

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL
COURT NO.: 500-11-062362-237

SUPERIOR COURT
Companies' Creditors Arrangements Act (R.S.C. 1985, c. C-36), as amended

**IN THE MATTER OF THE
ARRANGEMENT OR
COMPROMISE OF:**

ÉBÉNISTERIE ST-URBAIN LTÉE.

Duly constituted corporation having a place of business at 226 Main Street, in the municipality of Saint-Louis-de-Gonzague, province of Quebec, J0S 1T0;

WOODLORE INTERNATIONAL INC.

Duly constituted corporation having a place of business at 160 Delta Park Blvd., in the city of Brampton, province of Ontario, L6T 5T6;

- AND -

RAYMOND CHABOT INC.,

Duly constituted corporation having a place of business at 600 De La Gauchetière Street West, Suite 2000, in the City of Montréal, province of Québec H3B 4L8;

**AMENDED MONITOR'S REPORT ON THE STATE
OF THE DEBTOR COMPANIES' BUSINESS AND FINANCIAL AFFAIRS**

**TO THE HONOURABLE KAREN ROGERS, J.S.C., OR THE HONOURABLE JUDGES OF
THE SUPERIOR COURT SITTING IN THE COMMERCIAL COURT, IN AND FOR THE
DISTRICT OF MONTRÉAL:**

In connection with the filing of an application to, among others, extend the findings of the Initial Order under the *Companies' Creditors Arrangement Act* ("CCAA"), we hereby respectfully submit our second report on the state of business and financial affairs of the Debtor Companies.

Signed in Montréal, this 23rd day of May 2023.

RAYMOND CHABOT INC.

Monitor

Dominic Deslandes, CPA, CIRP, LIT

INTRODUCTION

- 1.1. On May 12, 2023, following the request to issue an initial order (the “**Initial Order**”) under the CCAA, submitted by Ébénisterie St-Urbain ltée (“**EBSU**”) and Woodlore International inc. (“**Woodlore**”) (collectively the “**Debtor Companies**”), the Superior Court of Quebec (the “**Court**”) issued an initial order (the “**Initial Order**”) stating that the Debtor Companies are debtor companies within the meaning of the CCAA, ordering a stay of proceedings against the Debtor Companies, appointing Raymond Chabot Inc. as monitor (“**RCI**” or the “**Monitor**”) and granting various other relief.
- 1.2. On May 18, 2023, an extension and rectification order was issued so that the Stay of Proceedings and the Initial Order be extended up to and including May 24, 2023.
- 1.3. The Court has scheduled a hearing for May 24, 2023 to hear an application by the Debtor Companies entitled Motion Regarding an Amended and Restated Initial Order dated May 19, 2023 (hereinafter, the “**Second Application**”), which seeks, among other things, to renew the findings of the Initial Order, extend the stay of proceedings up to and including June 3, 2023, approve a retention program for key employees and a charge associated therewith, increase the amount of the Administration Charge, approve a charge in favour of key suppliers and make various orders to enable the Debtor Companies to proceed with their restructuring. .
- 1.4. The purpose of this report (the “**Report**”) is to provide the Court with information pertaining to the Second Application. The Report was prepared using information made available to the Monitor as of the date thereof and discusses the following:
 - Actions taken by the Monitor since being appointed (Section 2);
 - Comparison of actual and forecast cash flows (Section 3);
 - Forecast of changes in cash flows (Section 4);
 - Temporary financing ~~procedure~~ (Section 5);
 - Priority charges (Section 6);
 - Recovery plan (Section 7);
 - Sale of surplus assets (Section 8);
 - Key employee retention program (Section 9);
 - Suppliers’ charge (Section 10);
 - Extension of Stay of Proceedings period (Section 11);
 - Conclusion and recommendations (Section 12).
- 1.5. On May 11, 2023, the Debtor Companies notified the parties who were then on the distribution list of a first report pertaining to the Initial Order that had been prepared by RCI as Proposed Monitor (the “**Proposed Monitor’s Report**”). This Report must be read in conjunction with the latter and capitalized terms that are not defined in this Report are defined as in the Proposed Monitor’s Report

2. ACTIONS TAKEN BY THE MONITOR SINCE BEING APPOINTED**Statutory and administrative tasks:**

- 2.1. In accordance with the provisions of the Initial Order, the Monitor has:
 - 2.1.1. Published on its website the Initial Order as well as the list of creditors of the Debtor Companies;
 - 2.1.2. Requested the publication of a notice in the La Presse+ and the Globe & Mail newspapers. Publication is planned for the May 24 and 31, 2023 and May 22 and 29, 2023 editions, respectively.
- 2.2. On May 19, 2023, the Notice to creditors of the Initial Order was sent to each creditor declared by the Debtor Companies.

Oversight of receipts and disbursements:

- 2.3. Since their appointment, the Monitor has exercised oversight over the Debtor Companies' receipts and disbursements.
- 2.4. The analysis of cash flows for the one-week period ending May 13, 2023 is presented in Section 3 of this report.

Communications with the management of the Debtor Companies, the Information officer, creditors and clients:

- 2.5. On May 15, 2023, the Monitor met with the management of EBSU at their office to discuss the following:
 - 2.5.1. Restructuring process under the CCAA;
 - 2.5.2. Cash position;
 - 2.5.3. Human resources position; and
 - 2.5.4. Very short-term action plan.
- 2.6. On May 17, 2023, the Monitor met with the representatives of EY-Parthenon, acting as Information agent, in order to answer some of their questions and send them a first series of required documents.
- 2.7. On May 18, 2023, the Monitor met with the management of Woodlore at their office.
- 2.8. On May 18, 2023, the Monitor met with the Debtor Companies' procurement managers to explain the implications of the restructuring process under the CCAA and to answer their questions.
- 2.9. Since being appointed, the Monitor has had daily calls with the management of the Debtor Companies and their legal counsels.
- 2.10. Since being appointed, the Monitor has also had communications with the creditors and certain clients of the Debtor Companies.

EBSU AND WOODLORE

Monitor's Report on the Statement of Business and Financial Affairs of the Debtor Companies

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3. COMPARISON OF ACTUAL AND FORECAST CASH FLOWS

- 3.1. Since the Initial Order was issued, the Monitor has exercised oversight over the business and financial affairs of the Debtor Companies.
- 3.2. The following table sets out the actual changes in cash flows versus projected for the one-week period ending May 13, 2023 (Pre-Initial Order):

Woodlore & EBSU - Combined

For the one week period ended May 13, 2023

(In C\$ - unaudited)	Week ended May 13, 2023		
	Actual	Budget	Difference
Receipts			
Sales	433	574	(142)
DIP financing	-	-	-
GST/QST refund	-	-	-
	433	574	(142)
Disbursements			
Operating expenses	(345)	(187)	(159)
Professional fees - Restructuring	(62)	(60)	(2)
Salaries	(100)	(267)	167
Financial expenses	(76)	(26)	(50)
	(583)	(539)	(44)
Increase (decrease) in cash	(150)	35	(186)
Bank advances, beginning	(12 648)	(13 000)	352
Bank advances, ending	(12 798)	(12 965)	166

- 3.3. To summarize:
 - 3.3.1. The unfavourable variance in cash receipts is temporary and will be reduced over the coming weeks;
 - 3.3.2. The unfavourable variance in operating expenses and financial expenses was mainly due to a timing difference in the payment of fees to EDC in respect of loss guarantees on certain HSBC Bank of Canada loans and HSBC Bank of Canada's interest expenses. These disbursements were planned for a subsequent period;
 - 3.3.3. The favourable variation for the salaries is temporary. The May 12, 2023 amount had not been withdrawn from the Debtor Companies' bank account as of May 13, 2023. This situation has since then been corrected.

4. FORECAST FOR CHANGES IN CASH FLOWS

- 4.1. Forecasts for changes in cash flows for the ~~3-week~~ 6-week period ending June ~~3~~ 24, 2023 were established by the Debtor Companies' management with help from the Proposed Monitor as to assumptions by entity and on a combined basis. Our review of these forecasts consisted of enquiry, analytical procedures and discussion related to information supplied by the Debtor Companies' management and employees. We also assessed the support provided by management for the other assumptions and the preparation and presentation of the projections.
- 4.2. These projections have been drawn up on a business continuity basis and reflect costs relating to the proposed recovery plan (Section 7). There are no capital and interest payments on secured loans, except for those relating to the Temporary Financing.
- 4.3. The projections are presented in **Appendix A (under seal)**.

5. ~~SEARCH FOR TEMPORARY FINANCING~~

- 5.1. In connection with the submission of the Initial Order, it was agreed that HSBC Bank of Canada would make available to the Debtor Companies temporary financing in the amount of \$1 million in connection with a \$1.2 million charge. This temporary financing and resulting expense are included in the Initial Order rendered on May 12, 2023.
- 5.2. Since the Initial Order was issued, the Debtor Companies, with the assistance of the Monitor, have taken steps to negotiate and conclude additional temporary financing, necessary to continue the ongoing restructuring process and to finance the Debtor Companies' operations during the CCAA Proceedings.
- ~~5.3. The Debtor Companies are currently in discussions with HSBC Bank of Canada and another potential interim lender in order to obtain the most favourable terms for the restructuring sought.~~
- ~~5.4. These discussions required the collection and sharing of documents and financial information by the Debtor Companies.~~
- ~~5.5. As of the date of this report, negotiations and discussions are continuing with a view to concluding an additional temporary financing agreement in the very near future.~~
- 5.3. In accordance with the forecast changes of cash flows (Section 4), the Debtor Companies' short-term liquidity requirements to maintain and preserve their continuity as a going concern, and to implement the proposed recovery plan (Section 7), are for an additional amount of \$2 million.
- 5.4. On 23 May 2023, the Debtor Companies accepted a temporary financing offer from HSBC Bank of Canada (the "**Temporary Financing Offer**") to act as Temporary Lender to the Debtor Companies to finance their requirements. The Temporary Financing Offer reflects the following in particular:
 - 5.4.1. Maximum cumulative amount of: \$3 million (including the amount of \$1 million that was previously advanced);
 - 5.4.2. Interest: Base rate plus 1.0% annually, payable monthly;

5.4.3. Use of funds: To support the working capital needs and implementation of the recovery plan, as presented in the statement of changes in cash flows and to the satisfaction of the Temporary Lender;

5.4.4. Term: The earliest of the following:

(i) September 29, 2023;

(ii) the implementation of a plan of arrangement or compromise under these CCAA Proceedings;

(iii) institution of proceedings under the BIA;

(iv) the sale of all or a substantial portion of the Debtor Companies' assets;

(v) the occurrence of an event of default; or

(vi) the end of the stay period.

5.4.5. Main conditions, among others:

5.4.5.1. Issuance of an Initial Order under the CCAA and a temporary financing charge of approximately \$3.6 million;

5.4.5.2. The Initial Order must be binding, final and without appeal, and must not have been cancelled, amended or revised without the prior written consent of the Temporary Lender;

5.4.5.3. Sale of surplus assets identified before August 31, 2023;

5.4.5.4. Beginning of the solicitation process in the week of June 19, 2023;

5.4.5.5. There must be no charge on the Assets ranking higher than or equal to the Temporary Lender's Charge, subject to the Administration charge and the D&O charge.

5.6. We are of the opinion that the financing proposed in the Temporary Financing Offer is essential, that its terms are reasonable and more advantageous than the usual terms for this type of financing, and that it is the best offer received by the Debtor Companies.

6. PRIORITY CHARGES

6.1. In order to guarantee the temporary financing and payment of the professional fees incurred as well as the director's support for the restructuring, the following priority charges were ordered by the Court at the hearing on May 12, 2023:

6.1.1. A \$350,000 administration charge for professionals;

6.1.2. A \$650,000 charge for directors and officers;

6.1.3. A \$1,200,000 charge for the Temporary Lender.

- 6.2. Given the scope of the case, the professionals involved and the restructuring measures to be implemented, the Monitor supports the Debtor Companies' request to increase the amount of the Administrative Charge to \$750,000.
- 6.3. In addition, an increase in the priority charge should be granted to the Temporary Lender or any other additional temporary lender, up to a maximum of \$3.6 million. In the Monitor's view, this increase will be required to enable the additional temporary financing to be put in place.
- 6.4. Lastly, in connection with the presentation of the motion for the issuance of an Amended and Restated Initial Order, the Debtor Companies are asking the Court to grant two (2) new priority charges, namely:
 - 6.4.1. The KERP Charge (as defined hereafter) for an amount of \$200,000;
 - 6.4.2. The Supplier Charge (as defined hereafter) for an amount of \$500,000;

7. RECOVERY PLAN

- 7.1. The items below are part of the outline recovery plan presented in the proposed Monitor's Report.
- 7.2. The steps taken and/or completed since the Initial Order was obtained can be summarized as follows:
 - 7.2.1. Implementation of the first temporary financing;
 - 7.2.2. Rationalization of the payroll (68 employees laid off at Woodlore and 10 at EBSU);
 - 7.2.3. Maintaining measures with Debtor Companies' clients, in particular:
 - 7.2.3.1. Reduction of client collection times;
 - 7.2.3.2. Continuation of consignment measures for raw materials provided by Woodlore's two main clients;
 - 7.2.4. Identification of the Debtor Companies' surplus assets;
 - 7.2.5. ~~Discussions on obtaining additional temporary financing;~~
- 7.3. The first steps consist in:
 - 7.3.1. Maintain the value of the assets by continuing to operate the Debtor Companies in the normal course of business;
 - 7.3.2. Assist the Debtor Companies' management with the implementation of certificates for suppliers covered by the Supplier Charge set up for this purpose;
 - 7.3.3. ~~Enter into an additional Temporary financing agreement with acceptable terms and conditions;~~
 - 7.3.4. Hire a chief restructuring officer;
 - 7.3.5. Implement a retention program for key employees, as described in greater detail in Section 9 of this report;
 - 7.3.6. Assist the Debtor Companies' management and oversee the process for selling some surplus assets of the Debtor Companies (mainly at Woodlore), as more fully detailed in Section 8 of this report;

- 7.3.7. Terminate or sublease a surplus lease at Woodlore;
- 7.3.8. Rationalize overhead and administrative costs;
- 7.3.9. Put in place a bidding process towards mid-June in order to:
 - 7.3.9.1. Find a strategic business partner or equity partner to recapitalize the companies; and/or
 - 7.3.9.2. Find financial partners to foster all or part of the current lenders' refinancing; and/or
 - 7.3.9.3. Find one or more buyers for the shares or assets of the Debtor Companies.
- 7.3.10. Develop and submit an arrangement plan for the creditors of the Debtor Companies.

8. SALE OF SURPLUS ASSETS

- 8.1. Following a series of measures to rationalize Woodlore's activities, the Debtor Companies' management has identified a list of 40 surplus pieces of equipment that can be sold as part of the current recovery plan and the related estimated realizable value. The list is attached in **Appendix B (under seal)**.
- 8.2. The full list of all assets, including those identified as surplus and to be disposed of (Appendix B), is taken from the valuation report prepared by Kholi Appraisers dated March 31, 2023, which is attached as **Appendix C (under seal)**.
- 8.3. The Monitor will assist the Debtor Companies' management in identifying and approaching potential buyers and will oversee the process of putting the identified equipment up for sale. Among others, management plans to approach the following groups of buyers:
 - 8.3.1. Main equipment manufacturers and suppliers;
 - 8.3.2. Other manufacturers of furniture and related products;
 - 8.3.3. Specialized auctioneers; and
 - 8.3.4. Industrial equipment sales platforms.
- 8.4. In order to reduce the delays and costs associated with the sale of surplus equipment outside the ordinary course of business, it would be appropriate to obtain the Court's prior authorization for the sale of the identified equipment, for a maximum amount of \$300,000 per transaction and up to a cumulative total of \$2,000,000, subject to the prior approval of HSBC Bank of Canada.
- 8.5. The rationalization of the Debtor Companies' activities and the sale of surplus equipment identified are important steps in the implementation of the recovery plan drawn up.

9. KEY EMPLOYEE RETENTION PROGRAM

- 9.1. In order to promote the retention of key employees essential to the success of the recovery plan and to ensure their support over the coming months, the management of the Debtor Companies, assisted by the Monitor, is seeking approval of a key employee retention program (the "**KERP**"), a summary of which is attached as **Appendix D (under seal)**.

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- 9.2. The Debtor Companies identified 23 key employees, including members of the management team and other employees, working in human resources, finance, production and other departments.
- 9.3. The people concerned have been identified as having specific expertise, a key role or as being resources that would be difficult or impossible to replace during these restructuring proceedings.
- 9.4. The main terms of the payments envisaged under the KERP are as follows:
- 9.4.1. A lump sum will be payable on the CCAA Proceedings Termination Date, which is the earliest of:
- (i) The closing date of a transaction under an investment solicitation and sale process to be approved by the Court in relation to the assets or shares of the Debtor Companies;
 - (ii) The date of approval by the required majority of the Debtor Companies' creditors and by the Court of a plan of arrangement or compromise;
 - (iii) The date of an order terminating the CCAA Proceedings; and
 - (iv) Any other date that the Court may establish for the purposes of implementing the KERP.
- 9.4.2. In order to be entitled to the lump sum, the key employee must remain in employment and have rendered their services to the Debtor Companies, in accordance with the expectations in terms of performance and availability, on a continuous basis and to the satisfaction of the Debtor Companies and the Monitor, for the entire period covered by the KERP.
- 9.5. The total amount of payments to be made under the KERP is currently \$170,000. In order to guarantee payment of the amounts covered by the KERP, in accordance with the terms and conditions set out therein, the Debtor Companies respectfully request that the Court grant a priority charge of a maximum amount of \$200,000 (the "**KERP Charge**") on all of the Debtor Companies' present and future assets, ranking after the Administration Charge, the Temporary Lender Charge, if any, but before the Supplier Charge.
- 9.6. The Monitor is of the opinion that the KERP and the KERP Charge are essential to the restructuring efforts underway, particularly in the context of the uncertainty that currently hangs over employees, especially following the recent layoffs. The Monitor also believes that this charge is all the more justified, as the departure of some or all of the employees covered by this charge would obviously jeopardize the restructuring and thus cause prejudice to stakeholders.

10. SUPPLIER CHARGE

- 10.1. The Debtor Companies are manufacturing companies and their operations and finances are directly dependent upon their ability to obtain, within a reasonable time, supplies, raw materials, parts, services and other items that are absolutely essential to the manufacture of the products sold and distributed by the Debtor Companies to their clients.
- 10.2. As part of the current restructuring, it is essential to be able to ensure the cooperation and continuous supply of raw materials by essential suppliers. To achieve this, suppliers require a certain level of comfort and guarantees regarding payment for goods and services rendered.

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- 10.3. Since the issue of the Initial Order, the Debtor Companies, with the assistance of the Monitor, have identified certain essential suppliers and will continue to do so in the context of these CCAA Proceedings.
- 10.4. The mechanism considered by the Monitor for the identification of these essential suppliers complies with and is further described in the certificate, i.e. in particular:
- 10.4.1. Upon identification by the Debtor Companies and the Monitor of the essential supplier concerned, the Monitor will issue a certificate of compensation;
- 10.4.2. This certificate will guarantee payment of sums potentially unpaid by the Monitor, with recourse to the Supplier Charge as described below;
- 10.4.3. This Certificate will terminate upon receipt of payment by the essential supplier in question.
- 10.5. The choice of suppliers and the amount indicated on each certificate will depend on:
- 10.5.1. The Debtor Companies' procurement needs;
- 10.5.2. Opportunities to find alternative suppliers;
- 10.5.3. The exclusive nature of the products manufactured by the suppliers for the benefit of the Debtor Companies.
- 10.6. The charge has been determined at \$500,000 based on the volume of anticipated weekly purchases between now and June 3, 2023. The introduction of additional temporary financing should have a favourable impact on the use of this charge.
- 10.7. In accordance with the objectives set out above, it is necessary and justified that a priority charge of a maximum amount of \$500,000 (the "**Supplier Charge**") be taken against all the present and future assets of the Debtor Companies, ranking after the Administration Charge and the Temporary Lender Charge, as applicable.
- 10.8. The Monitor submits that the Supplier Charge is essential to the ongoing supply of the Debtor Companies, which is an important element in the restructuring process undertaken.

11. EXTENSION OF STAY OF PROCEEDINGS PERIOD

- 11.1. The Initial Order provides for a stay of proceedings until May 18, 2023.
- 11.2. The Extension and Rectification Order issued on May 18, 2023 provides for an additional stay until May 24, 2023.
- 11.3. The Debtor Companies' second request is for an extension of the stay period until June 23, 2023.
- 11.4. Cash flow projections show that the Debtor Companies have sufficient liquidity to maintain their operations during the requested extension period.
- 11.5. The Monitor has obtained the full cooperation of the Debtor Companies' management in the context of its assignment and has been able to ascertain that they are working in good faith to complete the various projects that are and will be required as part of the current restructuring.

12. CONCLUSION AND RECOMMENDATIONS

- 12.1. Considering, in particular, the following:
- 12.1.1. The continuity of operations and the recovery plan enable the companies to maintain/increase the value of assets for various stakeholders;
 - 12.1.2. The potential obtention of additional temporary financing;
 - 12.1.3. The Debtor Companies' obtention of investment and/or financing and/or sales offers, or assets in connection with the sale process to be put in place.
- 12.2. We believe that it is to the advantage of the creditors of the Debtor Companies that the delay for the Debtor Companies to file a plan of arrangement be extended to June 23, 2023.
- 12.3. The filing of Appendices A, B, C and D with this Report will be requested under confidential cover as this is sensitive financial information which must remain confidential and whose disclosure in the Court's public file could prejudice the restructuring measures undertaken by the Debtor Companies.

APPENDIX A

FORECAST FOR CHANGES IN CASH FLOWS

UNDER SEAL

APPENDIX B

LIST OF SURPLUS EQUIPMENT

UNDER SEAL

APPENDIX C

"KHOLI APPRAISERS" VALUATION REPORT

UNDER SEAL

APPENDIX D

**SUMMARY OF KEY EMPLOYEE RETENTION PROGRAM
(THE "KERP")**

UNDER SEAL