

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
NO.: 500-11-051309-165
ESTATE NO.: 41- 2167491

SUPERIOR COURT
(Commercial Division)

(Bankruptcy and Insolvency Act,
R.S.C. 1985, c. B-3)

IN THE MATTER OF THE BANKRUPTCY OF:

LE BARON OUTDOOR PRODUCTS LTD./
LE BARON PRODUITS DE PLEIN AIR LTÉE., a
corporation having its registered office at 8601
Boulevard St. Laurent, Montreal, Québec H2P 2M9;
Bankrupt

-and-

RICHTER ADVISORY GROUP INC./RICHTER
GROUPE CONSEIL INC., in its capacity as trustee to
the Notices of Intention, having a place of business at
1981 McGill College, Montreal, Québec H3A 0G6;

Trustee

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On September 19, 2016, Le Baron Outdoor Products Ltd. (the "Bankrupt"), filed a Notice of Intention to make a Proposal ("NOI") in accordance with the *Bankruptcy and Insolvency Act* ("BIA") of Canada. Two extensions of the delay to make a proposal were granted by the Court. The first, dated October 19, 2016, extended the delay to December 2, 2016. The second, dated December 1, 2016, extended the delay to January 16, 2017. The Bankrupt failed to file a proposal within the statutory period following the filing of the NOI or within any of the two Court-granted extensions and was therefore deemed to have made an assignment of its assets pursuant to the provisions of the BIA.

Consequently, on January 17, 2017, Richter Advisory Group Inc. was named trustee of the estate of the Bankrupt by the Official Receiver, subject to confirmation by the creditors at the first meeting of creditors.

The purpose of this report is to inform all interested parties about our preliminary administration and our findings.

The information contained in this report has been prepared from the available books and records of the Bankrupt. The books and records have not been audited or verified by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the accuracy or the reliability of the information contained in this report.

I. INTRODUCTION

The Bankrupt was a camping, hunting, fishing and outdoor equipment retailer, operating three stores in the Province of Ontario and one store in the Province of Quebec.

As a result of the increasing competition from large national and international retailers, the Bankrupt's sales decreased by approximately \$3.9 million, from \$23.6 million in fiscal 2014 to \$19.7 million in fiscal 2015. The Bankrupt reported net losses before income taxes totaling approximately \$1.1 million in the last

two fiscal periods ended November 30, 2015 and defaulted on its lending facilities. These financial difficulties resulted in significant cash flow deficiencies and its ultimate bankruptcy.

II. EVENTS POST-FILING OF THE NOTICE OF INTENTION

Le Baron Outdoor Products (Dundas) Inc., Le Baron Outdoor Products (Mississauga) Ltd. and Le Baron Outdoor Products (Toronto) Inc. (collectively the “Store Companies”) each acted as a tenant pursuant to one (1) of the three (3) Ontario stores’ leases.

Following the filing of the NOI, the Bankrupt immediately:

- Developed a plan to monetize the inventory and other assets to pay for ongoing operating expenses;
- Mandated the Trustee to administer and oversee a comprehensive solicitation process to seek potential purchasers to acquire some or all of their assets.

With respect to the monetization of the inventory, the Bankrupt entered, on September 21, 2016, into an agreement with Continental Capital Investments Inc. (the “Advisor”) to assist in this process with the view of maximizing value at the store level.

Shortly thereafter and to further facilitate this monetization process, the Advisor purchased the entire bank debt (the “First Ranking Secured Debt”) and related first ranking hypothecs and security interests on the Bankrupt’s inventory and other assets from the Bank of Nova Scotia, for a total amount of \$2,178,154.78.

The cash generated from the sale of inventory in the stores was used to pay operating/liquidating expenses, fully repay the First Ranking Secured Debt and then reduce the debt owing to R.S. Baron Investments Inc., which held second ranking security on all the assets of the Bankrupt (the “Second Ranking Secured Debt”).

Concurrently with the monetization efforts, the Trustee initiated the solicitation process to seek potential purchasers to acquire all or part of the business assets. Over 100 potential purchasers, which included competitors and liquidators, were contacted. Seven (7) parties were given access to a virtual data room containing historical financial data and other relevant documents, following the execution of a confidentiality and non-disclosure agreement. Only one (1) offer was received from this process, which was deemed unacceptable and not commercially viable. The offer was therefore rejected.

III. STATEMENT OF AFFAIRS

In accordance with the BIA, a Statement of Affairs showing the Bankrupt’s assets and liabilities as at the date of bankruptcy was prepared from the information supplied and pursuant to the sworn declaration of Steven Baron, president of the Bankrupt.

a) Assets

As at the date of bankruptcy, the Bankrupt had sold all of its assets through the monetization process as described above.

b) Liabilities

It is important to note that the exact amount of the Bankrupt's liabilities as at January 17, 2017, will only be determined once all proofs of claim have been submitted by the creditors and have been compiled and analyzed by the Trustee. Nonetheless, the following is a summary of the Bankrupt's liabilities based upon preliminary information:

Le Baron Outdoor Products Inc. Liabilities based upon preliminary information As at January 17, 2017 (In thousands)	
Secured creditor	\$ 2,267
Preferred creditors	-
Unsecured creditors	2,918
Total	\$ 5,185

Secured Creditors

The Trustee retained independent counsel, in Montreal (Stein & Stein Inc.) and in Toronto (Aird & Berlis LLP), to provide an opinion as to the validity of the hypothecs and security interests held by the two secured creditors. The Trustee received legal opinions from each of these firms confirming the validity and enforceability of the security covering the First Ranking Secured Debt and the Second Ranking Secured Debt.

The First Ranking Secured Debt has now been fully repaid and an amount of \$2.3M due on the Second Ranking Secured Debt still remains outstanding.

Preferred Creditors

According to the Statement of Affairs, there are no known preferred creditors. The Trustee is not aware of any amounts owing to any government authorities which would be considered a priority. Notice has been sent to all employees and other possible preferred creditors and the ultimate amount of this category of claims will only be subsequently determined once any proofs of claims are received.

Unsecured Creditors

According to the Statement of Affairs, unsecured ordinary creditors total approximately \$2,918K. However, as of the date of this Report, the Trustee has not received sufficient proofs of claim to assess the actual amount owed to the ordinary unsecured creditors.

IV. SUMMARY OF THE PRELIMINARY ADMINISTRATION OF THE TRUSTEE

a) Books and Records, Security and Protective Measures

As at January 17, 2017, the Trustee took possession of the Bankrupt's books and records. The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

b) Reviewable Transactions and Preferential Payments

The Trustee will perform a review of the payments to creditors preceding the date of the bankruptcy which may be reviewable, preferential or undervalued, as defined within the meaning of the BIA. The Trustee, upon completion of the review, will discuss any relevant findings with the Inspectors to be appointed at the first meeting of the creditors.

V. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

As previously mentioned, all assets of the Bankrupt have now been sold and all proceeds of realization were used to fund operations during the NOI period, to cover the costs relating to the bankruptcy administration, fully repay the First Ranking Secured Debt and reduce the Second Ranking Secured Debt. Accordingly, it is anticipated that no dividends will be available to the preferred (if any) and/or unsecured creditors.

DATED AT MONTRÉAL, this 3rd day of February 2017.

Richter Advisory Group Inc.
Trustee



Raymond Massi, CPA, CA, CIRP, LIT
Administrator of the Bankruptcy