

CANADA
Province of Quebec
District of Québec
Division No.: 01-Montréal
Court No.: 500-11-059566-212
Estate No.: 41-2716886

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

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

**CHANGE DE SCANDINAVIE CANADA DETAIL
INC./CHANGE OF SCANDINAVIA CANADA
RETAIL INC.**

a legal person having its registered office at
9961 Saint-Vital Boulevard, Montreal, Quebec,
H1H 4S5

Petitioner / Debtor

-and-

RICHTER ADVISORY GROUP INC.

Proposal Trustee

**THIRD REPORT OF THE PROPOSAL TRUSTEE
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS
May 7, 2021**

INTRODUCTION

1. On March 2, 2021, Change of Scandinavia Canada Retail Inc. (hereinafter the "**Debtor**" or the "**Company**") filed a Notice of Intention to Make a Proposal ("**NOI**") under the *Bankruptcy and Insolvency Act*, Canada (the "**BIA**") naming Richter Advisory Group Inc. as trustee (the "**Proposal Trustee**").
2. On March 3, 2021, the Company filed a motion entitled *Motion for approval of interim financing, administrative charge and other relief* (the "**First Motion**").
3. On March 5, 2021, the Proposal Trustee sent a copy of the statutory documents under the NOI to all known creditors of the Company.
4. On March 10, 2021, the Court issued an order approving the First Motion.

5. On March 24, 2021, the Debtor filed a Motion to Extend the Delay to Make a Proposal (the “**First Extension Motion**”) until May 14, 2021 (the “**NOI Delay**”).
6. On March 31, 2021, the Court issued an order granting the First Extension Motion, which was supported by the Trustee (“**Second Report**”).
7. On May 7, 2021, the Debtor filed a second Motion to Extend the Delay to Make a Proposal (the “**Second Extension Motion**”) until June 28, 2021.

PURPOSE OF THIS REPORT

8. The purpose of this Third report of the Proposal Trustee (the “**Third Report**”) is to provide this Court with information pertaining to:
 - (i) General background information of the Company;
 - (ii) The Company’s activities since the filing of the NOI;
 - (iii) The Proposal Trustee’s activities since the filing of the NOI;
 - (iv) The Company’s cash flow results and updated weekly cash flow projections (the “**Projections**”); and
 - (v) The Proposal Trustee’s recommendation with respect to the Debtor’s Second Extension Motion.

TERMS OF REFERENCE

9. Unless otherwise noted, all monetary amounts contained in this Third Report are expressed in Canadian dollars.
10. In preparing this Third Report, the Proposal Trustee has relied upon certain unaudited financial information prepared by the Company’s representatives, the Company’s books and records, and discussions with the Company’s representatives and legal counsel (the “**Information**”).
11. Except as otherwise described in this Third 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.
12. Future oriented financial information relied upon in this Third Report is based on the Company’s representatives’ assumptions regarding future events; actual results achieved may vary from the Information presented even if the hypothetical assumptions occur and these variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether Projections will be achieved.

GENERAL BACKGROUND INFORMATION OF THE COMPANY

13. The information concerning the background information of the Company was set out in the First Report but is being reproduced for ease of reference.
14. The Debtor is a privately held retailer currently operating out of 26 stores across Canada under the name “CHANGE Lingerie”, a Denmark-based, international lingerie brand with over 200 stores worldwide. The Company also sells merchandise online.
15. The Company’s head office and warehouse are located in Montreal, in the Province of Quebec.
16. The Debtor’s stores are located in shopping malls and shopping areas throughout Canada with 10 in Québec, 9 in Ontario and 7 in British Columbia (“B.C.”) (each a “Store” and collectively, the “Stores”).
17. The Debtor’s parent company and principal shareholder, CHANGE of Scandinavia Holding A/S, and the supplier of the products, CHANGE of Scandinavia A/S, are both based in Denmark.
18. The Company leases all of its premises from third party landlords (each a “Lease” and collectively, the “Leases”).
19. The Company currently employs approximately 80 employees in its retail operations and a further 15 employees at its head office and warehousing facilities.
20. The Debtor’s operations were and continue to be significantly impacted by the unprecedented economic crisis caused by the COVID-19 pandemic. In particular, store closures, social distancing requirements, lockdowns and restricted travelling have all impacted the retail lingerie and swimwear business, including the Debtor’s.

THE COMPANY’S ACTIVITIES SINCE THE FILING OF THE NOI

21. Subsequent to the filing of the NOI, the Company has continued to operate its Stores in the ordinary course to the extent permitted.
22. The Company has also been communicating with its employees, customers and suppliers in order to continue its operations and maintain a continued supply of goods.
23. As part of its restructuring activities, the Company hired a lease consultant (the “Lease Consultant”) in order to assist management in its negotiations with landlords, with the objective of reaching viable lease arrangements.
24. Since the issuance of the First Extension Motion, the Debtor, assisted by the Lease Consultant and its advisors, has continued negotiations with the Stores landlords and in some cases, the Debtor has reached agreements in principle and/or has executed agreements. The results of these negotiations are essential to the Debtor’s ability to make a proposal.

25. As a result of a strict lockdown in the Province of Ontario due to a severe outbreak of COVID-19, the Debtor's Stores in Ontario have been and continue to be closed for business which has negatively impacted the sales of the Debtor.
26. The principal secured lender, Royal Bank of Canada, and the Debtor's parent company continue to support the Debtor through its restructuring.

PROPOSAL TRUSTEE'S ACTIVITIES SINCE THE FILING OF THE NOI

27. In order to monitor the affairs and finances of the Company, the Proposal Trustee has been provided with access to the books, records and other important documents of the Company.
28. Since the filing of the NOI, the Proposal Trustee, in addition to completing the creditor notice and service requirements, has, *inter alia*:
 - (i) Reviewed and monitored weekly variances between the actual cash flow results versus the cash flow projections for the period from March 1, 2021 to May 2, 2021;
 - (ii) Assisted the Company in the preparation of updated weekly cash flow projections;
 - (iii) Responded in a timely manner to inquiries from affected stakeholders, including creditors, employees, customers and landlords;
 - (iv) Assisted senior management with the NOI process and planning for next steps;
 - (v) Prepared the First Report, Second Report and the present report, and attended Court hearings in relation to the NOI process;
 - (vi) Updated the Proposal Trustee's website to allow stakeholders to access relevant documents in connection with the NOI process; and
 - (vii) Participated in several conference calls with the Debtor, its legal advisors and the Lease Consultant in connection with the Company's restructuring efforts.

CASH FLOW RESULTS AND UPDATED CASH FLOW PROJECTIONS

29. The reported results versus the Company's projections for the period March 22, 2021 to May 2, 2021, which are summarized in the table below, reflect a positive net cash flow variance of approximately \$351K mainly attributable to timing differences in the disbursement of rent and professional fees.

Change of Scandinavia Canada Retail Inc.			
Reported vs Projected			
For the period March 22 to May 2, 2021			
(\$000's)	Reported	Projected	Variance
Collections			
Retail & E-Comm	\$ 926	\$ 923	\$ 3
Subsidies Receipts	126	129	(4)
	1,052	1,052	(1)
Disbursements			
Purchases	(290)	(230)	(60)
Payroll	(327)	(394)	67
Operational Expenses	(100)	(115)	15
Rent	(184)	(399)	215
Freight & Duty	(65)	(65)	(1)
Interest & Capital Repayment	(70)	(74)	4
Professional Fees	(3)	(115)	112
Total Disbursements	(1,040)	(1,392)	352
Net Cash Flow	\$ 12	\$ (339)	\$ 351
Opening Cash			
	\$ 859	\$ 859	\$ (0)
Net Cash Flow	12	(339)	351
Ending Cash	\$ 871	\$ 520	\$ 351

30. In support of the extension sought, the Company has prepared a statement of projected cash flow (**Exhibit "A"**) covering the period May 3, 2021 to July 11, 2021, summarized as follows:

Change of Scandinavia Canada Retail Inc.	
Statement of Projected Cash Flow	
For the period May 3 to July 11, 2021	
(\$000's)	Total (69 days)
Collections	
Retail & E-Comm	\$ 1,612
Subsidies Receipts	149
	1,761
Disbursements	
Purchases	(220)
Payroll	(615)
Operational Expenses	(218)
Rent	(343)
Freight & Duty	(160)
Interest & Capital Repayment	(96)
Professional Fees	(115)
Total Disbursements	(1,768)
Net Cash Flow	\$ (7)
Opening Cash	
	\$ 871
Net Cash Flow	(7)
Ending Cash	\$ 863

31. The Projections were prepared by management with the assistance of Richter.
32. For additional information regarding the Projections, including management's major assumptions and the Proposal Trustee report on the reasonableness of the Projections, please refer to forms 29 and 30 included in **Exhibit "B"**.

MOTION TO EXTEND THE SECOND NOI DELAY

33. The Company is requesting the extension of the second NOI Delay until June 28, 2021 (the “**Second Extension**”).
34. The Proposal Trustee supports the Debtor’s request for the Second Extension for the following reasons:
- (i) The Company requires additional time to pursue its negotiations and sign new agreements with the landlords;
 - (ii) The Debtor is acting in good faith and with due diligence for the benefit of its creditors and other stakeholders;
 - (iii) It is the Proposal Trustee’s view that the Second Extension will not materially prejudice or adversely affect any creditors. On the contrary, should the Second Extension sought herein not be granted, the creditors will be prejudiced in that a liquidation scenario will ensue, the Stores would likely close, rent would not be paid, and many jobs would be lost;
 - (iv) The Debtor intends to make a proposal to its creditors. The Debtor’s ability to make a viable proposal depends on the outcome of the Company’s negotiations with its landlords; and
 - (v) The principal secured lender, Royal Bank of Canada, and the Debtor’s parent company support the Second Extension sought herein.

CONCLUSION AND RECOMMENDATION

35. Based on the reasons outlined above, the Proposal Trustee supports the relief sought by the Debtor in its Second Extension Motion.

Respectfully submitted at Montreal, this 7th day of May 2021.

Richter Advisory Group Inc.
Licensed Insolvency Trustee



Olivier Benchaya, CPA, CA, CIRP, LIT

EXHIBIT A

District of: Québec
 Division No.: 01-Montréal
 Court No.: 500-11-059566-212
 Estate No.: 41-2716886

**Statement of Projected Cash Flows for:
 Change of Scandinavia Canada Retail Inc.**

Projected Weekly Cash Flow Wee ending	Wee 1 9-May-21 (Projected)	Wee 2 16-May-21 (Projected)	Wee 3 23-May-21 (Projected)	Wee 4 30-May-21 (Projected)	Wee 5 6-Jun-21 (Projected)	Wee 6 13-Jun-21 (Projected)	Wee 7 20-Jun-21 (Projected)	Wee 8 27-Jun-21 (Projected)	Wee 9 4-Jul-21 (Projected)	Wee 10 11-Jul-21 (Projected)	Total 10-Wee (Projected)
Collections											
Retail & E-Comm	\$ 133	\$ 135	\$ 150	\$ 177	\$ 166	\$ 158	\$ 158	\$ 158	\$ 158	\$ 220	\$ 1,612
Subsidies Receipts	-	-	90	-	-	-	59	-	-	-	149
	133	135	241	177	166	158	217	158	158	220	1,761
Disbursements											
Purchases	-	-	-	(150)	-	-	-	-	(70)	-	(220)
Payroll	-	(112)	-	(118)	-	(122)	-	(132)	-	(132)	(615)
Operational Expenses	(10)	(10)	(42)	(10)	(10)	(10)	(47)	(10)	(8)	(8)	(167)
Rent	(104)	-	-	-	(115)	-	-	-	(124)	-	(343)
Freight & Duty	(65)	-	-	-	(65)	-	-	-	-	(31)	(160)
Sales Taxes	-	-	-	(30)	-	-	-	(21)	-	-	(52)
Financial Charges	-	(2)	(2)	(2)	-	(1)	(2)	(2)	-	-	(12)
Capital Repayment	-	(11)	(17)	(15)	-	(11)	(17)	(15)	-	-	(84)
Professional Fees	-	-	-	(57)	-	-	-	-	(57)	-	(115)
	(180)	(134)	(61)	(382)	(190)	(145)	(66)	(180)	(260)	(171)	(1,768)
Net Cash Flow	(47)	1	179	(206)	(24)	13	151	(22)	(102)	49	(7)
Opening Cash	871	824	825	1,004	798	774	788	939	916	814	871
Ending Cash	\$ 824	\$ 825	\$ 1,004	\$ 798	\$ 774	\$ 788	\$ 939	\$ 916	\$ 814	\$ 863	\$ 863

Ari Zucker

May 7, 2021

Date

Olivier Benchaya, CPA, CA, CIRP, LIT

May 7, 2021

Date

EXHIBIT B

District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-059566-212
Estate No.: 41-2716886

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
Change of Scandinavia Canada Retail Inc. "**Debtor**"
Of the City of Montreal
In the Province of Québec

The attached statement of projected cash flow of the Debtor, as of the 7th day of May 2021, consisting of the period from May 3, 2021 to July 11, 2021, has been prepared by the management of the insolvent person 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. 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 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 7th day of May 2021.

Richter Advisory Group Inc.
Licensed Insolvency Trustee
Per:



Olivier Benchaya, CPA, CA, CIRP, LIT
1981 McGill College, 11th Floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-059566-212
Estate No.: 41-2716886

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
Change of Scandinavia Canada Retail Inc. "**Debtor**"
Of the City of Montreal
In the Province of Québec

Purpose:

The Debtor filed a Notice of Intention to Make a Proposal on March 2, 2021. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Debtor (the "Company"), for the period May 3, 2021 to July 11, 2021, 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 May 7, 2021, 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 May 3, 2021 to July 11, 2021, 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 projected cash receipts are estimated by management, based upon historical and recent sales trends adjusted to reflect management's restructuring plan.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity, best estimates of the Company and management's restructuring plan;

Professional fees are based on management's estimate and relate to the filing of the Notice of Intention to Make a Proposal and restructuring;

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 7th day of May 2021.

Richter Advisory Group Inc.

Licensed Insolvency Trustee

Per:



Olivier Benchaya, CPA, CA, CIRP, LIT
1981 McGill College, 11th Floor
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District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-059566-212
Estate No.: 41-2716886

- 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
Change of Scandinavia Canada Retail Inc. "**Debtor**"
Of the City of Montreal
In the Province of Québec

The management of the Debtor has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 7th day of May 2021, consisting of the period from May 3, 2021 to July 11, 2021.

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 Montreal in the Province of Quebec, this 7th day of May 2021.



Debtor

Ari Zucker President

Name and title of signing officer

District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-059566-212
Estate No.: 41-2716886

- 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
Change of Scandinavia Canada Retail Inc. "**Debtor**"
Of the City of Montreal
In the Province of Québec

Purpose:

The Debtor filed a Notice of Intention to Make a Proposal on March 2, 2021. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Debtor (the "Company"), for the period May 3, 2021 to July 11, 2021, 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 May 7, 2021, 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 May 3, 2021 to July 11, 2021, 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 projected cash receipts are estimated by management, based upon historical and recent sales trends adjusted to reflect management's restructuring plan.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity, best estimates of the Company and management's restructuring plan;

Professional fees are based on management's estimate and relate to the filing of the Notice of Intention to Make a Proposal and restructuring;

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 Montreal, in the Province of Quebec, this 7th day of May 2021.



Ari Zucker President

Debtor

Name and title of signing officer

NO.: 500-11-059566-212
ESTATE NO.: 41-2716886

SUPERIOR COURT
(Commercial Division)
(Bankruptcy and Insolvency Act, Canada,
R.S.C. 1985, c. B-3)

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

**CHANGE DE SCANDINAVIE CANADA DETAIL
INC./CHANGE OF SCANDINAVIA CANADA RETAIL INC.**

Debtor/Petitioner

-and-

RICHTER ADVISORY GROUP INC.,

Trustee

EXHIBIT P-2

ORIGINAL

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NO.: 500-11-059566-212
ESTATE NO.: 41-2716886

SUPERIOR COURT
(Commercial Division)
(Bankruptcy and Insolvency Act, Canada,
R.S.C. 1985, c. B-3)

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

**CHANGE DE SCANDINAVIE CANADA DETAIL
INC./CHANGE OF SCANDINAVIA CANADA RETAIL INC.**

Debtor/Petitioner

-and-

RICHTER ADVISORY GROUP INC.,

Trustee

**DEBTOR/PETITIONER'S EXHIBITS IN SUPPORT OF
MOTION TO EXTEND THE DELAY TO MAKE A
PROPOSAL**

ORIGINAL

Me Jeremy Cuttler
Me Gerald F. Kandestin

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