

**IN THE MATTER OF THE PROPOSAL OF**  
**GEOX CANADA INC.**  
**OF THE CITY OF MISSISSAUGA**  
**IN THE PROVINCE OF ONTARIO**

**REPORT OF THE PROPOSAL TRUSTEE ON THE**  
**FINANCIAL SITUATION OF THE DEBTOR AND THE PROPOSAL**  
**(Sections 50(5) and 50(10)(b) of the *Bankruptcy and Insolvency Act*)**

This report (the “**Proposal Report**”) provides an outline of the background and financial position of Geox Canada Inc. (“**Geox Canada**” or the “**Company**”), including relevant information that should be of assistance to the Company’s creditors in considering their position with respect to the proposal, as amended, being presented by the Company to its creditors.

The Company lodged a proposal with Richter Advisory Group Inc. (“**Richter**”), in its capacity as the proposal trustee of Geox Canada (in such capacity, the “**Proposal Trustee**”), which was filed with the Official Receiver on January 8, 2021 (the “**Initial Proposal**”). The terms of the Initial Proposal provided for, among other things, a payment in the amount of \$400,000 (the “**Initial Sponsor Funds**”) to fund a distribution to Proven Creditors.

Following discussions among the Company and its legal counsel and the Proposal Trustee and its legal counsel with respect to the proposed distributions under the Initial Proposal to Unsecured Creditors, which included two (2) entities related to the Company, the Company amended certain terms of the Initial Proposal and lodged an amended proposal (the “**Proposal**”) with the Proposal Trustee. The Proposal was filed with the Official Receiver on January 18, 2021. The Proposal provides for the following amendments to the Initial Proposal:

1. Two (2) entities related to the Company, S&A Distribution, Inc. (“**S&A**”) and Xlog Srl (“**Xlog**”) are now listed in the definition of Related Persons under the Proposal and are, for additional clarity, to be treated as Unsecured Creditors for distribution purposes. In accordance with the BIA, S&A and Xlog will not be entitled to vote in favour of the Proposal; and
2. The amount of the Initial Sponsor Funds was increased from \$400,000 to \$475,000 such that the estimated net distribution to arms-length Unsecured Creditors would be unaffected by the inclusion of S&A and Xlog as Unsecured Creditors under the Proposal.

All other terms of the Proposal, which are set out in Section B of this Proposal Report, remain unchanged from the Initial Proposal.

Enclosed herewith are the following documents:

- Notice of Proposal to Creditors;
- Proposal under Part III Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3, as amended (the “**BIA**”), lodged by the Company with the Proposal Trustee and filed with the Official Receiver on January 18, 2021;
- The Geox Canada Statement of Affairs sworn January 8, 2021;
- A Proof of Claim form and general Proxy;
- A Voting Letter; and
- A Convenience Creditor Election.

In preparing this Proposal Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company’s representatives, its books and records, discussions with the Company’s representatives and its legal counsel. The Proposal Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information.

Unless otherwise stated, monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this report have the meanings attributed to such terms in the Proposal.

## **Section A – Introduction and Background**

The Company is a retailer and wholesaler of Geox branded footwear, outerwear, clothing and accessories in Canada. The Company also sells its products through an e-commerce site.

Prior to Geox Canada’s NOI Proceedings (defined and discussed later in this report), Geox Canada operated thirty (30) retail stores across Canada and had approximately 193 employees.

### **Corporate Structure**

Geox Canada is a private company incorporated in 2003 under the *Canada Business Corporations Act*. Geox is extra-provincially registered under the laws of Alberta, British Columbia, Ontario and Quebec, the provinces in which it has a physical presence and carries on business. Its registered office is located at leased premises in Mississauga, Ontario.

Geox Canada is an indirect wholly-owned subsidiary of Geox S.p.A. (“**Topco**” or the “**Sponsor**”), a publicly-traded company formed under the laws of Italy, and the ultimate parent of the Geox global business, comprising several entities located in various jurisdictions around the world.

### **Historical Overview**

Since its incorporation in 2003, the Company has evolved over the years into a profitable business, earning in excess of \$56 million in annual revenue and approximately \$5.7 million in EBITDA during fiscal 2015. However, due to a number of factors, including market challenges, unsuccessful promotional campaigns in the wholesale channel, over-stocking of inventory and onerous overhead costs, the Company’s operations have suffered financial losses since fiscal 2016.

In 2019, Geox Canada attempted to address its profitability and liquidity issues by commencing a comprehensive assessment of its operations and developing / implementing certain strategic initiatives, including, among others, reducing headcount, inventory levels and overhead costs, and hiring a new management team. Unfortunately, these strategic initiatives were unsuccessful and revenue and profitability during fiscal 2019 continued on a downward trajectory.

In early 2020, under the leadership of the new management team, the Company implemented additional strategic initiatives, including a reduction in inventory purchases, a more systematic approach to merchandising and promotional activities aimed at driving better margins, and a continued effort to reduce payroll costs. As a result of the foregoing initiatives, the Company began to experience improvements in profitability. However, like all retailers, the COVID-19 pandemic has had a devastating impact on Geox Canada's financial results for fiscal 2020. The pandemic resulted in the temporary closure of many stores and shopping centres due to shelter in place orders issued by each province across Canada. While these restrictions were lifted and stores reopened temporarily, wholesale revenues were significantly down and foot traffic at Geox Canada stores reduced to approximately 40% to 60% of pre-pandemic levels. The Company's attempts to negotiate with stakeholders prior to the Filing Date (as defined below) in order to minimize the negative financial impacts of COVID-19, including with landlords for rent concessions, were unsuccessful.

### **Geox Canada's Insolvency Proceedings**

As a result of the foregoing, and notwithstanding that the Company has experienced an increase in sales from its e-commerce platform and has benefited from certain government assistance programs to reduce payroll costs, the Company has suffered material decreases to revenues and financial losses, and mounting obligations since the onset of the COVID-19 pandemic.

Over the years, the Company has relied upon support from Topco, and, more recently, has been dependent on such support to fund its ongoing losses and continue operations. However, in light of the unfavourable global impacts of COVID-19 and Geox Canada's declining financial performance, coupled with Geox Canada's inability to secure adequate concessions from its landlords and other stakeholders to minimize the effects of the pandemic on its business, continued funding from Topco was at risk. Without access to this source of critical funding, the Company would be unable to continue operations.

On September 8, 2020 (the "**Filing Date**"), Geox Canada filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to section 50.4(1) of the BIA, and Richter was named as the Proposal Trustee under such NOI proceedings (the "**NOI Proceedings**").

The purpose of the NOI Proceedings was to, among other things, provide a stable environment for Geox Canada to (i) pursue a restructuring of its business, including reducing its retail footprint by exiting certain underperforming stores, negotiating with landlords for rent concessions with respect to its remaining lease portfolio, and shifting its focus to an e-commerce and multi-channel strategy, supported by a robust marketing plan and new retail concept, and (ii) develop a proposal to its creditors.

Since the Filing Date, in order to reduce its retail footprint as part of its larger restructuring strategy, the Company has exited eight (8) of its thirty (30) retail stores either by way of disclaimer in accordance with section 65.2(1) of the BIA or termination of the corresponding lease in accordance with the terms of the lease.

In addition, the Company, with the support of its advisors, has, prior to and throughout the NOI Proceedings, engaged in negotiations with its landlords to obtain certain rent concessions and mutually acceptable amendments in respect of its remaining lease agreements. The Proposal Trustee understands that, as of the date of this Proposal Report, the Company has finalized or is in the process of finalizing amending agreements with its landlords for the remaining locations.

Pursuant to orders of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated October 6, 2020, November 20, 2020 and January 4, 2021, respectively, the deadline by which Geox Canada was required to file its proposal has been extended to February 20, 2021.

As noted above, on January 18, 2021, the enclosed Proposal was filed with the Official Receiver.

## **Section B – Summary of the Proposal**

**A brief summary of the Proposal is provided below. The description of the Proposal in this Proposal Report is a summary only and is being provided solely for the purpose of assisting the Creditors with its review of the Proposal terms. In the event there is any inconsistency between the summary in this Proposal Report and the Proposal, the terms of the Proposal shall govern. Reference should be made to the Proposal for its specific terms and Creditors are advised to read the Proposal in its entirety. All capitalized terms used but not otherwise defined herein are as defined in the Proposal.**

The terms of the Proposal will be effective if:

1. the Proposal is approved by a majority in number and two thirds in value of the Unsecured Creditors entitled to vote that are present, in person or by proxy, at the Creditors’ Meeting;
2. the Proposal is approved by the Court, in accordance with the provisions of the BIA; and
3. all other actions, documents and agreements necessary to implement the Proposal, including, without limitation, payment to the Proposal Trustee of the Sponsor Funds (as defined below) as required by the Proposal (which the Proposal states shall occur within five business days following the date the Court issues the Proposal Approval Order), have been effected and executed.

Subject to Creditor acceptance and Court approval, the Proposal provides for a distribution of the Sponsor Funds (as defined below) to Proven Creditors in accordance with the terms of the Proposal. The Proposal Trustee is of the view that the distribution to Proven Creditors contemplated in the Proposal would result in Proven Creditors deriving a greater benefit than they would otherwise receive from a bankruptcy of the Company.

The terms of the Proposal provide for the following:

1. A payment in the amount of \$475,000, to be advanced to the Company by the Sponsor (the “**Sponsor Funds**”), and remitted to the Proposal Trustee, to fund a distribution to Proven Creditors.
2. For the purposes of the Proposal, there will be one class of creditors, namely the Unsecured Creditors Class, for the purposes of considering and voting on the Proposal. The Unsecured Creditors Class is comprised of all Unsecured Creditors with a Proven Claim (defined in the Proposal as the amount or any portion of a Claim that is accepted as proven by the Proposal Trustee pursuant to section 135 of the BIA and determined for distribution purposes in accordance with the provisions of the BIA or any applicable orders from the Court).
3. For voting purposes, an Unsecured Creditor may vote and be counted as one creditor with a vote equivalent to the value of its Proven Claim.
4. Any Unsecured Creditor with a Proven Claim in an amount that is less than or equal to \$2,000 will be paid in full (a “**Convenience Creditor**”). A Convenience Creditor is deemed to vote in favour of the Proposal for the full amount of its Proven Claim without a requirement to file a proxy to vote in favour of the Proposal. A Convenience Creditor shall not be entitled to vote against the Proposal at the Creditors’ Meeting in respect of its Proven Claim.

5. Any Unsecured Creditor with a Proven Claim in excess of \$2,000 can elect to reduce their Claim to \$2,000 and become a Convenience Creditor (a “**Convenience Creditor Election**”). To do so, an executed Convenience Creditor Election must be submitted to the Proposal Trustee prior to 5:00 pm (Toronto time) on January 27, 2021 (the “**Convenience Creditor Election Deadline**”) and upon doing so, such Unsecured Creditor: (a) is irrevocably deemed to have voted the full amount of its Proven Claim in favour of the Proposal and (b) shall be treated as a Convenience Creditor for the purpose of distributions made under the Proposal, which, for greater certainty, provides that their Proven Claim shall be in the maximum amount of \$2,000 for distribution purposes.
6. The Secured Claims and the Sponsor Claims shall be unaffected by the Proposal (together, the “**Unaffected Claims**”).
7. The Proposal is offered in full and final satisfaction of the Claims against the Company (with the exception of the Unaffected Claims) and contemplates that, on the Effective Date, (i) the Company’s employees and contractors, each Director and Officer of the Company, and their respective heirs and assigns, and (ii) the Proposal Trustee, the Proposal Trustee’s counsel, and each and every present and former shareholder, affiliate, subsidiary, director, officer, member, partner, employee, auditor, financial advisor, legal counsel and agent of any of the foregoing Persons (each of the Persons named in (i) or (ii) above, in their capacity as such, being herein referred to collectively as “**Released Parties**”) shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature, including claims for contribution or indemnity which any Creditor or other Person may be entitled to assert, including claims that are liquidated, unliquidated, fixed, contingent, matured, unmatured, legal, equitable, present, future, known, unknown, disputed, undisputed or whether by guarantee, by surety, by subrogation or otherwise incurred and whether or not such a right is executory in nature, including, for greater certainty, any Claim against the Company for indemnification by any Director or Officer, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, negligence, breach of fiduciary duty, dealing or other occurrence existing or taking place on or prior to the Effective Date that constitute or are in any way relating to, arising out of or in connection with any Claims, and any indemnification obligations with respect thereto, the business and affairs of the Company whenever or however conducted, the administration and/or management of the Company, the Proposal, or any document, instrument, matter or transaction involving the Company taking place in connection with the Proposal, shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, all to the fullest extent permitted by governing law; provided that nothing herein will waive, discharge, release, cancel or bar (a) the right to enforce the Company’s obligations under the Proposal, or (b) any D&O Claim that is not permitted to be released pursuant to section 50(14) of the BIA.
8. Subject to the terms and conditions set forth in the Proposal, the following payments will be made from the Sponsor Funds:
  - (i) Crown Priority Claims: all Crown Priority Claims that were outstanding as at the Filing Date, if any, shall be paid in full to Her Majesty in right of Canada or a Canadian province or territory, as applicable, within three months after the issuance of the Proposal Approval Order;
  - (ii) Employee Priority Claims: Employee Priority Claims, if any, will be paid in full in amounts to be determined by the Proposal Trustee pursuant to section 135 of the BIA;
  - (iii) Superintendent’s Levy: the Superintendent’s Levy shall be paid in full;

- (iv) Convenience Creditor Claims: Each Convenience Creditor, including, for clarity, any Unsecured Creditor that submits a Convenience Creditor Election in accordance with the Proposal prior to the Convenience Creditor Election Deadline, will be paid by the Proposal Trustee an amount in cash equal to the lesser of (a) \$2,000 and (b) the value of such Convenience Creditor's Proven Claim;
  - (v) Preferred Claims: the remaining Preferred Claims (after the payments provided in Articles 2.5(a) to (d) of the Proposal have been made, or reserves taken therefor), if any, shall be paid without interest in priority to the Proven Claims addressed by Article 2.5(f) of the Proposal; and
  - (vi) Unsecured Claims: the holders of Proven Claims not addressed by Articles 2.5(a) to (e) of the Proposal will receive an amount from the balance of the Sponsor Funds (subject to any reserves taken to satisfy the payments provided in Articles 2.5(a) to (e) of the Proposal). For greater certainty, the Unaffected Claims shall not receive any distribution under this Proposal and shall remain unaffected by this Proposal.
9. Post-filing Claims are to be paid, in full, by the Company in the ordinary course of business and on regular trade terms.
10. As described above, the Proposal provides that the Sponsor Claims are unaffected by the Proposal. The Sponsor Claims are comprised of the Unsecured Claims of the Sponsor against the Company, which includes Unsecured Claims that it has purchased from certain creditors of the Company. The aggregate amount of the Sponsor Claims is approximately \$6.0 million. To facilitate the approval and implementation of the Proposal, the Sponsor will not assert any of the Sponsor Claims against the Company in connection with the Proposal, or receive distributions in respect of the Sponsor Claims from the Sponsor Funds, solely on the condition that the Proposal is approved by the Creditors and the Court and is implemented in accordance with its terms. The Sponsor reserves its right to pursue its Unsecured Claims and receive distributions in respect of its Unsecured Claim in the event that the Company becomes bankrupt.
11. Provided that the Proposal is approved by the Required Majority of the Creditors and that the Proposal Approval Order is granted by the Court, the Company shall pay the Sponsor Funds to the Proposal Trustee no later than five Business Days following the date the Court issues the Proposal Approval Order.
12. Upon Geox Canada remitting the Sponsor Funds to the Proposal Trustee in accordance with the Proposal, the Company, its successors and assigns, and their directors shall be deemed to have fully satisfied the terms of the Proposal.
13. In order to be eligible to vote at the Creditors' Meeting, each Creditor shall file a Proof of Claim with the Proposal Trustee in accordance with the applicable provisions of the BIA by the time appointed for the Creditors' Meeting, and shall specify every Claim and every D&O Claim it asserts against Geox Canada and / or the Directors and Officers, as applicable. Secured Creditors, the Sponsor and Employee Priority Creditors shall not be entitled to vote their Secured Claims, Sponsor Claims and Employee Priority Claims, respectively.
14. In the case of any lease of real property disclaimed by the Company pursuant to section 65.2 of the BIA, the landlord affected by the disclaimer may file a Proof of Claim for the lesser of:
- (i) the total rent set out in the lease for one year after the disclaimer becomes effective plus fifteen (15) percent of the rent for the remainder of the term of the lease; and
  - (ii) the total rent set out in the lease for three years after the disclaimer becomes effective.
15. The Proposal provides for a full and final release and discharge of all Claims and Released D&O Claims and a settlement of and consideration for Claims and Released D&O Claims.

16. The provisions of sections 95 to 101, inclusively, of the BIA and any similar provision of any federal or provincial statute shall not apply to the Proposal.
17. In accordance with section 149 of the BIA, prior to the distribution from the Sponsor Funds, the Proposal Trustee shall give notice (the “**Dividend Notice**”) by mail to every Person with a Claim of which the Proposal Trustee has notice or actual knowledge but who did not file a Proof of Claim that, if the Creditor does not file a Proof of Claim within thirty days after the mailing of the Dividend Notice (the “**Claims Bar Date**”), the Proposal Trustee will proceed to declare a dividend without regard to that Creditor’s Claim. In order to receive a distribution from the Sponsor Funds, a Creditor must submit a Proof of Claim prior to the Claims Bar Date.
18. On the Effective Date in accordance with the terms of the Proposal and in accordance with the Proposal Approval Order, the treatment of all Claims and Released D&O Claims shall be final and binding on the Company, the Officers and Directors, all Creditors (and their respective heirs, executors, administrators, legal or personal representatives, successors and assigns) and all Claims and Released D&O Claims shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred, and the Company and the Directors and Officers shall thereupon have no further obligation whatsoever in respect of the Claims and Released D&O Claims; provided that nothing in the Proposal releases the Company or any other Person from their obligations to make distributions in the manner and to the extent provided for in the Proposal and provided further that such discharge and release of the Company and the Directors and Officers shall be without prejudice to the right of a Creditor in respect of a Disputed Claim to prove such Disputed Claim in accordance with the BIA so that such Disputed Claim may become a Proven Claim.
19. On the Effective Date, all Creditors shall be deemed to have consented and agreed to all of the provisions of the Proposal in its entirety. Each Creditor will be deemed to have waived any default by the Company in any provision, express or implied, or in any agreement (other than the Proposal) existing between the Creditor and the Company that occurred on or prior to the Effective Date. Each Creditor will be deemed to have agreed that, to the extent there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of the Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

### Section C – Financial Position and Causes of Difficulties

Summarized below are the Company’s historical financial results for the fiscal years ended December 31, 2018 and 2019, as well as for the period covering the nine-months ending September 30, 2020, being the most recently available internal financial statements (the Company prepares its internal financial statements quarterly).

<b>Geox Canada Inc.</b>			
<b>Statement of Operations</b>			
<b>(CAD\$000's; unaudited)</b>			
	<b>For the year ended 31-Dec-18</b>	<b>For the year ended 31-Dec-19</b>	<b>9 months ended 30-Sep-20</b>
Total revenues, net	51,576	48,627	18,618
Cost of goods sold	(26,515)	(24,601)	(11,609)
<b>Gross profit</b>	<b>\$ 25,061</b>	<b>\$ 24,025</b>	<b>\$ 7,009</b>
Other operating expenses	(29,098)	(29,568)	(15,434)
<b>EBITDA</b>	<b>\$ (4,037)</b>	<b>\$ (5,543)</b>	<b>\$ (8,425)</b>
Amortization & depreciation	(1,577)	(1,553)	(1,082)
<b>Earnings Before Interest &amp; Tax</b>	<b>\$ (5,614)</b>	<b>\$ (7,096)</b>	<b>\$ (9,507)</b>

Source: Information provided by the Company

As detailed above, the Company incurred negative earnings before interest and taxes of approximately \$5.6 million and \$7.1 million for the twelve-month periods ending December 31, 2018 and December 31, 2019, respectively and approximately \$9.5 million for the nine-month period ending September 30, 2020. The losses incurred during fiscal 2018 and 2019 are primarily due to unfavorable brick-and-mortar retail market trends, resulting in, among other things, reduced sales levels, and certain operational challenges, including managing excess inventory and large overhead costs. The losses incurred during fiscal 2020 are, in addition to the issues described above, primarily the result of the impacts of the COVID-19 pandemic.

As noted above, as a result of Geox Canada's continuing losses, the Company has been dependent on funding from Topco to continue operations. The Company has advised the Proposal Trustee that, as a result of the continuing losses that occurred during the course of the COVID-19 pandemic, and the Company's inability to obtain adequate concessions from its landlords and other stakeholders to minimize the effect of those losses, Topco was no longer willing to provide financial support to fund the Company's ongoing losses unless and until, among other things, the Company restructured or implemented a plan to restructure its operations such that Geox Canada would be in a position to operate as a viable business.

**Section D – Interim Receiver**

Not applicable.

**Section E – Identification and Evaluation of Assets**

According to the Company's Statement of Affairs, Geox Canada's assets consist of the following:

<b>Geox Canada Inc.</b>			
<b>Summary of Assets as at January 8, 2021</b>			
<b>(CAD\$000's; unaudited)</b>			
<b>Asset Description</b>	<b>Book Value</b>		<b>Estimated Realizable Value per SOA</b>
Deposit in Financial Institutions	\$	2,868	\$ 2,868
Accounts Receivable		1,083	758
Inventory		13,981	5,592
Machinery, Equipment and Plant		3,320	65
Prepays and deposits		455	-
<b>Total</b>	<b>\$</b>	<b>21,708</b>	<b>\$ 9,283</b>

The Company's assets are discussed in greater detail below:

**Deposits in Financial Institutions**

Deposits in Financial Institutions include the amounts held in the Company's bank accounts.

**Accounts Receivable**

According to the Company's books and records, the net book value of accounts receivable, as of January 8, 2021, was approximately \$1.1 million. The estimated realizable value of accounts receivable reported on the Company's Statement of Affairs represents the Company's estimated collections from outstanding wholesale accounts receivable in an orderly liquidation.



## **Inventory**

According to the Company's books and records, the net book value of inventory, as of January 8, 2021, was approximately \$14.0 million. The value of inventory reported on Geox Canada's Statement of Affairs (approximately \$5.6 million) represents the net orderly liquidation value for the Company's inventory based on consultations with an experienced and reputable liquidator. The net orderly liquidation value of the Company's inventory considers the current "lock-down" orders in place and the ongoing impact of the COVID-19 pandemic on the retail landscape.

## **Machinery, Equipment and Plant**

According to the Company's books and records, the net book value of the Company's machinery, equipment and plant assets, as at January 8, 2021, was approximately \$3.3 million, largely comprised of furniture and fixtures located at the Company's retail stores.

The values attributed to the Company's furniture and fixtures on Geox Canada's Statement of Affairs are liquidation values determined in consultation with an experienced and reputable liquidator.

## **Prepays and deposits**

According to the Company's books and records, the net book value of the Company's prepaids and deposits, as at January 8, 2021, was approximately \$455,000.

The Company has advised the Proposal Trustee that the value attributed to prepaids and deposits in the Company's Statement of Affairs reflects that such assets would have nil recoveries in a liquidation.

## **Section F – Conduct of the Debtor**

As noted above, the Proposal provides that the provisions of sections 95 to 101, inclusively, of the BIA and any similar provision of any federal or provincial statute shall not apply to the Proposal. For the reasons set out below, the Proposal Trustee is of the view that the exclusion of these provisions from the Proposal is reasonable.

As part of its statutory duties under the BIA, the Proposal Trustee has performed a preliminary review of the Company's financial records, including bank statements for the 12-month period immediately preceding the Filing Date in order to identify (i) any disbursements greater than \$25,000 that may be considered preferences pursuant to the BIA, and (ii) any transactions that may be considered transfers at undervalue pursuant to the BIA. In addition, the Proposal Trustee has made enquiries with certain members of Geox Canada's management, including individuals with knowledge of the Company's day-to-day financial transactions, to discuss the potential existence of any such transactions.

The disbursements identified by the Proposal Trustee primarily consist of payments to Topco in repayment of intercompany advances (including interest), payments for the purchase of inventory, payments related to employee payroll and other payments in respect of customs duties, taxes and other operating expenses made in the ordinary course.

With respect to the repayment of advances made by Topco, the Company has provided the Proposal Trustee with the following information. Historically, Topco funded various operating / other costs of the Company via intercompany financing, which was provided via unsecured intercompany advances. In the summer of 2020, in the face of mounting liquidity issues primarily driven by the devastating impacts of COVID-19 on the Company's business, the Company was in need of immediate additional financing to meet its obligations and continue operations. In light of these material changes and increased risk, Topco agreed to provide this additional financing to allow the Company to continue operating solely on the condition that the Company enter into the Topco Loan Agreement (as defined and discussed below) and that any advances made by Topco thereunder be secured by way of security granted by the Company in favour of Topco.

In connection with the foregoing, On July 17, 2020, the Company, as borrower, and Topco, as lender, entered into a loan agreement (the “**Topco Loan Agreement**”). The Topco Loan Agreement provides for up to \$35 million (subject to certain limits as imposed by the terms of the Topco Loan Agreement) in revolving credit to the Company (the “**Credit Facility**”) for the purpose of repaying any prior indebtedness owing by Geox Canada to Topco and to fund Geox Canada’s ongoing working capital requirements. Advances under the Topco Loan Agreement bear interest at the Bank of Canada’s prime rate plus 1%.

The Topco Loan Agreement is subject to certain covenants, pledges and charges and is secured by way of a first-ranking security interest in all of the assets of Geox Canada in favour of Topco (the “**Topco Security**”) pursuant to (i) a general security agreement dated July 17, 2020; and (ii) a deed of hypothec dated July 17, 2020 (together, the “**Security Agreements**”). The Proposal Trustee has received a written opinion from its independent legal counsel, Fasken Martineau DuMoulin LLP, confirming that, subject to typical qualifications and assumptions, the Topco Security is valid and enforceable in accordance with its terms in the provinces of Alberta, British Columbia, Quebec and Ontario.

Since entering into the Topco Loan Agreement and the Security Agreements, any intercompany financing from Topco to the Company under the Credit Facility has occurred on a secured basis such that, as at the Filing Date, the Company had outstanding secured obligations owing to Topco in the amount of approximately \$30.2 million. Of this amount, approximately \$25.5 million represents advances made under the Credit Facility to repay prior intercompany indebtedness to Topco, and approximately \$4.7 million has been drawn by the Company to fund its working capital requirements since July 17, 2020.

In support of the Company’s proposed restructuring, Topco agreed to continue to make the Credit Facility available to the Company during the NOI Proceedings in accordance with the terms of the Topco Loan Agreement (although no amounts have been drawn on the Creditor Facility since the Filing Date).

While the Topco Loan Agreement and the Topco Security were each entered into during the prescribed look-back period as provided for in section 95 of the BIA, the Proposal Trustee is of the view that the exclusion of sections 95 to 101 of the BIA, and any similar provision of any federal or provincial statute, from the Proposal is reasonable for the following reasons:

1. The Company was in need of critical financing immediately, in the absence of which, the Company could no longer operate as a going concern, including funding day to day operations;
2. Topco was under no obligation to provide such funding to the Company, and was not prepared to advance the funds required by the Company for ongoing working capital requirement unless the Company entered into the Topco Loan Agreement and granted the Topco Security to secure advances made thereunder;
3. Advances made under the Topco Loan Agreement were expressly required to be used for the purpose of repaying the existing intercompany advances made by Topco to the Company and to provide for the Company’s ongoing working capital requirements, which allowed the Company to continue operating and pay its day to day expenses;
4. Advances made under the Topco Loan Agreement bear interest at the Bank of Canada’s prime rate plus 1%, which is a commercially advantageous term that the Company was unlikely to receive from any other third-party lender in the circumstances;
5. Topco is not seeking to enforce the Topco Security, will not participate in or receive any distributions under the Proposal, and has advised the Company that it will continue to make funds available to the Company after the implementation of the Proposal in accordance with the terms of the Topco Loan Agreement; and
6. The Proposal, if approved, will result in a going concern solution for the Company that will benefit the Company’s stakeholders generally.

In addition, the facts surrounding the Topco Loan Agreement and the Topco Security have been disclosed by the Company in its Court materials throughout the NOI Proceedings and neither the Company nor the Proposal Trustee have received any adverse comment from any stakeholder. To the contrary, the Proposal Trustee understands from the Company that the Company and its advisors have been working closely with its stakeholders who appear to be generally supportive of the Company's restructuring plan.

In the circumstances, the Proposal Trustee is of the view that the exclusion of sections 95 to 101 of the BIA, and any similar provision of any federal or provincial statute, from the Proposal is fair and commercially reasonable.

### Section G – Creditor Claims

The table below summarizes Geox Canada's creditors as noted on the Company's Statement of Affairs:

Geox Canada Inc. (in CAD\$000s)	
Creditor Classification	Estimated Claim per SOA
Secured	\$ 30,200
Preferred	-
Unsecured	13,118
Contingent	-
<b>Total</b>	<b>\$ 43,318</b>

#### Secured Creditors

Based on the Company's books and records and as discussed above, the Company's only Secured Creditor is Topco.

In addition to the Topco Security, the Proposal Trustee is aware of certain other registrations in respect of specific leased / financed motor vehicles made pursuant to the *Personal Property Security Act* (Ontario) (the "**Other Registered Security**"). According to the Company's books and records, there are no amounts owing by the Company as at the Filing Date in respect of the Other Registered Security.

#### Priority Creditors

Based on its review of certain of the Company's financial records, the Proposal Trustee is not aware of any potential priority claims.

#### Preferred Creditors

According to the Company's Statement of Affairs, no amounts are due to Preferred Creditors. Based on the Proposal Trustee's review of certain of the Company's financial records, it appears that all amounts owed to Geox Canada's employees, in respect of outstanding wages and vacation pay, which may have existed as at the Filing Date, have been paid by the Company in the ordinary course. Any employee claims that might exist at the time of Court approval of the Proposal will be paid immediately following Court approval in accordance with the terms of the Proposal and the BIA.

The Proposal Trustee understands that certain of the Company's landlords may have a preferred claim in respect of rent arrears. The Proposal Trustee understands that such claims were not presented on the Company's Statement of Affairs on the basis that any such claims would have no value in light of the Company's secured obligations owing to Topco.

Based on its review of certain of the Company's financial records, the Proposal Trustee is not aware of any other potential Preferred Claims.

## **Unsecured Creditors**

According to the Company's Statement of Affairs, Geox Canada's unsecured creditors are owed approximately \$13.1 million, including approximately \$6.0 million owed to Topco, approximately \$1.5 million owed to S&A and approximately \$61,000 owed to Xlog.

As noted in Section B of this report, to facilitate approval and implementation of the Proposal, Topco has agreed to not assert any of its Unsecured Claims against the Company in connection with the Proposal, or receive distributions in respect of those claims from the Sponsor Funds, but only on the condition that the Proposal is approved by the Creditors and the Court and implemented in accordance with its terms.

## **Section H – Previous Dealings with the Debtor**

Prior to its appointment as Proposal Trustee, Richter was previously retained by the Company to act as financial advisor to assist the Company's management and its board of directors in reviewing restructuring alternatives, as part of the Company's strategic review and planning. The undersigned Proposal Trustee confirms that neither he nor the firm with which he is related has provided previous services to the Company in any capacity other than as previously noted. The Proposal Trustee further confirms that he does not have any knowledge of any conflict of interest situation arising from the acceptance of this appointment as Proposal Trustee under the Proposal.

## **Section I – Informal Meetings with Major Creditors**

The Company, its advisors and the Proposal Trustee have had various communications with Topco regarding the NOI Proceedings and the proposed arrangements between the Company and Topco under the Proposal. These communications were necessary in order to, among other things, assist in the formulation of the Proposal and sponsorship funding thereunder, as well as to establish what amount, if any, of Topco's Unsecured Claim against the Company was to be subordinated under the Proposal.

Furthermore, as noted above, prior to and following the Filing Date, the Company, with the support of its advisors, has engaged in negotiations with its landlords to obtain certain rent concessions and mutually acceptable amendments to many of its remaining lease agreements, all of which such agreements have been or are in the process of being finalized.

## **Section J – Remuneration of Proposal Trustee**

Payment of the fees and expenses of the Proposal Trustee, including the legal fees and disbursements of the Proposal Trustee, are provided for in the Proposal.

## **Section K - Cash Flow Statement**

In accordance with the BIA, the Proposal Trustee reviewed the cash flow statement and assumptions for the period January 2, 2021 to February 26, 2021 that were prepared by the Company (the "**Cash Flow Statement**") and which were filed with the Official Receiver. In reviewing the Cash Flow Statement, nothing has come to the Proposal Trustee's attention which would lead the Proposal Trustee to believe that the hypothetical and probable assumptions used by Geox Canada in the preparation of the Cash Flow Statement are inconsistent with the purpose of the Cash Flow Statement.

## Section L – Statement of Estimated Realizations

### Proposal Accepted

Should the Proposal be approved by both the Creditors and the Court and implemented, the Sponsor has agreed to postpone its Unsecured Claim against the Company (\$6.0 million), which would result in Proven Creditors receiving a greater distribution than would otherwise be realized in a bankruptcy.

<b>Geox Canada Inc.</b>			
<b>Estimated Distribution</b>			
<b>(in CAD\$000s)</b>			
<b>Category of Unsecured Creditors</b>	<b>Claim Amount</b>	<b>Estimated Distribution (%)</b>	<b>Estimated Distribution (\$)</b>
Convenience Creditor Claims	43	100.0%	43
Estimated Convenience Creditor Election Claims	325	22.2%	72
Remaining Unsecured Claims	6,723	5.4%	360
<b>Total Unsecured Claims (excluding Sponsor Claims)</b>	<b>7,091</b>	<b>6.7%</b>	<b>475</b>
Sponsor Claims (unsecured)	6,027	0.0%	-
<b>Total Unsecured Claims</b>	<b>13,118</b>		<b>475</b>

As noted in the table above, and based on (i) the Sponsor Funds of \$475,000 (ii) estimated Convenience Creditor Claims of approximately \$368,000 (includes any Unsecured Creditor with a Claim that is greater than \$2,000 but less than or equal to \$40,000, as it would be financially advantageous for such Unsecured Creditor to make a Convenience Creditor Election under the Proposal), resulting in a distribution to Convenience Creditors of approximately \$115,000 and (iii) remaining Unsecured Claims of approximately \$6.7 million (after taking into consideration the convenience creditor claims, estimated convenience creditor election claims and the Sponsor's postponement of its Unsecured Claim), the estimated distribution to Unsecured Creditors (not including Convenience Creditors) per dollar of Proven Claim is estimated to be approximately 5.4%, prior to the Superintendent's Levy.

Please note that the amounts owing to Creditors (secured, priority, preferred and unsecured) and, therefore, the estimated distribution to Unsecured Creditors, are subject to variation, particularly in the event that the amounts included in Proofs of Claim filed by Creditors and accepted by the Proposal Trustee differ from the amounts included in the Company's Statement of Affairs.

## Proposal Not Accepted

If the Proposal is not accepted, Geox Canada would become bankrupt and Geox Canada's assets would vest with the trustee in bankruptcy, subject to the rights of the Company's Secured Creditors. In such a scenario, it is unlikely that any funds would be available for distribution to the Company's Unsecured Creditors as the expected realizations from the Company's assets as noted on the Company's Statement of Affairs would result in a shortfall to Topco in respect of advances it made under the Credit Facility.

The estimated realizable value of the Company's assets in a liquidation scenario is summarized as follows:

<b>Geox Canada Inc.</b>			
<b>Estimated Net Realization Analysis</b>			
<b>(in CAD\$000s)</b>			
<b>Assets</b>	<b>Notes</b>	<b>Book Value as at Jan 8, 2021</b>	<b>Realization Midpoint</b>
Cash	1	2,868	2,868
Receivables	2	1,083	758
Inventory	3	13,981	5,592
Machinery, equipment and plant	4	3,320	65
Prepays and deposits	5	455	-
<b>Estimated gross realizations</b>		<b>21,708</b>	<b>9,283</b>
<b>Estimated realization costs</b>			
Overhead expenses	6		1,512
Estimated professional fees	7		500
<b>Total estimated realization costs</b>			<b>2,012</b>
<b>Estimated net realization</b>			<b>7,272</b>
Secured Creditor Claims			30,200
Shortfall to Secured Creditors			(22,928)
<b>Amount available for distribution to Unsecured Creditors</b>			<b>\$NIL</b>
<b>Notes</b>			
1. Represents cash in the Company's bank accounts.			
2. The estimated realizations reflects the anticipated collections from outstanding wholesale accounts receivable in an orderly liquidation.			
3. Represents the net orderly liquidation value for the Company's inventory based on consultations with an experienced and reputable liquidator. The net orderly liquidation value of the Company's inventory considers the current "lock-down" orders in place and the ongoing impact of the COVID-19 pandemic on the retail landscape.			
4. The balance primarily comprises the Company's furniture and fixtures located at its various retail stores. The estimated realization represents liquidation values determined in consultation with an experienced and reputable liquidator.			
5. The analysis assumes that the Company's prepaids and deposits would not be recoverable in an orderly liquidation.			
6. Includes personnel and other costs of the head office and warehouse required to effect the liquidation.			
7. Includes the professional fees of the bankruptcy and its counsel, as well as liquidator fees.			

As set out above, it is anticipated that there would be no funds available to Unsecured Creditors in a bankruptcy scenario.

In addition, the Proposal Trustee understands that, if the Proposal is not implemented and the Company is deemed bankrupt, the Sponsor would pursue recovery of their full Unsecured Claim against the Company, which, subject to section 137(1) of the BIA, would reduce recoveries for arms-length Unsecured Creditors, in the unlikely scenario whereby funds would be available for distribution to them.

For the purpose of section 137(1) of the BIA, nothing has come to the Proposal Trustee's attention to suggest that the unsecured transactions between the Company and the Sponsor were improper.

## Section M – Recommendations

Based on the analysis set out in this report, the Proposal Trustee is of the view that the Proposal is preferable to a bankruptcy, since it provides for a distribution to the overwhelming majority of the Company's Unsecured Creditors that appears to exceed amounts that would otherwise be available from a bankruptcy.

Accordingly, based on all of the above, the Proposal Trustee recommends the acceptance of the Proposal by the Company's Creditors.

## Section N – Meeting of Creditors

In completing the Proof of Claim form enclosed herewith, Creditors should only include all amounts outstanding as at the Filing Date.

**It is expressly noted and should be clearly understood that Richter, acting solely in its capacity as Proposal Trustee, assumes no responsibility for any Claims against the Company before, on, or after the Filing Date.**

The Creditors' Meeting shall take place at 1:00 p.m. (Toronto time) on January 28, 2021 in order for the Unsecured Creditors to consider and vote on the Proposal. Due to COVID-19, the Creditors' Meeting shall be held both via online and teleconference, details of which are as follows:

Meeting link <https://fasken.webex.com/fasken/j.php?MTID=m3603cef8f40c9b4bb72ac806f85f9919>

Meeting number: 177 490 5527

Password: CreditorsMeeting

Join by video system: Dial [1774905527@fasken.webex.com](tel:1774905527)

You can also dial 173.243.2.68 and enter your meeting number.

Join by phone: +1-844-426-4405 (Canada)

Access Code: 177 490 5527

The only Persons entitled to attend and speak at the Creditors' Meeting are representatives of the Company and the Sponsor and their respective legal counsel and advisors, the Proposal Trustee and its legal counsel and advisors, the Official Receiver, and all other Persons entitled to vote at the Creditors' Meeting and their respective legal counsel and advisors. Any other Person may be admitted to the Creditors' Meeting on invitation of the Proposal Trustee and / or the Official Receiver.

**Please note that in order for your vote to count in connection with the Proposal, it is necessary that you complete and submit the enclosed documents prior to the meeting.**

Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters to the Proposal Trustee so as to be received prior to the Creditors' Meeting.

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Should you have any questions in connection with the Proposal or this report, please contact Ms. Kristina Ho at (416) 488-2345 x2305 or via email at [kho@richter.ca](mailto:kho@richter.ca).

Dated at Toronto, Ontario, this 18<sup>th</sup> day of January, 2021

**Richter Advisory Group Inc.**  
**in its capacity as Trustee *in re* the Proposal of**  
**Geox Canada Inc.**  
**and not in its personal capacity**

Per:

A handwritten signature in black ink, appearing to read 'Adam Sherman', written over a horizontal line.

Adam Sherman, MBA, CIRP, LIT  
Senior Vice President