CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
Division No.: 01-Saint-Hyacinthe
Court No.: 750-11-004395-171
Estate No.: 41-2310995

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

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

ÉCOLAIT LTÉE, legal person duly incorporated under the laws of Canada, having their principal place of business at 5470 Martineau Street, Saint-Hyacinthe, Québec, J2R1T8

Debtor

-and-

RICHTER ADVISORY GROUP INC.

Trustee

REPORT OF THE TRUSTEE ON THE PROPOSED SALE OF ASSETS
(Section 65.13 of the *Bankruptcy and Insolvency Act*)

INTRODUCTION

1. On November 2, 2017, Écolait Ltée ("Ecolait", "Debtor" or the "Company") filed a Notice of Intention to Make a Proposal ("NOI"), the whole as appears in the documents filed in the court records. Richter Advisory Group Inc. ("Richter") was named Trustee.

2. The purpose of this Report is to provide the Court with information pertaining to:

   a) The background and operations of the Debtor;

   b) The Debtor's financial results;

   c) The Debtor's creditors;

   d) The contemplated sale of assets;

e) The terms of the Asset Purchase Agreement (the "APA") dated November 10, 2017, between Ecolait and 9367-8134 Quebec Inc. (the "Purchaser") for the sale of the Company's business and assets (the "Transaction");

f) The alternative to the Transaction;

g) The reasons why the Trustee is of the view that the Transaction should be approved by the Court;

h) The Trustee's recommendation that the Court makes the following orders, as requested by the Debtor;

   i. approving the APA and the Transaction, and authorizing Ecolait and the Purchaser to take the necessary steps to complete the Transaction;

   ii. vesting, upon the closing of the Transaction, all right, title and interest of Ecolait in and to those assets of the Company to be sold pursuant to the APA (the "Purchased Assets") to the Purchaser free and clear of all security, charges or other restrictions (the "Approval and Vesting Order"); and

   iii. approving the conclusion of the escrow arrangements as to the treatment of a portion of the purchase price and Ecolait's and Purchaser's rights and obligations under the APA.

TERMS OF REFERENCE

3. In preparing this Report, the Trustee has relied upon unaudited financial information prepared by the Debtor's representatives, the Debtor's books and records and discussions with Debtor's management and Ecolait's legal counsel. The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards ("GAAS") pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, Richter expresses no opinion or other form of assurance contemplated under GAAS in respect of the information received. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.

4. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

BACKGROUND AND OPERATIONS OF THE DEBTOR

5. Ecolait is a Quebec corporation and was incorporated and commenced operations in 1979.

6. Bartelse Holdings Limited purchased the Company in 1999 and is the majority owner of Ecolait. Ecolait has numerous subsidiaries, many of which had their assets and activities transferred into Ecolait on August 30, 2016. Ecolait's corporate chart is illustrated in **Exhibit A**.

7. Ecolait produces and processes milk-fed and grain-fed veal for the retail, food service and further processors. The Company manages its farming operations from its office and sorting center in Saint-Hyacinthe, Québec and processes meat from its slaughterhouse and processing plant in Terrebonne, Québec. Ecolait currently employs approximately 275 people and subcontracts rearing of its calves to approximately 75 family farms in the Province of Québec.

8. The Company purchases its milk powder from Grober Inc. ("Grober"), a sister company located in Cambridge, Ontario.

9. Delft Blue LLC ("Delft Blue"), one of the Company's subsidiaries, which operated a pork processing plant in Utica, NY, has been liquidating its assets since July 2017. The assets of Delft Blue and the claim of Ecolait against Delft Blue do not form part of the Purchased Assets in the APA.

10. The main activity of the other active subsidiaries is summarized as follows:

    (i) Grober Québec Inc. – Distributes milk powder to third parties for animals not related to the veal business. The shares in and assets of Grober Québec Inc. do not form part of the Purchased Assets in the APA.

    (ii) 6091083 Canada Inc. – Owns a building in Saint-Hyacinthe, Québec, leased to Grober Québec Inc. and a farm in l'Avenir, Québec, leased to Ecolait. The farm is included in the Purchased Assets in the APA, but not the building in Saint-Hyacinthe. Ecolait has a claim against 6091083 Canada Inc. and owns all of its shares, such that the eventual monetization of the building in Saint-Hyacinthe will be to the benefit of Ecolait and its creditors.

11. Commencing in late 2016, the Debtor began experiencing significant financial difficulties. Management attributes this to a number of factors including:

    (i) The elimination of the Farm Income Stabilization Insurance ("ASRA") program;

    (ii) The continuous losses incurred since 2008 with the exception of 2015;

    (iii) The discontinuation of funding of its operations by its main supplier and sister company, Grober;

(iv) The continuous funding of large losses in the Delft Blue business; and

(v) The increase in veal prices causing less demand for product and increasing inventory levels.

12. As at the date of this Report, Ecolait continues to operate in its normal course of business under the NOI pending court approval authorizing the sale of assets pursuant to the APA.

FINANCIAL RESULTS

13. Due to the fact that there are significant intercompany transactions, consolidated financial results are presented to properly reflect the Company's actual financial performance.

14. Set out below is a summary of Ecolait's audited consolidated financial results for the last four fiscal periods (2013 to 2016) and the Company's unaudited internal financial results for the fiscal period ended September 2, 2017. In order to assess the actual financial performance, the results below were normalized to exclude the credits issued by Grober at year end.

Écolait Ltée **Normalized Consolidated Financial Results (in 000's)** **Year ended:**	**Unaudited** **2-Sep-17**	**Audited** **27-Aug-16**	**Audited** **29-Aug-15**	**Audited** **30-Aug-14**	**Audited** **31-Aug-13**
Sales					
Farming operations	$ -	$ 29,869	$ 62,045	$ 57,360	$ 54,469
Processed meat	89,336	105,596	112,660	98,987	93,187
	89,336	**135,465**	**174,705**	**156,347**	**147,657**
Normalized Cost of Sales					
Cost of Sales per Financial Statements	(85,493)	(127,642)	(161,725)	(147,736)	(138,781)
Related Party Credits (1)	-	-	(1,500)	(1,500)	(1,600)
	(85,493)	**(127,642)**	**(163,225)**	**(149,236)**	**(140,381)**
Normalized gross profit	**3,842**	**7,823**	**11,481**	**7,111**	**7,275**
Normalized gross profit %	*4.30%*	*5.78%*	*6.57%*	*4.55%*	*4.93%*
Operating expenses					
Selling expenses	(3,667)	(5,109)	(4,927)	(4,554)	(4,518)
Administrative expenses	(3,947)	(5,049)	(4,735)	(3,171)	(3,589)
Interest expenses	(1,272)	(1,397)	(1,477)	(1,424)	(1,458)
	(8,886)	**(11,555)**	**(11,139)**	**(9,149)**	**(9,565)**
Earnings and losses from subsidiary (2)	**(10,083)**	N/A	N/A	N/A	N/A
Earnings (losses) from operations	**$ (15,126)**	**$ (3,732)**	**$ 342**	**$ (2,038)**	**$ (2,290)**
Standalone Delft Blue LLC earnings (losses) from operations in CA$ converted at the yearly average rate	**$ (10,083)**	**$ (2,492)**	**$ (1,426)**	**$ 67**	**$ (288)**

(1): In order to properly assess the Company's financial results, year-end credits provided by Grober Inc. from 2013 to 2015 were removed from Écolait's cost of sales. These credits were provided by Grober Inc. to stabilize Écolait's financial situation, but Grober Inc. is no longer providing such credits to Écolait.

(2): The Company does not prepare consolidated internal statements. To ensure comparability, the earnings and losses from Ecolait's active subsidiaries were added.

15. We note the following:

    (i) The decrease in revenues is mainly attributable to changes in the business model during the fiscal year ended August 27, 2016. While operating under the previous business model, the Company would sell young calves and feed to independent farms and repurchase the calves at maturity. Now, the Company subcontracts the rearing of the calves and maintains ownership over the calves and feed throughout the rearing period. During the last 5 years, processed meat sales fluctuated between \$89 million and \$113 million;

    (ii) The normalized gross profit percentage has decreased from 6.6% in 2015 to 5.8% in 2016 and down to 4.3% in 2017. As per management, the decrease is mainly due to rising calve prices, which costs the Company was unable to pass on to customers;

    (iii) With the exception of 2015, Ecolait has incurred operating losses every year since 2008. As per management, the losses result from the contraction of the veal industry over the last 18 years and the Company's unsuccessful attempt to enter into the hog business (Delft Blue operations);

    (iv) The most significant operating loss occurred during the fiscal period ended September 2, 2017. This loss is partially attributable to the closure of the Delft Blue business and liquidation of its inventory. The poor results are also attributable to the previously explained decrease in normalized gross profit.

16. Ecolait was funding the significant Delft Blue losses and the ongoing operations resulting in an intercompany loan of approximately \$40 million. Pursuant to the liquidation of the assets, the intercompany loan was reduced to \$35 million, which Delft Blue is now unable to repay in full.

17. The above poor results, and Delft Blue's inability to fund itself, led to a significant deterioration in the Company's bank lending availability and a breach of certain covenants. In May 2017, the primary secured operating lender, the National Bank of Canada ("BNC") mandated Richter as its consultant to review the Company's financial position.

18. During the five months preceding the NOI, as consultant to the BNC, Richter performed the following:

    (i) Analyzed different scenarios with a view to maximize the value of the assets for the creditors and to maintain the ongoing activities;

    (ii) Regularly reviewed and monitored the Company's bank collateral position and cash flow projections;

    (iii) Ensured that the terms and conditions of the standstill agreement with BNC were respected in order to maintain the ongoing activities;

(iv) Monitored the Delft Blue liquidation;

(v) Was kept apprised of the ongoing negotiations with Groupe Jafaco Gestion Inc. ("Jafaco"), the affiliate of the Purchaser and signatory of the conditional offers that led to the APA;

(vi) Assisted in the calculation of the estimated purchase price based on the formulas provided in the conditional offer (dated September 1st, 2017) and the counter-offers that ultimately resulted in the formula in the offer dated September 27, 2017;

(vii) Assisted in the calculation of the estimated purchase price based on the formulas provided in the APA.

CREDITORS

19. The following is a summary of the Company's liabilities. The secured lenders account balances are as at the time of the preparation of this report and the balance of liabilities are from the creditors' listing filed with the NOI on November 2, 2017 :

Summary of Liabilities (in 000's)	
Secured Creditors	
Farm Credit Canada	$ 4,876
Laurentian Bank	550
Capital leases	171
National Bank of Canada	20,525
	26,122
Other liabilities	
Employee claims (estimated) (s. 81.3)	1,100
Ordinary unsecured creditors	2,922
	4,022
Non-arms length ordinary unsecured	
Grober Inc. (under common control)	15,637
Grober Québec Inc.	17,710
6091083 Canada Inc.	97
	33,444
Litigious claims	**TBD**
Total	**$ 63,588**

20. There are currently two litigious claims against the Company. In August 2017, a $5 million lawsuit was initiated against the Company by one of its pork suppliers. As well, there is an ongoing class action lawsuit against the Company. Management has indicated that both claims are vigorously denied by Ecolait, and neither has been proven by any Court decision to date.

SALE OF ASSETS AND URGENCY TO COMPLETE SALE

21. A representative of the main shareholder indicated that in late 2016, the Company was approached by its major competitor, Delimax Veaux Lourds Ltée ("Delimax") a subsidiary of Jafaco, to purchase the assets of the Company. Jafaco and Delimax are related to the Purchaser.

22. As noted above, since 2008, Ecolait has suffered significant losses and its financial position has continuously deteriorated. As a result of the continuing losses and financial pressure, management decided to start negotiations with Delimax with a view to sell the Company as a going concern. The parties entered into a non-disclosure agreement and certain information was provided. A letter of intent was entered into on May 23, 2017.

23. Pursuant to the signing of the letter of intent, Delimax and the Company exchanged additional information and continued to explore this business opportunity.

24. Negotiations continued throughout the summer of 2017 between Delimax and the Company, which resulted in a conditional offer, subject to a due diligence period, being accepted on September 27, 2017.

25. After completing its due diligence, the Purchaser waived its conditions and the Company recently concluded an APA with the Purchaser subject to court approval.

26. Management of the Company and representative of the shareholder indicated that there would be no benefit to endure any further sales process for the following reasons:

    (i) Given that the sales process would take significant time to complete, the Company's financial position would continue to deteriorate and consequently the creditors' return would worsen;

    (ii) A sales process would be quite costly and since the Company does not have sufficient working capital to finance the process it would require interim financing. The Company is already in breach of certain of its covenants with its principal secured creditor;

    (iii) The farmers dealing with Ecolait may have concerns about the Company's viability and not take on additional livestock for fear of not being paid. This could jeopardize the going concern and consequently the value of the business;

    (iv) Ecolait's relationship with customers could deteriorate due to lack of financing during the sale process which could inhibit the Company's ability to produce on a timely basis causing delays in deliveries;

(v) Due to existing industry regulations, the size of the transaction and the lack of other potential interested parties due to the contracting of the industry, the best party in position to make an offer to Ecolait is its main competitor Delimax;

(vi) Delimax's knowledge of the industry and the operations of Ecolait assisted in expediting the close of the deal which was paramount due to the financial position of the Company;

(vii) The pending sale of Ecolait to Delimax has been recently reported in the media (October 16, 2017). Since this transaction has been made public, management indicated that no party has contacted the Company to show interest to purchase or enquire about a business opportunity; and

(viii) Management has identified only three Canadian competitors in the veal business and all appear to be significantly smaller and none of the companies both produce and slaughter calves.

27. As previously discussed, Ecolait's continuing losses and the funding of Delft Blue operations created financial difficulties. Without Grober or any other third party supporting the Company, Ecolait simply does not have access to the liquidity to fund the operations or maintain its business and assets past the contemplated closing date. Management has indicated that Grober no longer has the means or willingness to provide such support, and that no other third party (including any existing creditor) is willing to do so.

28. On November 10, 2017, Ecolait filed with the Official Receiver a Statement of Projected Cash Flow ("Projections"). These Projections show the potential deterioration that could result from any additional delays in closing. As illustrated in **Exhibit B**, the Projections indicate a deterioration of approximately $0.8 million for the 30-day period ending December 2, 2017. Upon closing of the Transaction, all activities will cease and thereby prevent any further deterioration.

29. Due to the continued losses, financial difficulties and the uncertainty of the Company's future in the last 6 months, approximately 20 full time employees have left the Company.

30. As indicated above, the potential sale transaction has been publicly announced and management said that is has created uncertainty amongst the farmers. Further key personnel departures and a deterioration of the relations with farmers could impair Ecolait's going concern and its value and worsen the return for the creditors.

31. Management indicated that the Purchaser has been insisting for the closing to take place on November 17, 2017, given the deterioration of the business and increased uncertainty as time passes. Any delays in closing may put the Transaction and Ecolait's continued operations at risk. The outside date under the APA is November 24, 2017.

THE TRANSACTION

32. Subject to the precise terms of the APA, certain key elements of the Transaction are as follows:

Purchased Assets

33. The Purchaser is acquiring, as a going concern:

(i) Substantially all of Ecolait's business and assets related to its Company's integrated veal operations, which include the following:

Long-Term Assets:

- Ecolait - Machinery and equipment, the slaughterhouse located in Terrebonne, Québec and 6 farms;
- 6091083 Canada Inc. - a farm located in l'Avenir, Québec.

Short-Term Assets:

- Accounts receivable relating to the business (i.e. ordinary trade claims owed to Ecolait);
- Livestock;
- Meat inventory (fresh and frozen);
- Other inventory.

(ii) Employment contracts with key employees (and Purchaser is assuming the collective agreement and all employees other than a few top-level management);

(iii) Other material contracts related to the Company's operations;

(iv) All intellectual property, including goodwill, trademarks, etc. (other than the Delft Blue and Delft Blue Foods trademarks, which are being licensed to Purchaser by their owner to facilitate the sale).

34. The excluded assets from the APA include:

(i) Delft Blue Foods and Delft Blue trademarks (which are not owned by Ecolait but rather Grober-related parties);

(ii) An immovable property located at 7400 Duplessis, Saint-Hyacinthe, Québec., owned by the subsidiary, 6091083 Canada Inc.;

(iii) Any assets that are not specifically included in the Purchased Assets, including without limitation any cash on hand of the Company at closing and accounts receivable not included in the purchased accounts receivable (e.g. accounts receivable from governmental authorities, inter-company accounts receivable and accounts receivable which have been outstanding for more than 90 days).

Estimated Selling Price

35. The purchase price for the Transaction is represented as follows:

(a) Long-Term Assets: an amount of $6.4 million (Ecolait) and $0.4 million (6091083 Canada Inc.);

(b) Short-Term Assets: an amount estimated at $24.5 million based on a detailed calculation for the accounts receivable, livestock, meat inventory (fresh and frozen) and other inventory.

36. A preliminary estimation of the purchase price provided by the APA was prepared using the Company's most recent financial information. As illustrated in **Exhibit C**, the purchase price is estimated at $31.3 million before consideration of the post-closing adjustments that could occur and assuming the complete release of the various escrow amounts. The preliminary evaluation could change significantly since it is based on an estimated purchase price. The inventory is subject to a physical count and there will be post-closing adjustments. The Transaction provides for the creation of an escrow account, to be funded with $2.5 million of the purchase price (i.e., less than 10%) in order to provide some meaningful recourse to the Purchaser in the event that the representations and warranties by Ecolait in the APA prove to be wrong on any material respect, and because Ecolait is insolvent so recourse to it directly post-closing would be suboptimal. The escrow amount of $2.5 million will be released only after certain conditions are met. As with any sale of assets for a price established in the ordinary course, the post-closing adjustments and escrow amounts might reduce the actual purchase price, up to the amount in escrow.

Waterfall Analysis

37. A waterfall analysis is presented in **Exhibit D**. This analysis has been prepared to illustrate the projected cash receipts and distributions resulting from the Transaction using the estimated purchase price and secured creditors' balances as at November 9, 2017. Based on the preliminary estimation of the purchase price:

(i) All amounts due to or for employees for priority payable claims (i.e., salary, vacation and remittances of deductions at source) will be either paid pre-closing or be assumed by the Purchaser and payable by it to such employees;

(ii) All secured creditors would be repaid in full during the initial week following the closing of the Transaction subject to post-closing adjustments and the release of the escrow amount.

(iii) Subject to post-closing adjustments and the release of the escrow amount, funds of approximately $3.9 million would remain for unsecured creditors. It is estimated that approximately $1.4 million would be available to unsecured creditors shortly following the closing of the Transaction, and up to another $0.5 million within six (6) months, and further funds would become available over time upon release of the various escrow amounts. Should there be a downward purchase price adjustment and / or a holdback from the escrow amount, the resulting effect would be a reduction in the purchase price thereby affecting the ultimate amount available and timing of distribution.

38. In addition there are potential amounts recoverable from the excluded assets, including but not limited to, a building in Saint-Hyacinthe, Québec, owned by 6091083 Canada Inc., accounts receivable not being purchased by the Purchaser (e.g. accounts receivable from governmental authorities, inter-company accounts receivable and accounts receivable which have been outstanding for more than 90 days) and remaining recoveries resulting from the liquidation of Delft Blue.

<u>Other</u>

39. The Transaction is conditional on a number of factors, including:

(i) the Court granting the Approval and Vesting Order;

(ii) the entering into non-competition undertakings by Grober and its owners and the conclusion of a 2-year supply agreement between Delimax and Grober (the Company's sister corporation).

ALTERNATIVE TO THE TRANSACTION

40. Given Ecolait's financial situation, liquidity constraints and market conditions as explained by management, it appears that the only alternative to this Transaction would be liquidation.

41. The most important asset the Company currently has is the live calves. Management indicated that it would be difficult to sell live calves prior to their maturation and any market that would exist would give a fraction of the amount provided for in the APA. As per management, aside from a going concern sale, the only manner in which the calves can achieve a full value is at the maturation of the animals. This would require financing and support from the farmers which may or may not be available and could be costly. Given the nature of this business, it is likely that the liquidation of Ecolait would have a significant adverse effect on the realization of its assets.

42. Furthermore, in a liquidation scenario, the building in Terrebonne, Québec would have to be maintained resulting in significant conservatory costs for an undefined period of time. This expense would not be incurred under the current Transaction as the Purchaser assumes the business right after closing.

43. Accordingly, it is in the Trustee's view that the net realization under a liquidation scenario would be less than that of the Transaction.

CONCLUSIONS AND RECOMMENDATION

44. As a result of all of the foregoing, the Trustee is of the view that the Transaction satisfies the factors to be considered, pursuant to Section 65.13(4) of the BIA. In particular, the Trustee is of the view that:

    (i) Taking into consideration the nature of the business and the existing industry regulations and the difficulty in entering the Quebec/Canadian market and the limited number of competitors due to the contracting of the industry, the only real alternative to the Company is the sale as a going concern to its main competitor, Delimax. Consequently, the process leading to the Transaction was reasonable in the circumstances;

    (ii) The likely alternative to the Transaction would result in the cessation of the activities, resulting in a complicated liquidation. Consequently, the Transaction would generate a greater realization and be more beneficial to the creditors than a liquidation;

    (iii) Ecolait's secured creditors, BNC, the Farm Credit Canada and the Laurentian Bank, received notice and were consulted in connection with the Transaction and have consented to the Transaction;

    (iv) The previously mentioned creditors with the pending class action litigation and the supplier with the $5 million lawsuit were provided notice of the Debtor's motion and court hearing and therefore have been advised of the Transaction;

    (v) Grober, the Company's sister corporation, is owed over $15.5 million relating to milk powder supplied to Ecolait and is in agreement with the Transaction, notwithstanding that the amount owing to them will not be repaid in full;

    (vi) Assuming the release of the escrow amount and no material post-closing adjustments, the final selling price for the Transaction, as well as the realization emanating from the excluded assets should provide sufficient funds to repay the secured lenders in full and for the Company to be in a position to carry through on its current intention to make a Proposal to its unsecured creditors;

    (vii) The Transaction will permit the business to continue as a going concern which will conserve hundreds of jobs and maintain the trade of goods and services which is vital to this industry in Québec;

(viii) Time is of the essence as BNC has indicated that it will no longer support further deterioration of its position. The purchaser has completed its due diligence and is prepared to close the transaction;

(ix) The consideration to be received for the assets in this Transaction is reasonable and fair in these circumstances;

(x) There is no funding to further market Ecolait's business and assets and according to management there is no reasonable expectation that there are any available market participants to buy same as a going concern and close within a short period. Also, in the Trustee's view, due to the above noted financial constraints and other business risks, any delays caused by further marketing of Ecolait's business and assets would put at risk the going concern of the business and the possibility to conclude the Transaction.

45. As a result of all of the foregoing, it is the Trustee's view that the Transaction is preferable to the likely alternative of liquidation and, as such, respectfully recommends that this Court issue the Approval and Vesting Order.

All of which is respectfully submitted on this 14th day of November 2017.

Richter Advisory Group Inc.
in its capacity as Trustee of
Écolait Ltée

Benoit Gingues, CPA, CA, CIRP, LIT

Exhibit A

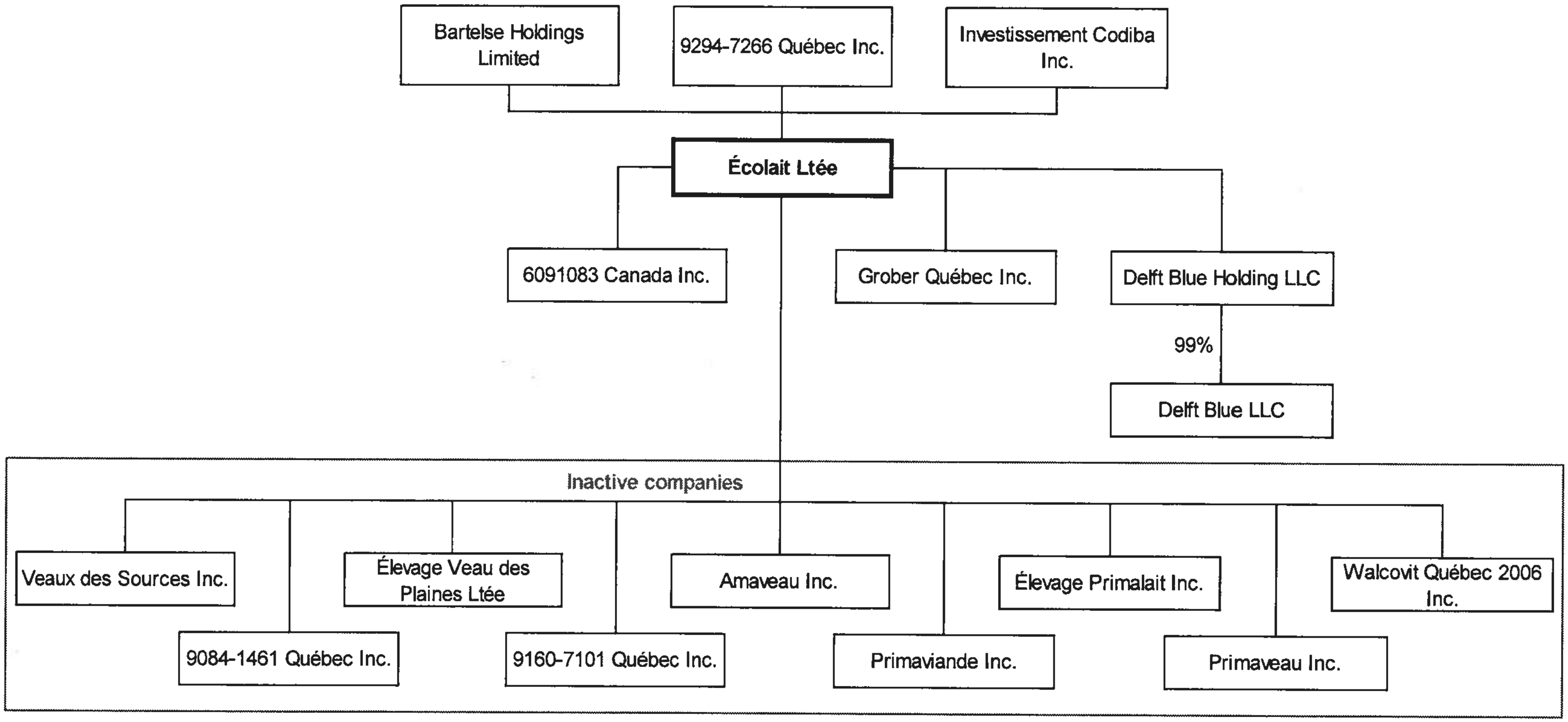
Bartelse Holdings Limited
9294-7266 Québec Inc.
Investissement Codiba Inc.
Écolait Ltée
6091083 Canada Inc.
Grober Québec Inc.
Delft Blue Holding LLC
99%
Delft Blue LLC
Inactive companies
Veaux des Sources Inc.
Élevage Veau des Plaines Ltée
Amaveau Inc.
Élevage Primalait Inc.
Walcovit Québec 2006 Inc.
9084-1461 Québec Inc.
9160-7101 Québec Inc.
Primaviande Inc.
Primaveau Inc.

Exhibit B

Forms 29, 30 and Statement of Projected Cash Flow

District of: Quebec
Division No.: 01-Saint-Hyacinthe
Court No.: 750-11-004395-171
Estate No.: 41-2310995

- 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
Écolait Ltée
Of the city of Saint-Hyacinthe
In the Province of Québec

The management of Écolait Ltée has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 10th day of November 2017, consisting of the period from November 3 to December 2, 2017.

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

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

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

Dated at the City of Montréal in the Province of Québec, this 10th day of November 2017.

Écolait Ltée
Debtor

Carmine De Somma, President

District of: Quebec
Division No.: 01-Saint-Hyacinthe
Court No.: 750-11-004395-171
Estate No.: 41-2310995

- 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
Écolait Ltée
Of the city of Saint-Hyacinthe
In the Province of Québec

Purpose:

Écolait Ltée filed a Notice of Intention to Make a Proposal on November 2, 2017. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Écolait Ltée (the "Company"), for the period November 3 to December 2, 2017, relating to the filing of a Notice of Intention to Make a Proposal on November 2, 2017.
This Statement of Projected Cash Flow has been prepared by management on November 10, 2017 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 November 3 to December 2, 2017, 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 the collection experience of the Company.

(b) Projected Cash Disbursements
The projected purchase deposits are based on most recent arrangements made with certain suppliers and management's estimate;
The payroll is based upon management's estimate and current headcount;
The other projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;
The interest is based on current loan balances and interest rates;
The professional fees are related to the current restructuring and are based on management's estimate;
The current government remittances for source deductions are included in the disbursement assumptions.
The cash disbursements do not provide for the payment of arrears to unsecured creditors.

(c) General
The Statement of Projected Cash Flow assumes the continued support of the operating lender, noting that there is no undertaking of the operating lender in this respect.
Upon closing of the contemplated sale of assets, all operating activities will cease.

Dated at the City of Montréal in the Province of Québec, this 10th day of November 2017.

Écolait Ltée
Debtor

Carmine De Somma, President

District of: Québec
Division No.: 01-Saint-Hyacinthe
Court No.: 750-11-004395-171
Estate No.: 41-2310995

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
Écolait Ltée
Of the city of Saint-Hyacinthe
In the Province of Québec

Purpose:

Écolait Ltée filed a Notice of Intention to Make a Proposal on November 2, 2017. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Écolait Ltée (the "Company"), for the period November 3 to December 2, 2017, relating to the filing of a Notice of Intention to Make a Proposal on November 2, 2017.

This Statement of Projected Cash Flow has been prepared by management on November 10, 2017, 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 November 3 to December 2, 2017, 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 the collection experience of the Company.

(b) Projected Cash Disbursements

The projected purchase deposits are based on most recent arrangements made with certain suppliers and management's estimate;

The payroll is based upon management's estimate and current headcount levels;

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

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

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

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

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

(c) General

The Statement of Projected Cash Flow assumes the continued support of the operating lender, noting that there is no undertaking of the operating lender in this respect.

Upon closing of the contemplated sale of assets, all operating activities will cease.

Dated at the City of Montréal in the Province of Quebec, this 10th day of November 2017.

Richter Advisory Group Inc. - Trustee
Per:

Andrew Adessky, CPA, CA, MBA, CIRP, LIT
1981 McGill College, 12th Floor
Montréal QC H3A 0G6
Phone: (514) 934-3513

District of: Québec
Division No.: 01-Saint-Hyacinthe
Court No.: 750-11-004395-171
Estate No.: 41-2310995

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
Écolait Ltée
Of the city of Saint-Hyacinthe
In the Province of Québec

The attached statement of projected cash flow of Écolait Ltée, as of the 10th day of November 2017, consisting of the period from November 3 to December 2, 2017, 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 10th day November 2017.

Richter Advisory Group Inc. - Trustee
Per:

Andrew Adessky, CPA, CA, MBA, CIRP, LIT
1981 McGill College, 12th Floor
Montréal QC H3A 0G6
Phone: (514) 934-3513

Écolait Ltée
Statement of Projected Cash Flow
Week ending
(In CAD)

	11/04/2018	11/11/2018	11/18/2018	11/25/2018	12/02/2018	Total
	(2 days)	*(7 days)*	*(7 days)*	*(7 days)*	*(7 days)*	*(30 days)*
Cash Receipts	$ 155,740	$ 1,650,000	$ 1,650,000	$ 1,650,000	$ 1,650,000	$ 6,755,740
Cash Disbursements						
Terrebonne						
Calves at maturity (Grain-fed)	-	274,775	349,700	349,700	349,700	1,323,875
Deposit for calves	-	75,000	-	-	-	75,000
Veal	-	10,000	10,000	10,000	10,000	40,000
Payroll	-	185,000	185,000	185,000	185,000	740,000
Operations	-	45,000	153,000	65,000	203,000	466,000
General and administrative	2,599	15,000	100,000	15,000	110,000	242,599
	2,599	604,775	797,700	624,700	857,700	2,887,474
Saint-Hyacinthe						
Calves for rearing	-	119,000	263,500	263,500	263,500	909,500
Deposit for calves	-	75,000	-	-	-	75,000
Milk powder & Medication	-	540,000	540,000	540,000	540,000	2,160,000
Producers	-	90,000	90,000	230,000	90,000	500,000
Payroll	-	55,000	55,000	55,000	55,000	220,000
Other	7,647	90,000	90,000	90,000	90,000	367,647
	7,647	969,000	1,038,500	1,178,500	1,038,500	4,232,147
Interest	-	-	-	85,000	-	85,000
Professional fees	-	125,000	100,000	85,000	65,000	375,000
	10,246	1,698,775	1,936,200	1,973,200	1,961,200	7,579,621
Net Cashflow	$ 145,494	$ (48,775)	$ (286,200)	$ (323,200)	$ (311,200)	$ (823,881)

Carmine De Somma, President

Exhibit C

Écolait Ltée Calculation of the Purchase Price	Note	Estimated Purchase Price
Short Term Assets		
Accounts Receivable	1	**$ 5,918,400**
Inventory		
Livestock		
Milk-Fed	2	10,637,586
Grain-Fed (finishing)	3	516,398
Grain-Fed (start-up)	4	153,898
Deemed Margin Amount		1,500,000
		12,807,882
Meat		
Fresh	5	1,192,431
Frozen	5	3,720,345
		4,912,776
Milk Powder and Other Inventory	6	891,983
Sub-total Inventory		**18,612,641**
Short Term Assets		**24,531,041**
Long Term Assets		**6,785,000**
Total		**$31,316,041**

(1): Estimate is based on AR listings as at October 29, 2017.
(2): Estimate is based on the listing as at September 30, 2017.
(3): Estimate is based on the listing as at October 19, 2017.
(4): Estimate is based on the listing as at October 19, 2017.
(5): Estimate is based on the listing as at October 28, 2017.
(6): Milk powder inventory is based on the listing as at October 27, 2017. Other inventory is based on the listings as at September 30, 2017.

Exhibit D - Amended

11/15/2017

Écolait Ltée Estimated Distribution from Transaction and Waterfall Analysis	Closing week	6 months	2 years	Total
Écolait Ltd (Long Term Assets)				
Distributions from the transaction				
Purchase Price - Long Term Assets	$ 6,785,000	$ -	$ -	$ 6,785,000
Closing Escrow Amount - Long Term	(2,000,000)	-	2,000,000	-
Purchase Price - 6091083 Canada Inc.'s Assets	(370,000)	-	-	(370,000)
	4,415,000	**-**	**2,000,000**	**6,415,000**
Distribution by Écolait Ltd. to the secured creditors				
To Farm Credit Canada	(2,203,000)	-	-	(2,203,000)
To Laurentian Bank of Canada	(550,357)	-	-	(550,357)
To National Bank of Canada	(633,710)	-	-	(633,710)
	(3,387,067)	**-**	**-**	**(3,387,067)**
Funds remaining for unsecured creditors	**$ 1,027,933**	**$ -**	**$ 2,000,000**	**$ 3,027,933**
Écolait Ltd (Short Term Assets)				
Distributions from the transaction				
Purchase Price - Short Term Assets	$ 24,531,041	$ -	$ -	$ 24,531,041
Amount Payable to Employees	(1,100,000)	-	-	(1,100,000)
Amount Payable to Terminated Employees	TBD			TBD
Short Term	(500,000)	500,000	-	-
	22,931,041	500,000	-	23,431,041
Upward Adjustment	TBD	-	-	TBD
Downward Adjustment	TBD	-	-	TBD
	TBD	-	-	TBD
	22,931,041	**500,000**	**-**	**23,431,041**
Distribution by Écolait Ltd. to the secured creditors				
To National Bank of Canada	(19,891,034)	-	-	(19,891,034)
To Farm Credit Canada	(2,672,555)	-	-	(2,672,555)
	(22,563,589)	**-**	**-**	**(22,563,589)**
Funds remaining for unsecured creditors	**$ 367,452**	**$ 500,000**	**$ -**	**$ 867,452**
Secured creditors Roll Forward				
Farm Credit Canada (excludes loan to 6091083 Canada Inc.)				
Balance owing	$ (4,875,555)	$ -	$ -	$ (4,875,555)
Distribution by Écolait Ltd. - Long Term	2,203,000	-	-	2,203,000
Distribution by Écolait Ltd. - Short Term	2,672,555	-	-	2,672,555
	-	**-**	**-**	**-**
Laurentian Bank of Canada				
Balance owing	(550,357)	-	-	(550,357)
Distribution by Écolait Ltd. - Long Term	550,357	-	-	550,357
	-	**-**	**-**	**-**
National Bank of Canada				
Line of credit	(14,130,696)	-	-	(14,130,696)
Term loans	(633,710)	-	-	(633,710)
Balance owing as guarantor of its subsidiaries	(5,760,338)	-	-	(5,760,338)
Distribution by Écolait Ltd. - Long Term	633,710	-	-	633,710
Distribution by Écolait Ltd. - Short Term	19,891,034	-	-	19,891,034
	-	**-**	**-**	**-**
Capital leases				
Balance owing	(182,101)	-	-	(182,101)
Return of the assets - Right off of the balance	182,101	-	-	182,101
	-	**-**	**-**	**-**
Remaining Secured Debt	**$ -**	**$ -**	**$ -**	**$ -**
Funds remaining for unsecured creditors				
From Long Term	$ 1,027,933	$ -	$ 2,000,000	$ 3,027,933
From Short Term	367,452	500,000	-	867,452
	$ 1,395,385	**$ 500,000**	**$ 2,000,000**	**$ 3,895,385**
Cumulative funds remaining for unsecured creditors	**$ 1,395,385**	**$ 1,895,385**	**$ 3,895,385**	**$ 3,895,385**