

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

SECOND REPORT OF THE PROPOSAL TRUSTEE
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS
March 25, 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 rendered an order approving the First Motion.

5. On March 24, 2021, the Debtor filed the Motion to Extend the Delay to Make a Proposal (the “**First Extension Motion**”) until May 14, 2021 (the “**NOI Delay**”).

PURPOSE OF THIS REPORT

6. The purpose of this Second report of the Proposal Trustee (the “**Second 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 First Extension Motion.

TERMS OF REFERENCE

7. Unless otherwise noted, all monetary amounts contained in this Second Report are expressed in Canadian dollars.
8. In preparing this Second 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**”).
9. Except as otherwise described in this Second 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.
10. Future oriented financial information relied upon in this Second 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

11. The information concerning the background information of the Company was set out in the First Report but is being reproduced for ease of reference.
12. 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.

13. The Company's head office and warehouse are located in Montreal, in the Province of Quebec.
14. 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**").
15. 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.
16. The Company leases all of its premises from third party landlords (each a "**Lease**" and collectively, the "**Leases**").
17. The Company currently employs approximately 80 employees in its retail operations and a further 15 employees at its head office and warehousing facilities.
18. 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

19. Subsequent to the filing of the NOI, the Company has continued to operate its Stores in the ordinary course.
20. 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.
21. 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.
22. These discussions are still underway, the results of which are essential to the Debtor's ability to make a proposal.

PROPOSAL TRUSTEE'S ACTIVITIES SINCE THE FILING OF THE NOI

23. 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.
24. 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 March 21, 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 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

25. The reported results versus the Company's projections for the period March 1, 2021 to March 21, 2021, which are summarized in the table below, reflect a positive net cash flow variance of approximately \$404K mainly attributable to variances associated with stronger than projected sales in the period, as well as purchases not occurring in the projected period.

Change of Scandinavia Canada Retail Inc. Reported vs Projected For the period Mar 1 to March 21, 2021 (\$000's)			
	Reported	Projected	Variance
Collections			
Retail & E-Comm	\$ 589	\$ 349	\$ 240
Subsidies Receipts	-	38	(38)
	589	387	201
Disbursements			
Purchases	-	(150)	150
Payroll	(234)	(239)	5
Operational Expenses	(18)	(31)	13
Rent	(248)	(261)	14
Freight & Duty	(40)	(51)	11
Interest & Capital Repayment	(30)	(47)	18
Professional Fees	(65)	(57)	(8)
Total Disbursements	(635)	(837)	202
Net Cash Flow	\$ (46)	\$ (450)	\$ 404
Opening Cash	905	905	\$ 0
Net Cash Flow	(46)	(450)	404
Ending Cash	\$ 859	\$ 455	\$ 404

26. In support of the extension sought, the Company has prepared a statement of projected cash flow (**Exhibit “A”**) covering the period March 22, 2021 to May 16, 2021, summarized as follows:

Change of Scandinavia Canada Retail Inc. Statement of Projected Cash Flow For the period Mar 22 to May 16, 2021 (\$000's)	
	Total (55 days)
Collections	
Retail & E-Comm	\$ 1,290
Subsidies Receipts	175
	1,465
Disbursements	
Purchases	(230)
Payroll	(520)
Operational Expenses	(136)
Rent	(532)
Freight & Duty	(130)
Interest & Capital Repayment	(86)
Professional Fees	(115)
Total Disbursements	(1,748)
Net Cash Flow	\$ (284)
Opening Cash	\$ 859
Net Cash Flow	(284)
Ending Cash	\$ 575

27. The Projections were prepared by management with the assistance of Richter.
28. 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 NOI DELAY

29. The Company is requesting the extension of the NOI Delay until May 14, 2021 (the **“Extension”**).
30. The Proposal Trustee supports the Debtor's request for the Extension for the following reasons:
- (i) The Company requires additional time to pursue its negotiations 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 Extension will not materially prejudice or adversely affect any creditors. On the contrary, should the 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 Extension sought herein.

CONCLUSION AND RECOMMENDATION

- 31. Based on the reasons outlined above, the Proposal Trustee supports the relief sought by the Debtor in its First Extension Motion.

Respectfully submitted at Montreal, this 25th day of March 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	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Total
Week ending	28-Mar-21	4-Apr-21	11-Apr-21	18-Apr-21	25-Apr-21	2-May-21	9-May-21	16-May-21	8-Week
\$'000	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Collections									
Retail & E-Comm	\$ 117	\$ 117	\$ 159	\$ 176	\$ 176	\$ 176	\$ 182	\$ 185	\$ 1,290
Subsidies Receipts	91	-	-	38	-	-	45	-	175
	208	117	159	215	176	176	227	185	1,465
Disbursements									
Purchases	(100)	-	-	-	(130)	-	-	-	(230)
Payroll	-	(134)	-	(126)	-	(134)	-	(126)	(520)
Operational Expenses	(28)	(8)	(8)	(8)	(30)	(8)	(10)	(10)	(112)
Rent	-	(133)	-	(133)	-	(133)	-	(133)	(532)
Freight & Duty	-	-	(65)	-	-	-	(65)	-	(130)
Sales Taxes	-	-	-	-	-	(24)	-	-	(24)
Financial Charges	(2)	-	-	(2)	(2)	(2)	-	(2)	(10)
Capital Repayment	(23)	-	-	(11)	(17)	(15)	-	(11)	(76)
Professional Fees	-	(57)	-	-	-	(57)	-	-	(115)
	(154)	(333)	(73)	(279)	(179)	(374)	(75)	(281)	(1,748)
Net Cash Flow	55	(215)	87	(64)	(3)	(197)	152	(97)	(284)
Opening Cash	859	914	698	785	720	717	520	672	859
Ending Cash	\$ 914	\$ 698	\$ 785	\$ 720	\$ 717	\$ 520	\$ 672	\$ 575	\$ 575



Ari Zucker

March 25, 2021

Date



Olivier Benchaya, CPA, CA, CIRP, LIT

March 25, 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 25th day of March 2021, consisting of the period from March 22, 2021 to May 16 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 25th day March 2021.

Richter Advisory Group Inc.
Licensed Insolvency Trustee
Per:



Olivier Benchaya, CPA, CA, CIRP, LIT
1981 McGill College, 11th Floor
Montréal QC H3A 0G6
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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 March 22, 2021 to May 16, 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 March 25, 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 March 22, 2021 to May 16, 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 25th day March 2021.

Richter Advisory Group Inc.

Licensed Insolvency Trustee

Per:



Olivier Benchaya, CPA, CA, CIRP, LIT
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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 25th day of March 2021, consisting of the period from March 22, 2021 to May 16, 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 25th day of March 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 March 22, 2021 to May 16, 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 March 25, 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 March 22, 2021 to May 16, 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 25th day of March 2021.



Ari Zucker – President

Debtor

Name and title of signing officer