b>										
Payroll		-	(190)	-	(180)	-	(180)	-	(180)	(730)
Rent & Utilities		-	-	-	(290)	-	-	-	(230)	(520)
General Expenses and Other		(90)	(90)	(90)	(90)	(90)	(110)	(100)	(110)	(770)
Sales Taxes		-	-	-	-	(50)	-	-	-	(50)
Interest		-	-	-	(110)	-	-	-	(110)	(220)
Professional Fees		(40)	(10)	(40)	(10)	(10)	(10)	(10)	(10)	(140)
		(130)	(290)	(130)	(680)	(150)	(300)	(110)	(640)	(2,430)
<b>Net Cash Flow</b>		<b>\$ 320</b>	<b>\$ (20)</b>	<b>\$ 140</b>	<b>\$ (410)</b>	<b>\$ 120</b>	<b>\$ 650</b>	<b>\$ 480</b>	<b>\$ 310</b>	<b>\$ 1,590</b>
<b>Opening Bank Indebtedness</b>	1	<b>\$ (19,314)</b>	<b>\$ (18,994)</b>	<b>\$ (19,014)</b>	<b>\$ (18,874)</b>	<b>\$ (19,284)</b>	<b>\$ (19,164)</b>	<b>\$ (18,514)</b>	<b>\$ (18,034)</b>	<b>\$ (19,314)</b>
Net Cash Flow		320	(20)	140	(410)	120	650	480	310	1,590
<b>Ending Bank Indebtedness</b>	1	<b>\$ (18,994)</b>	<b>\$ (19,014)</b>	<b>\$ (18,874)</b>	<b>\$ (19,284)</b>	<b>\$ (19,164)</b>	<b>\$ (18,514)</b>	<b>\$ (18,034)</b>	<b>\$ (17,724)</b>	<b>\$ (17,724)</b>

Note 1: Bank Indebtedness is presented net of cash, funds held in trust by the Trustee, OS checks and does not include outstanding LGs of \$642K (US\$484K) which have not yet been drawn upon and the collection of the EDC LG guarantee receivable for past LGs which have been drawn upon prior to the projected period.



Fadi Melki, President



Olivier Benchaya, CPA, CA, CFP, LIT