C A N A D A
PROVINCE OF QUEBEC
DISTRICT DE MONTREAL
COURT NO.: 500-11-062362-237

S U P E R I O R   C O U R T
Companies' Creditors Arrangement 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;

Debtor Companies

EURO-RITE CABINETS LTD.
Corporation having a place a business at 212 – 19100 Airport Way, Pitt Meadows, British Columbia, V3Y 0E2 Canada

Additional Debtor

- 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.

MONITOR'S REPORT ON THE STATEMENT OF BUSINESS AND FINANCIAL AFFAIRS OF EBSU GROUP

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

In connection with the presentation of an application to, among other things, extend the stay of proceedings period, we respectfully submit to you our third report on the statement of business and financial affairs of Ébénisterie St-Urbain ltée and Woodlore International inc. (collectively, the "**Debtor Companies**"), as well as Euro-Rite Cabinets Ltd. ("**ERC**" and, collectively with the Debtor Companies, the "**EBSU Group**").

Signed in Montréal on June 15, 2023.

RAYMOND CHABOT INC.
Monitor

Dominic Deslandes, CPA, CIRP, LIT

In case of discrepancy between this translation and the original French version, the French version shall prevail.

1. INTRODUCTION

1.1. The purpose of this report (the "**Report**") is to provide the Court with specific information in connection with the Third Application for an Extension of Time. The Report was prepared based on information made available to the Monitor as at the date hereof and addresses the following matters:

- Addition of an entity linked to proceedings underway (Section 2);
- Actions taken by the Monitor since the Second Monitor's Report (as defined below) (Section 3);
- Comparison of actual and forecast cash flows (Section 4);
- Debtor Companies' forecast of changes in cash flows (Section 5);
- ERC's forecast of changes in cash flows (Section 6);
- Recovery plan (Section 7);
- Sale of surplus assets (Section 8);
- Investment and sale solicitation process (Section 9);
- Request for Appointment of a Chief Restructuring Officer for the Debtor Companies, and related charge (Section 10);
- Administration charge requested for ERC (Section 11);
- Application for temporary financing for ERC (Section 12);
- Supplier Charge requested for ERC (Section 13);
- ERC's Key Employee Retention Program (Section 14);
- Directors and officers charge requested for ERC (Section 15);
- Follow-up on Debtor Companies' Supplier Charge (Section 16);
- Extension of the stay of proceedings period (Section 17);
- Notice of objection from a creditor (Section 18); and
- Conclusion and recommendations (Section 19).

1.2. This Report should be read in conjunction with the proposed Monitor's Report of May 11, 2023 (the "**Proposed Monitor's Report**") and the amended Monitor's Report of May 23, 2023 (the "**Second Monitor's Report**"). Capitalized terms not defined in this Report have the meanings ascribed to them in the Proposed Monitor's Report or the Second Monitor's Report.

2. ADDITION OF AN ENTITY LINKED TO PROCEEDINGS UNDERWAY

Background:

2.1. ERC specializes in the manufacture of kitchen and bathroom cabinets and operates a plant near Vancouver, British Columbia.

2.2. ERC has been in business for nearly 40 years.

2.3. ERC's customers are mainly construction contractors, for the supply of cabinets in new buildings, and retailers, such as Home Hardware.

2.4. The Company employs 151 people (including 140 active employees).

2.5. ERC was acquired in August 2022 to provide the Debtor Companies group with a presence in western Canada, and diversify sales to a customer base distinct from that already served by the group's other entities. This western presence also made it possible to sign agreements with renovation superstores, who wished to rely on a supplier with Canada-wide capabilities.

2.6. ERC's sole director is Napoléon Boucher, who is also its controlling shareholder.

Causes of financial difficulties:

2.7. According to ERC's management, the order deadlines imposed by several clients have led to delivery delays. As a result, several clients have refused or failed to pay, which has had a substantial impact on ERC's liquidity.

2.8. Net advances of $3 million were made by ERC to EBSU, mainly in the fall of 2022, to support EBSU's working capital. According to management, these advances should have been repaid with revenues (doors), but this has occurred only to a limited extent. These advances have inevitably contributed significantly to the Company's current liquidity problems.

2.9. As a result, the maximum amount of credit authorized under ERC's credit facilities has been reached, affecting ERC's ability to meet its obligations.

2.10. The departure of a number of key employees in recent months has also had a significant impact on the Company's ability to continue to operate effectively.

2.11. In addition, some clients are claiming damages from ERC for late deliveries and related losses.

2.12. Due to the securities and sureties provided by each EBSU Group entity to its various secured creditors, including mainly HSBC Bank, the financial difficulties of any one entity affect the financial position of the other EBSU Group entities.

Financial position:

2.13. We briefly analyzed the financial position of ERC.

2.14. Our analysis essentially consisted of inquiry, analytical procedures and discussion related to information supplied by management. We did not perform an audit and consequently express no opinion on the financial statements. It is worth noting that these figures have been adjusted to reflect certain accounting entries that were not recorded following the transaction in August 2022. Additional adjustments to this data may also be required following further validation. The foregoing should be considered when interpreting this financial information. We did not perform an audit and consequently express no opinion on these financial statements

Earnings - ERC

2.15. The following table summarizes ERC's earnings.

ERC- Earnings as at April 30, 2022 and 2023

(In thousands of $)	FS23 (Preliminary) (12 months)	FS22 (Audited) (12 monts)
Net sales	**31 871**	**30 033**
Cost of goods sold	27 333	25 706
Gross profit	**4 538**	**4 328**
	14,2%	*14,4%*
Operating expenses		
Shipping and delivery	531	256
Other selling expenses	623	615
Administrative expenses	2 546	2 313
Other income	(5)	(49)
	3 695	3 135
Earnings before interest and income taxes	**842**	**1 193**
Financial expenses	707	298
Post-acquisition employee bonuses paid	762	-
Acquisition costs (professional fees)	861	-
Earning before income taxes	**(1 488)**	**895**
Income taxes	-	80
Net earnings	**(1 488)**	**815**
Included in net earnings		
Amortization	341	341
Gain on disposal of assets	(5)	(49)
Interest on short-term and long-term debt	579	118
Income taxes	-	80
Post-acquisition exployee bonuses paid	762	-
Acquisition costs (Professional fees)	861	-
Adjusted EBITDA	1 050	1 305

2.16. The summary of ERC's historical results presents the following findings:

2.16.1. Gross profit between 2022 and 2023 is fairly stable at around 14%, but this does not take into account potential adjustments to sales in this period that could result from potential claims by some clients for damages they may have suffered as a result of alleged delivery delays.

2.16.2. Post-acquisition bonuses paid to employees: As part of the ERC transaction, the former owner committed to paying its employees' bonuses, which are recognized in 2023 earnings.

2.16.3. Acquisition cost: Fees, professional fees and other costs were incurred as part of the ERC acquisition transaction.

2.16.4. Financial expenses: The significant increase in financial expenses is attributable to debt relating to the acquisition of ERC.

2.16.5. In summary, ERC's profitability was significantly affected by acquisition-related factors.

Balance Sheet - ERC:

2.17. The following table summarizes ERC's balance sheet:

ERC - Balance sheet as at April 30, 2022 and 2023

(In thousands of $)	30-Apr-23 (Unaudited)	30-Apr-22 (Audited)
Short-term assets		
Cash	-	116
Receivables	6 344	5 071
Inventories	3 602	3 185
Advances to EBSU	3 117	-
Pre-paid expenses	170	245
	13 234	8 617
Property, plant and equipement and intangible assets	2 921	3 233
Goodwill	3 887	-
	20 042	**11 850**
Long-term assets		
Bank advances	3 653	3 681
Trade and other payables	4 555	3 213
Due to Bill Longman (seller)	887	-
Due to shareholders	-	2 312
Current portion of long-term debt	810	-
Current portion of obligations under a capital lease	-	495
	9 905	9 701
Long-term debt	7 808	-
Obligation under a capital lease	-	576
Deferred lease incentives	-	146
	17 713	10 422
Share-capital		
Common shares	400	0
Retained earnings	1 929	1 428
	2 329	1 428
	20 042	**11 850**

2.18. An analysis of ERC's balance sheet reveals the following:

2.18.1. Advance to EBSU: See comments in Section 2.8.

2.18.2. Due to Bill Longman: This is the sale price balance, following the ERC acquisition, which is payable to the former shareholder based on contractual parameters.

2.18.3. Long-term debt: Long-term debt was used to finance the acquisition of ERC.

2.19. The table below presents a summary of ERC's debts, based on most recent accounting information:

(In thousand of $ - unaudited)	Total
Deemed trusts	
Federal and provincial source deductions	13
	13
Secured claims under 81.3	
Salaries and vacation payable	302
	302
Secured claims	
HSBC - Line of credit	3,524
Fiera Capital - Term loan	8,324
	11,847
Ordinary creditors	
Suppliers (to June 7, 2023)	3,203
Bill Longman - selling price adjustment clause	887
Sales tax - State of California (USA)	209
Salaries and vacations payable (unsecured)	158
Health tax - British Columbia	77
Workers' Compensation Board of British Columbia	42
GST/HST/PST	30
	4,607
Due to an affiliated company	169
	16,938

2.19.1. Unpaid deductions at source correspond to deductions for the current period to be remitted with the next tax return. According to the information we have obtained, there are no arrears.

2.19.2. Secured claims payable to employees represent $2,000 payable to each employee under Section 81.3 of the *Bankruptcy and Insolvency Act* and based on the number of ERC employees, including inactive employees.

2.19.3. HSBC provides ERC's short-term credit facilities and has first-ranking security interests in ERC's inventories and accounts receivable by way of security interests in the universality of ERC's assets and by specific subordination clauses.

2.19.4. Fiera Capital granted the loan used to acquire ERC in 2022 and has first-ranking security interests in all assets, excluding inventories and trade receivables, by way of security interests in the universality of ERC's assets and taking into account the subordination granted by HSBC.

2.19.5. In addition to the debts listed in the table above, ERC guarantees the loans granted by HSBC to the Debtor Companies.

2.20. Based on the foregoing, ERC is insolvent. It is therefore deemed appropriate to include it in the ongoing proceedings to facilitate the implementation of a global restructuring process for all EBSU Group entities.

3. ACTIONS TAKEN BY THE MONITOR SINCE THE SECOND MONITOR'S REPORT

Administrative and statutory tasks:

3.1. In accordance with the provisions of the Initial Order, the Monitor has:

3.1.1. Published, on its website, the Amended and Redrafted Initial Order;

3.1.2. Published, on its website, the English translations of the orders issued on May 12, 18 and 24, 2023.

Supervision of receipts and disbursements:

3.2. Since being appointed, the Monitor has monitored and supervised the Debtor Companies' receipts and disbursements.

3.3. Since being appointed, the Monitor has also assisted management in preparing financial forecasts.

3.4. The cash monitoring analysis for the four-week period ending June 10, 2023 is presented in Section 4 of this Report.

Communications with the Debtor Companies' management, Information Officer, creditors and clients:

3.5. Since being appointed, the Monitor has been in daily contact with the Debtor Companies' management and their lawyers.

3.6. Since being appointed, the Monitor has been in contact with numerous creditors and some of the Debtor Companies' clients.

3.7. Since selecting the Chief Restructuring Officer (as hereinafter defined), the Monitor has been in daily contact with the latter.

3.8. The Monitor regularly provides the information required by the Information Officer and cooperates fully with the latter.

3.9. The Monitor has held discussions with some suppliers regarding the granting of certificates under the Supplier Charge.

4. COMPARISON OF ACTUAL AND FORECAST CASH FLOWS

4.1. Since the issuance of the Initial Order, the Monitor has supervised the affairs and finances of the Debtor Companies.

4.2. The following table shows the actual versus forecast changes in cash for the four-week period ended June 10, 2023:

	Period ended June 10, 2023 (4 weeks)		
(In thousands of C$ - unaudited)	Actual	Budget	Difference
Receipts			
Sales	1,550	2,189	(639)
	1,550	2,189	(639)
Disbursements			
Operating expenses	(1,716)	(1,803)	87
Rents	(314)	(407)	93
Professional Fees - Restructuring	(796)	(719)	(77)
Salaries	(1,227)	(1,289)	62
Financial expenses	(4)	(26)	22
	(4,057)	(4,244)	187
Increase (decrease) in cash	**(2,507)**	**(2,055)**	**(452)**
Bank advances, beginning	(12,801)	(12,798)	(3)
Bank advances, ending	**(15,309)**	**(14,853)**	**(455)**

4.3. In summary:

4.3.1. Cash inflows were $639,000 below forecasts, reflecting the following factors:

4.3.1.1. A client's invoices deducted approximately $265,000 in late delivery penalties. Efforts are underway to recover the deduction; and

4.3.1.2. A drop in sales, in the first few weeks after the Initial Order was issued, mainly reflecting supply difficulties preceding the implementation of Temporary Financing. This difference should reverse in the coming weeks, given the raw materials purchased and the orders on hand.

4.3.2. As at June 10, 2023, the eliminated delay in raw materials purchases, which should help meet expected sales volumes over the next few weeks.

4.3.3. The difference in rental income, due to a temporary difference in the municipal tax payments covered in the Debtor Companies' leases.

5. DEBTOR COMPANIES' FORECAST OF CHANGES IN CASH FLOWS

5.1. In accordance with the CCAA, we have supervised the business and financial affairs of the Debtor Companies and obtained their full cooperation.

5.2. Forecasts of changes in cash flows for the 21-week period ending October 28, 2023, were established by the Debtor Companies' management with help from the Monitor as to assumptions by entity and on a combined basis.

5.3. Our analysis of these forecasts consisted of inquiry, analytical procedures and discussion related to information supplied by the Debtor Companies' management and employees. We also examined the support provided by management for the other assumptions and the preparation and presentation of the forecasts. This work does not constitute an audit or review of the financial statements in accordance with generally accepted auditing standards established by CPA Canada or by the American Institute of Certified Public Accountants (AICPA). We did not perform an audit and consequently express no opinion on these financial statements.

5.4. These forecasts have been drawn up on a business continuity basis and reflect costs relating to the proposed recovery plan (described in Section 7 of this Report). No principal or interest payments are due on guaranteed loans, except such payments relating to Temporary Financing.

5.5. The forecasts are presented in **Appendix A (under seal)**.

6. ERC'S FORECAST OF CHANGES IN CASH FLOWS

6.1. Although ERC will be added under the same proceedings under the CCAA, the assets and liabilities of ERC and those of the Debtor Companies will be treated separately. Cash flow management will also be treated separately. Consequently, two cash flow forecast statements were prepared. They are presented and discussed separately.

6.2. Forecasts of changes in cash flows for the 21-week period ending October 28, 2023 were established by ERC's management with help from the Monitor as to assumptions for this entity.

6.3. Our analysis of these forecasts consisted of inquiry, analytical procedures and discussion related to information supplied by ERC's management and employees. We also examined the support provided by management for the other assumptions and the preparation and presentation of the forecasts. This work does not constitute an audit or review of the financial statements in accordance with generally accepted auditing standards established by CPA Canada or by the American Institute of Certified Public Accountants (AICPA). We did not perform an audit and consequently express no opinion on these financial statements.

6.4. These forecasts have been drawn up on a business continuity basis and reflect costs relating to the proposed recovery plan (described in Section 7 of this Report). No principal or interest payments are due on guaranteed loans, except such payments relating to Temporary Financing.

6.5. The forecasts are presented in **Appendix B (under seal)**.

7. RECOVERY PLAN

7.1. items below are part of the preliminary recovery plan presented in the proposed Monitor's Report The steps taken and/or completed since the May 24 hearing can be summarized as follows for the Debtor Companies:Maintain the value of the assets by continuing to operate the Debtor Companies in the normal course of business;

7.2.2. Assistance provided to the management of the Debtor Companies with regard to the implementation of supplier certificates under the Supplier Charge provided for this purpose;

7.2.3. Selection of a Chief Restructuring Officer;

7.2.4. Implementation of a key employee retention program;

7.2.5. Maintain measures with Debtor Companies' clients, including:

7.2.5.1. Reduction of customer collection times;

7.2.5.2. Continuation of the consignment of raw materials provided by Woodlore's two main customers.

7.2.6. Preparatory work, with the help of the Debtor Companies' management, for the sale of some surplus assets of the Debtor Companies (mainly at Woodlore);

7.2.7. Preparatory steps to assign, terminate or sublease a surplus lease at Woodlore;

7.2.8. As detailed in Section 9 of this Report, preparatory work for the mid-June launch of the call for bids process in order to:

7.2.8.1. Find a strategic business partner or equity partner to recapitalize the companies; and/or

7.2.8.2. Find financial partners to foster all or part of the current lenders' refinancing; and/or

7.2.8.3. Find one or more purchasers for the Debtor Companies' shares or assets.

7.3. The steps will aim to:

7.3.1. Launch the investment and sale solicitation process for all EBSU Group entities;

7.3.2. Launch, jointly with the Debtor Companies' management, the process for the sale of certain surplus assets of the Debtor Companies (mainly assets held by Woodlore);

7.3.3. Terminate or sublease an excess lease at Woodlore;

7.3.4. Continue to rationalize overhead and administrative costs;

7.3.5. Optimize the operations of the three entities;

7.3.6. Analyze the possibility of terminating unprofitable contracts at ERC;

7.3.7. Take the necessary measures to collect ERC's trade receivables, which currently stand at approximately $6.5 million.

7.3.8. Draft and file a plan of arrangement for the benefit of the creditors of the three EBSU Group entities.

8. SALE OF SURPLUS ASSETS

8.1. As mentioned in the Second Monitor's Report, the Debtor Companies' management has provided a list of surplus equipment that it wishes to sell under the ongoing recovery plan.

8.2. The Order issued on May 24, 2023 provided a mechanism for the sale of these assets.

8.3. The Debtor Companies are actively working to determine which equipment should be sold under the restructuring plan, taking into account the optimization solutions currently being implemented with the assistance of the Chief Restructuring Officer. Consequently, as at the date of this Report, the list of these surplus assets is not final and the process has not yet been launched.

8.4. The sale process for the identified equipment will launch once the list of assets is finalized. The Monitor, with management's assistance, plans to approach, among others, the following groups of purchasers:

8.4.1. Suppliers and manufacturers of the main equipment;

8.4.2. Other manufacturers of furniture and related products;

8.4.3. Specialized auctioneers; and

8.4.4. Industrial equipment sales platforms.

9. INVESTMENT AND SALE SOLICITATION PROCESS

9.1. EBSU Group's management, with the assistance of the Monitor, has developed an investment and sale solicitation process ("**ISSP**") for EBSU Group's affairs and/or assets. The ISSP process breaks down as follows:

9.1.1. The ISSP will be led by the Monitor;

9.1.2. The ISSP will define how proposals and offers, for a wide range of transaction options, will be solicited and processed, whether they be in the form of restructuring, recapitalization or refinancing;

9.1.3. The Monitor will identify, with EBSU Group's assistance, the potential purchasers and investors who will be provided with the solicitation documents drafted by the Monitor;

9.1.4. The ISSP solicitation documents, as well as the list of potential purchasers and investors, will be shared with the Information Officer and EBSU Group prior to the ISSP launch;

9.1.5. The ISSP will begin on June 21, 2023, or on any other date determined by the Monitor. On such date, the Monitor will:

9.1.5.1. Have identified the list of potential purchasers and investors;

9.1.5.2. Publish the ISSP proceedings on its website;

9.1.5.3. Send solicitation documents to potential purchasers and investors;

9.1.5.4. Set up and manage access to a site for sharing confidential information regarding EBSU Group's business and assets; and

9.1.5.5. Provide, on request, a confidentiality agreement to interested parties.

9.1.6. The ISSP will comprise two phases to identify a successful bid:

9.1.6.1. A first phase during which the Monitor will receive non-binding bids, and at the end of which will be selected the bids that can proceed to the second phase (the "**Qualified Bids**"). The deadline for receiving these non-binding bids is August 31, 2023, and

9.1.6.2. A second phase that will require the submission of binding offers from the bidders with Qualified Bids who were selected at the previous phase. The deadline for receiving binding offers is September 29, 2023.

9.1.7. At the end of these two phases, if two (2) or more bids are deemed worthwhile, the Monitor may hold an auction, if that is in the interest of the parties involved, in order to select the winning bid (the "**Winning Bid**").

9.2. The bids received will be shared with the Information Officer and, based on their respective economic interests, specific secured creditors, at the sole discretion of the Monitor.

9.3. Once a final agreement on the Winning Bid is reached, the Monitor will apply to the Court for an order approving any transaction under the Winning Bid.

10. REQUEST FOR APPOINTMENT OF A CHIEF RESTRUCTURING OFFICER FOR THE DEBTOR COMPANIES, AND RELATED CHARGE

10.1. For the purposes of carrying out the financial and operational restructuring, the Debtor Companies, after consulting with the Monitor, wish to retain the services of Claude Rouleau of Solstice Groupe Conseil inc. (the "**Chief Restructuring Officer**") to serve as Chief Restructuring Officer of EBSU and Woodlore.

10.2. The Chief Restructuring Officer will be responsible, among other things, for maximizing restructuring opportunities for the Debtor Companies, mainly by optimizing production, purchasing, deliveries and order management. He will also assist the Monitor, as required, within the framework of the ISSP described above.

10.3. Claude Rouleau has informed the Debtor Companies that he is prepared to provide his professional services provided that he is adequately protected by a priority charge on the Debtor Companies' Property in the amount of $40,000, namely for the payment of his fees, costs and out-of-pocket expenses. This charge will apply solely to the Debtor Companies' Property, and will rank after the Administration Charge, the Temporary Lender Charge, the Supplier Charge and the ERP Charge, but before the D&O Charge.

10.4. We consider that, in terms of the responsibilities and level of work expected, the Chief Restructuring Officer's workload is reasonable and necessary for the restructuring of the Debtor Companies.

10.5. In order to successfully complete ERC's financial and operational restructuring, steps were also taken by ERC's management, with the Monitor's assistance, to hire the services of a Chief Restructuring Officer to meet ERC's specific needs.

11. ADMINISTRATION CHARGE REQUESTED FOR ERC

11.1. Under the terms of the Application, ERC is requesting the implementation of an administration charge to guarantee the payment of fees to the Monitor, ERC's lawyers and the Monitor's lawyers with regard to the restructuring under the CCAA (the "**ERC Administration Charge**").

11.2. The ERC Administration Charge would be $375,000 and must rank before any existing security interest in ERC assets only.

11.3. We believe that the ERC Administration Charge is reasonable and necessary to its restructuring, given, among others, the size of the business and the restructuring measures to be put in place.

12. APPLICATION FOR TEMPORARY FINANCING FOR ERC

12.1. In accordance with the forecast changes of cash flows filed for ERC (described in Section 6 of this Report), ERC's short-term liquidity requirements to maintain and preserve its continuity as a going concern, and to implement the proposed recovery plan, are for $1,000,000.

12.2. HSBC Bank of Canada has submitted a temporary financing offer (the "**ERC's Temporary Financing Offer**"), which is acceptable to ERC, to serve as ERC's temporary lender (the "**ERC's Temporary Lender**") to finance ERC's needs. ERC's temporary financing offer reflects the following in particular:

12.2.1. Amount: Up to $1,000,000;

12.2.2. Interest: Base rate plus 1.0% annually, payable monthly;

12.2.3. Use of funds: To support working capital requirements and the implementation of the recovery plan, as presented in the cash flow statement and to the satisfaction of ERC's Temporary Lender;

12.2.4. 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) the institution of proceedings under the BIA;

(iv) the sale of all, or a substantial portion of, ERC's assets;

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

(vi) the end of the stay period.

12.2.5. Agreement signed by ERC;

12.2.6. Issuance of the Second Amended and Restated Initial Order (the "**Second ARIO**") to be satisfactorily delivered to ERC's Temporary Lender granting it a temporary financing charge of approximately $1.2 million on ERC's present and future tangible and intangible assets;

12.2.7. The Second ARIO must be binding, final and without appeal, and must not have been cancelled, amended or revised without the prior written consent of ERC's Interim Lender;

12.2.8. There must be no charge on the Assets ranking higher than or equal to ERC's Temporary Lender Charge, subject to the ERC Administration Charge;

12.2.9. Ernst & Young inc. is to be appointed Information Officer for ERC.

12.3. We believe that the financing established in the Temporary financing offer is necessary, that its terms and conditions are reasonable and within market parameters.

13. SUPPLIER CHARGE REQUESTED FOR ERC

13.1. ERC is a manufacturing company whose activities and finances depend directly on its ability to obtain, within a reasonable time, the supplies, raw materials, parts and services necessary to manufacture the products sold and distributed by the Additional Debtor to its clients.

13.2. As part of the current restructuring, it is essential to be able to secure key suppliers' cooperation and ongoing supply of raw materials. To this end, suppliers require a certain level of comfort and guarantees of payment for goods and services delivered.

13.3. ERC, with the Monitor's assistance, has identified some key suppliers and will continue to do so as part of the current CCAA Proceedings.

13.4. The Monitor's proposed mechanism for granting guarantees to key suppliers covered by this measure is as follows:

13.4.1. Upon ERC's and the Monitor's identification of the key suppliers covered, Monitor will issue a certificate of indemnification;

13.4.2. This certificate will guarantee payment of amounts potentially unpaid by ERC, with recourse to ERC's Supplier Charge as described below;

13.4.3. This certificate will expire upon receipt of payment by the key suppliers concerned.

13.5. The selection of suppliers and the amounts indicated on each certificate will depend on:

13.5.1. ERC's supply requirements;

13.5.2. The possibility of finding alternative suppliers; and

13.5.3. The exclusive nature of products manufactured by suppliers for the benefit of ERC.

13.6. The charge was determined in the amount of $1,620,000 based on the volume of purchases expected in the forecast cash flows.

13.7. In accordance with the objectives set out above, it is necessary and justified that a priority charge of a maximum amount of $1,620,000 (the "ERC Supplier Charge") apply to all of ERC's present and future assets solely and rank after the ERC Administration Charge and the ERC Temporary Lender Charge, if any.

13.8. The Monitor submits that the ERC Supplier Charge is essential to the ongoing good supply of ERC, which is an important factor in the undertaken restructuring process. This is the same mechanism previously granted under the CCAA Proceedings for the benefit of the Debtor Companies.

14. ERC'S KEY EMPLOYEE RETENTION PROGRAM

14.1. To promote the retention of ERC employees who are key to the success of the recovery plan, and to enlist their support over the coming months, ERC's management, assisted by the Monitor, is seeking approval of a key employee retention program (the "**ERC KERP**"), a summary of which is attached as **Appendix C (under seal).**

14.2. ERC's management has identified 15 key employees, including members of the management team and other employees, working in the Human Resources, Finance and Production departments.

14.3. The persons concerned have been identified as having specific expertise, playing a key role or being resources that would be difficult to replace during the current restructuring proceedings.

14.4. The main terms of payment contemplated under the ERP KERP are as follows:

14.4.1. A lump sum will be payable on the Completion Date of the CCAA Proceedings, being the earlier of:

(i) The closing date of a transaction pursuant to an investment and sale solicitation process to be approved by the Court in respect of the assets or shares of ERC;

(ii) The date of approval, by the requisite majority of ERC's creditors and by the Court, of a plan of arrangement or compromise;

(iii) The date of an order terminating the CCAA Proceedings; or

(iv) Any other date that the Court may set for the purposes of implementing the ERC KERP.

14.4.2. To qualify for the lump sum payment, key employees must remain employed and have provided their services to ERC, in accordance with performance and availability requirements, in a manner that is continuous and satisfactory to ERC and the Monitor, for the entire period covered by the ERC KERP.

14.5. Total payments due under the ERC KERP are currently $125,000. To secure payment of the amounts under the ERC KERP in accordance with its terms, ERC requests that the Court grant a priority charge of up to $150,000 (the "**ERC KERP Charge**") against all of ERC's present and future assets solely, ranking after the ERC Administration Charge, the ERC Temporary Lender Charge and the ERC Supplier Charge, but before the ERC D&O Charge (as defined in Section 15).

14.6. The Monitor believes that the ERC KERP and the ERC KERP Charge are essential to the restructuring efforts underway, particularly in the context of the uncertainty that employees are currently facing. 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 jeopardize the restructuring and thus prejudice stakeholders.

15. DIRECTORS AND OFFICERS CHARGE REQUESTED BY ERC

15.1. Pursuant to the Application, ERC requests that a directors and officers charge (the "**ERC D&O Charge**") be implemented to indemnify the directors and officers of ERC (the "**ERC D&Os**") for any statutory liability they may incur after the issuance of the Initial Order.

15.2. The requested ERC D&O Charge is for $450,000, and would rank ahead of any security interests, except for the ERC Administration Charge, the ERC Temporary Lender Charge, the ERC Supplier Charge, and the ERC KERP Charge. The ERC D&O Charge would relate to all of ERC's present and future assets solely.

15.3. The charge would cover sales taxes ($100,000) and accrued salaries and leave ($350,000).

15.4. We believe that ERC's D&O Charge requested by ERC is reasonable and necessary for its restructuring in that it makes it possible to secure the director and avoid their resignation to the detriment of ERC's and creditors' operations.

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16. FOLLOW-UP ON DEBTOR COMPANIES' SUPPLIER CHARGE

16.1. The Order issued on May 24, 2023, provided for a charge of $500,000 for EBSU and Woodlore suppliers, which we deem essential.

16.2. These suppliers may benefit from indemnity certificates issued by the Monitor, which are secured by the Supplier Charge.

16.3. To date, the Monitor has held several discussions with some of the suppliers of the Debtor Companies, but no certificates have yet been issued.

17. EXTENSION OF THE STAY OF PROCEEDINGS PERIOD

17.1. The Order issued on May 24 granted an extension of the stay of proceedings period until June 22, 2023.

17.2. The planned schedule for the ISSP runs at least until September 29, 2023.

17.3. To enable the Monitor to analyze the submitted bids and prepare the required reports with a view to obtaining this Court's approval of the Winning Bid identified under the ISSP, the Monitor supports the extension of the stay of proceedings period requested by EBSU Group, to October 16, 2023.

17.4. Forecasts of changes in cash flows show that EBSU Group's entities have sufficient liquidity to maintain their operations during the requested stay period extension.

17.5. The Monitor has obtained the full cooperation of EBSU Group's management in carrying out its assignment and has observed that the members of management are working in good faith to successfully complete the various projects that are and will be required as part of the current restructuring.

18. NOTICE OF OBJECTION FROM A CREDITOR

18.1. On June 13, 2023, William James Phillips, Sr. and William James Phillips, Jr. (the "Phillipses") served the distribution list with a notice of objection in which they asserted that they were secured creditors of Woodlore in an amount of at least $7,000,000. As such, the Phillipses claim the right to be consulted, as any other secured creditor, particularly with regard to the steps taken to maximize the return on EBSU Group's assets.

18.2. The Monitor understands that the Phillipses' claim is being contested by the Debtor Companies, who intend to counterclaim. The Monitor, assisted by its counsel, has not yet ruled on the validity of either the Phillipses' claim or the counterclaim and is expressing no opinion on the matter. It should be noted, however, that the Phillipses' underlying claim, which would be secured by a security interest registered against Woodlore under Ontario's *Personal Property Security Act*, corresponds to a balance of sale due to the former shareholders following the sale of their shares in Woodlore to the current shareholder (Section 9 of the Phillipses' notice of objection refers to a "sale of the business").

18.3. If this is the case, even if the Phillipses' claim is valid for $7,000,000, such a claim would clearly correspond to an equity claim within the meaning of the CCAA and, as such, would necessarily be subordinate in the collocation order to the payment of ordinary creditors, notwithstanding the registration of any security interest in favour of the Phillipses.

18.4. Par ailleurs, dans l'hypothèse où la créance des Philips était valide et n'était pas subordonnée à titre de réclamation relative à des capitaux propres, le Contrôleur, ayant analysé les actifs grevés par des sûretés enregistrées en faveur des créanciers garantis de Woodlore, est d'avis qu'il est hautement improbable que la valeur des actifs soit suffisante pour désintéresser les créanciers de premier et de second rang, ce qui, par le fait même, aurait pour effet de transformer une créance garantie de troisième rang en créance ordinaire.

18.5. Considering the foregoing, the Monitor believes that it is not appropriate, in the circumstances, to confer on the Phillipses the same rights as those conferred on the other secured creditors of EBSU Group, and therefore that the Phillipses' notice of objection should be dismissed.

19. CONCLUSION AND RECOMMENDATIONS

19.1. Considering, in particular, the following:

19.1.1. The continuity of operations and the recovery plan enable the companies to maintain/increase the value of assets for various stakeholders;

19.1.2. The receipt of offers to invest in, and/or finance, and/or purchase EBSU Group entities or their assets under the ISSP described above;

19.2. We believe that the creditors of EBSU Group would benefit from an extension of the deadline for filing a plan of arrangement to October 16, 2023.

19.3. We believe that it is appropriate to add ERC to the current proceedings, in order to facilitate the implementation of a global restructuring process for all EBSU Group entities.

19.4. The submission of Appendices A, B and C attached to this Report will be requested on a confidential basis as this is sensitive financial information that must remain confidential and whose disclosure in the Court's public file could prejudice the restructuring measures undertaken by EBSU Group.

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APPENDIX A

DEBTOR COMPANIES' FORECAST OF CHANGES IN CASH FLOWS

UNDER SEAL

APPENDIX B

ERC'S FORECASTS OF CHANGES IN CASH FLOWS

<u>UNDER SEAL</u>

APPENDIX C

ERC'S KEY EMPLOYEE RETENTION PROGRAM

<u>UNDER SEAL</u>