

Court File No. CV-24-00725021-00CL

**1000370759 ONTARIO INC. AND
GALAXIE BRANDS CORPORATION**

**PRE-FILING REPORT OF KPMG INC.,
IN ITS CAPACITY AS PROPOSED MONITOR**

August 4, 2024

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE OF REPORT	2
III.	TERMS OF REFERENCE.....	2
IV.	KPMG’S QUALIFICATIONS TO ACT AS MONITOR	3
V.	BACKGROUND.....	4
VI.	OBJECTIVES OF THE CCAA PROCEEDINGS.....	8
VII.	CASH FLOW FORECAST.....	9
VIII.	RELIEF SOUGHT IN THE INITIAL ORDER.....	10
IX.	COMEBACK MOTION.....	13
X.	PROPOSED MONITOR’S CONCLUSION AND RECOMMENDATIONS.....	14

APPENDICES

APPENDIX “A” – KPMG’s Consent to Act as Monitor

APPENDIX “B” – Cash Flow Forecast

APPENDIX “C” – Redacted engagement letter between the Debtors and the Proposed CRO dated August 2, 2024

CONFIDENTIAL APPENDICES

CONFIDENTIAL APPENDIX “A” – Unredacted engagement letter between the Debtors and the Proposed CRO dated August 2, 2024

Court File No. CV-24-00725021-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C.1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 1000370759
ONTARIO INC. AND GALAXIE BRANDS CORPORATION

PRE-FILING REPORT OF KPMG INC.
In its capacity as Proposed Monitor

August 4, 2024

I. INTRODUCTION

1. KPMG Inc. (“**KPMG**” or the “**Proposed Monitor**”) understands that The Vancor Group Inc. (“**Vancor**” or the “**Applicant**”) intends to make an application (the “**Application**”) before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) returnable on August 6, 2024, seeking an order (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) in respect of 1000370759 Ontario Inc. (“**Equipment Co**”) and its wholly-owned subsidiary Galaxie Brands Corporation (“**Galaxie Brands**”, and together with Equipment Co, the “**Debtors**” or the “**Company**”), to obtain a stay of proceedings in favour of the Debtors until and including August 16, 2024, and to seek such other relief, with a view to allowing the Debtors to implement the sale of their business for the benefit of their stakeholders, under the supervision of the Proposed Monitor and the Proposed CRO (as defined below). The Debtors’ proposed CCAA proceedings are referred to herein as the “**CCAA Proceedings**”.
2. The Proposed Monitor has been working with the Applicant since approximately July 16, 2024 to develop an understanding of the Debtors’ business, assets, and liabilities, and in such capacity has reviewed certain of the books and records of the Debtors, as well as had discussions with representatives of the Applicant, who have considerable knowledge of the Debtors due to the Debtors’ ownership and management structure. This pre-filing report of the Proposed Monitor (the “**Pre-Filing Report**”) is based on information obtained in this context, as well as the affidavit of Corry Van Iersel, sworn August 2, 2024 (the “**Van Iersel Affidavit**”). Except where otherwise indicated herein, the Proposed Monitor has not yet had an opportunity to independently confirm the statements made herein, which are founded on its understanding of the Debtors based on its limited engagement to date, and the Van Iersel Affidavit.
3. The Debtors, through Galaxie Brands, produce, package, and distribute cannabis products. Equipment Co owns the equipment essential for Galaxie Brands to conduct its business.
4. The Proposed Monitor understands that Vancor has invested over \$2.7 million in the Debtors’ business, through unsecured promissory notes given by Equipment Co. and that the debt has matured and is due and owing. Corry Van Iersel (“**Van Iersel**”) is the President and sole shareholder of Vancor.
5. On the Application, Vancor will also be seeking to appoint KPMG as the CCAA monitor in the proposed CCAA Proceedings (in such capacity, the “**Monitor**”).

II. PURPOSE OF REPORT

6. KPMG, in its capacity as Proposed Monitor, has reviewed the court materials filed by the Applicant in support of the Application, including the Van Iersel Affidavit. This purpose of this Pre-Filing Report is to provide information to the Court pertaining to:
- (a) KPMG’s qualifications to act as Monitor (if appointed) of the Debtors in the CCAA Proceedings;
 - (b) summary background information on the Debtors, including an overview of the Debtors’ corporate structure, business operations, financial situation, and creditors;
 - (c) the Applicant’s decision to commence the CCAA Proceedings and seek a stay of proceedings;
 - (d) the Company’s cash flow forecast (the “**Cash Flow Forecast**”) for the period from August 3, 2024, to November 1, 2024 (the “**Forecast Period**”);
 - (e) the relief being sought in the proposed Initial Order, including the appointment of the CRO, the payment of certain pre-filing amounts and the Administration Charge;
 - (f) certain other relief that the Proposed Monitor understands the Applicant intends to seek in its next motion to the Court prior to the expiry of the initial 10-day stay period (if granted) (the “**Comeback Motion**”); and
 - (g) the Proposed Monitor’s conclusions and recommendations.

III. TERMS OF REFERENCE

7. In preparing this Pre-Filing Report, the Proposed Monitor has relied solely on information and documents provided by the Company and the Applicant and its advisors, including unaudited financial information, declarations, and Van Iersel Affidavit (collectively, the “**Information**”), which was filed by the Applicant as part of its materials in support of the Application. In accordance with industry practice, except as otherwise described in this Pre-Filing Report, the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards (“**GAAS**”) pursuant to the *Chartered Professional Accountants of Canada Handbook* and, accordingly, the

Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

8. Future orientated financial information contained in the Cash Flow Forecast is based on the Company's estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved.
9. Capitalized terms used but not defined in this Pre-Filing Report are as defined in the Van Iersel Affidavit. This Pre-Filing Report should be read in conjunction with the Van Iersel Affidavit, as certain information contained in the Van Iersel Affidavit has not been included herein in order to avoid unnecessary duplication.
10. Should the Initial Order be granted, and KPMG be appointed as Monitor, the Monitor will make available all Court documents and other material documents pertaining to the CCAA Proceedings on its website at <https://kpmg.com/ca/galaxie>. In addition, the Proposed Monitor has arranged for an email address, galaxie@kpmg.ca, through which creditors of the Debtors or other interested parties can make inquiries related to the CCAA Proceedings.
11. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. KPMG'S QUALIFICATIONS TO ACT AS MONITOR

12. KPMG is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). Further, KPMG is not subject to any of the restrictions to act as Monitor as set out in section 11.7(2) of the CCAA, and in particular, neither KPMG nor any of its representatives has been at any time in the two preceding years:
 - (a) a director, an officer, or an employee of either of the Debtors;
 - (b) related to any of the Debtors, or to any director or officer of any of the Debtors; or
 - (c) the auditor, accountant or legal counsel, or a partner or employee of the auditor, accountant, or legal counsel of either of the Debtors.
13. The senior professionals at KPMG with carriage of this matter have experience acting as a CCAA monitor and in other court-officer capacities in connection with insolvency proceedings.
14. Should the Court grant the Initial Order, KPMG has consented to act as Monitor. A copy of KPMG's consent to act as Monitor is attached hereto as **Appendix "A"**. The Proposed Monitor

has retained Blake, Cassels & Graydon LLP (“**Blakes**”) to act as its independent legal counsel in the CCAA Proceedings.

15. KPMG LLP, an affiliate of the Proposed Monitor, was retained by Vancor pursuant to an engagement letter dated July 16, 2024, to provide financial advisory services to Vancor in respect of the Debtors. During that time, KPMG developed an understanding of the financial and operational challenges of the Debtors, which knowledge will assist KPMG to fulfill its duties as Monitor, if appointed. For the same reason, KPMG is well suited to commence its duties as Monitor immediately upon being appointed as such, should the Court exercise its discretion to do so.

V. BACKGROUND

16. Detailed information with respect to the Debtors’ corporate structure, business operations, financial situation, and causes of insolvency is set out extensively in the Van Iersel Affidavit. The information contained in this section of the Pre-Filing Report represents a summary of the information contained in the Van Iersel Affidavit.

Corporate Structure

17. As detailed in the Van Iersel Affidavit, the Debtors are each a corporation incorporated pursuant to the laws of the province of Ontario, with registered head offices in Cambridge, Ontario.
18. Equipment Co is the 100% parent of Galaxie Brands and owns or finances the equipment used in Galaxie Brands’ cannabis business. Equipment Co has no other business operations or significant assets.
19. Galaxie Brands is a licensed producer of cannabis under the *Cannabis Act*, S.C. 2019, c. 16, as amended, and related regulations (collectively, the “**Cannabis Act**”). It contracts with the Company’s customers, employs all of the Company’s employees, and is the entity responsible for remitting all taxes, including excise tax.

Business Overview

20. As described in the Van Iersel Affidavit, the Debtors, through Galaxie Brands, operate as a producer and co-packer of cannabis and cannabis products. Galaxie Brands processes cannabis into various products for sale to its customers and provides packaging services. The Debtors do not cultivate, manufacture or grow cannabis flower.

21. The Company's main customers include other licensed producers and provincial partners across Canada, including those located in Ontario, British Columbia, Nova Scotia, Yukon, and New Brunswick.
22. The Debtors do not own any real property and the Company operates out of leased facilities located in Puslinch Ontario (the "**Facility**"). The Facility is an approximately 26,000 square-foot space that includes multiple production rooms, a hash production room, multi-use rooms, and a vault for storage of finished goods. The Company's employees, including management, primarily work out of the Facility.

Licenses

23. As set out in the Van Iersel Affidavit, Galaxie Brands holds two licenses: (a) a cannabis license issued by Health Canada (the "**Health Canada License**"), and (b) an excise license (the "**Excise License**") issued by Canada Revenue Agency ("**CRA**").
24. The Health Canada License was issued pursuant to the *Cannabis Act* and permits Galaxie Brands to possess and/or sell cannabis products. The Health Canada License is set to expire on February 1, 2028.
25. The Excise License was issued pursuant to the *Excise Act, 2001* (the "**Excise Act**"). The Proposed Monitor understands that the Excise License is set to expire on October 16, 2024 and a renewal application must be submitted by September 16, 2024. As a holder of the Excise License and pursuant to the Excise Act, Galaxie Brands is required to remit to CRA excise duties which accrue from the sale of cannabis.

Employees

26. As of the date of the Van Iersel Affidavit, the Company, through Galaxie Brands, employs 48 full-time employees who are paid bi-weekly in arrears.
27. The Company does not have any employees that are unionized or otherwise party to a collective agreement in connection with their employment with the Company, nor does the Company sponsor, administer, or otherwise have any registered or unregistered pension plans for its employees.

Financial Situation

28. Included in the Van Iersel Affidavit are copies of Equipment Co's and Galaxie Brands' balance sheets as at July 31, 2024 and June 30, 2024, respectively (the "**Balance Sheets**").

Equipment Co

29. As of July 31, 2024, Equipment Co had total assets of approximately \$11.4 million, including approximately \$6.3 million of current assets (consisting of cash and cash equivalents, accounts receivable, prepaid expenses, and loans), and approximately \$5.1 million of non-current assets (consisting of property, plant and equipment, and investments in other companies).
30. The Balance Sheets further provide that as of July 31, 2024, Equipment Co had total liabilities of approximately \$7.2 million, consisting primarily of outstanding taxes payable (\$1.0 million), amounts owing to Health Canada (\$0.3 million), the Vancor Note (\$2.1 million), the Vangar Note (\$2.2 million), and other loans (\$1.6 million). Equipment Co had no outstanding trade payables as at July 31, 2024.

Galaxie Brands

31. As of June 30, 2024, Galaxie Brands had total assets of approximately \$6.1 million, including approximately \$5.9 million of current assets (consisting of cash and cash equivalents, accounts receivable, prepaid expenses, and inventory), and approximately \$0.2 million of non-current assets (consisting primarily of machinery and equipment, and leasehold improvements).
32. The Balance Sheets further provide that as of June 30, 2024, Galaxie Brands had total liabilities of approximately \$9.7 million, consisting primarily of accounts payable (\$1.7 million), outstanding taxes payable (\$4.1 million), and amounts due to related parties (\$3.9 million).
33. According to the Van Iersel Affidavit, Galaxie Brands is currently operating at a loss and unable to meet its liabilities when they come due.

Creditors

Secured Creditors

34. As discussed in the Van Iersel Affidavit, there are no registered financing statements or registered claims against either of the Debtors under the Ontario Personal Property Security Registration System.

Vancor Promissory Note

35. As described in the Van Iersel Affidavit, Vancor, as lender, and Equipment Co, as borrower, entered into an unsecured promissory note dated May 31, 2023 (the “**Vancor Note**”) pursuant to which Vancor agreed to loan Equipment Co the aggregate principal amount of \$2,756,000 by way of a

revolving line of credit. The Vancor Note bears interest at 10% per annum. The Vancor Note matured on May 31, 2024, and has not been repaid. As of the date of the Van Iersel Affidavit, there is \$2,129,425 outstanding under the Vancor Note (inclusive of principal and interest).

Vangar Promissory Note

36. As detailed in the Van Iersel Affidavit, Equipment Co is also indebted to Vangar Properties Inc. (“**Vangar**”). Vangar, as lender, and Equipment Co, as borrower, entered into an unsecured promissory note dated May 31, 2023 (the “**Vangar Note**”) pursuant to which Vangar agreed to loan Equipment Co the aggregate principal amount of \$2,200,000 CAD by way of a non-revolving line of credit. The Vangar Note bears interest at 10% per annum. The Vangar Note matured on May 31, 2024, and has not been repaid. As of the date of the Van Iersel Affidavit, there is \$2,218,333.33 outstanding under the Vangar Note (inclusive of principal and interest).

Equipment Financing

37. As discussed above and as detailed in the Van Iersel Affidavit, Equipment Co owns equipment (the “**Production Equipment**”) used in, and critical to the Company’s business. Certain of the Production Equipment was financed by the Company’s packaging equipment supplier, Solid Packaging Robotic Inc. (“**Solid**”).
38. Equipment Co. is currently in arrears with Solid in the amount of \$192,000. As set out in the Van Iersel Affidavit, on July 12, 2024, Solid issued a letter demanding payment of arrears in the amount of \$242,00 (the amount owing at the time) by no later than July 15, 2024. Through funding from Vancor, Equipment Co. made a payment of \$50,000 to Solid on July 16, 2024 with an agreement that the balance would be paid by August 6, 2024.
39. Additionally, the Proposed Monitor understands that Equipment Co has monthly payment obligations to Solid in the amount of \$42,754.64 which are current as of the date of the Van Iersel Affidavit.

Health Canada License

40. As discussed in the Van Iersel Affidavit, on or about September 30, 2023, Galaxie Brands entered into a payment plan with Health Canada for payment of licensing fee arrears. The payment plan contemplates a monthly payment of approximately \$15,000 in respect of these arrears. As of the date of the Van Iersel Affidavit, approximately \$30,481.05 is owing to Health Canada on account of annual licensing fees for 2023.

Excise Tax

41. As of the date of the Van Iersel Affidavit, the Proposed Monitor understands that Galaxie Brands owed approximately \$4.1 million to CRA in respect of unremitted excise tax (the “**Excise Arrears**”). On May 23, 2024, Galaxie Brands received correspondence from CRA requesting that the Company provide evidence that it has sufficient financial resources to conduct its business in a responsible manner, pursuant to the Cannabis Act regulations. This letter required that the Company enter into a payment arrangement satisfactory to the CRA in respect of the Excise Arrears. Galaxie Brands and CRA are in continued discussions regarding a payment plan with respect to the Excise Arrears. The Proposed Monitor understands that as security for Galaxie Brands’ excise tax obligations, the CRA is the beneficiary of a surety bond issued by Trisura Guarantee Insurance Company in the amount of \$535,000.

Harmonized Sales Tax

42. Galaxie Brands is currently approximately \$569,000 in arrears in respect of Harmonized Sales Tax (“**HST**”) remittances to CRA.

Trade Creditors

43. The Debtors have unpaid trade and other unsecured debt accrued in the normal course of business. As of July 31, 2024, the Debtors’ accounts payable balance totalled approximately \$1,994,587. The majority of these other unsecured creditors consist of suppliers, shipping and logistics services companies, and other cannabis licensed producers.

VI. OBJECTIVES OF THE CCAA PROCEEDINGS

44. As discussed in detail in the Van Iersel Affidavit, there is certain oppression remedy litigation involving the Debtors that resulted in a consent order for interim relief (the “**Control Order**”) being granted on April 26, 2024, granting Van Iersel sole authority over the finances and banking of the Debtors. The Control Order also operates to bar Galaxie Brands’ VP Operations, Kenneth Schaller, from directly or indirectly by any means whatsoever taking any steps to deal with the Debtors.
45. The Proposed Monitor understands that the Control Order has been overtaken by a developing insolvency situation and that the Debtors are not able to meet their liabilities when they become due.
46. The primary objectives of the CCAA Proceedings are to:

- (a) stabilize the Debtors' business by providing for a Court-ordered stay of proceedings, the appointment of a Chief Restructuring Officer and ensuring through interim financing that the Company has the necessary funding to continue operations in the near-term; and
- (b) to allow the Debtors' business to be sold as a going concern for the benefit of the Debtors' stakeholders, in a transparent and Court-supervised process conducted and overseen by the Proposed Monitor.

VII. CASH FLOW FORECAST

- 47. The Company, in consultation with the Proposed Monitor, has prepared the Cash Flow Forecast for the purpose of projecting the Company's estimated liquidity needs during the Forecast Period. The Cash Flow Forecast, its accompanying notes, and a report containing the prescribed representations regarding the preparation of the Cash Flow Forecast are attached hereto as **Appendix "B"**.
- 48. The Cash Flow Forecast has been prepared by the Company on a conservative basis using probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast. The Cash Flow Forecast reflects the Company's estimates of receipts and disbursements on a weekly basis over the Forecast Period.
- 49. Below is a summary of the Cash Flow Forecast:

Summary Cash Flow Forecast	
In C\$; unaudited	
	Forecast Period
	August 3, 2024 to
	November 1, 2024
<u>Receipts</u>	
Opening accounts receivable	788,826
New sales	3,214,916
Total receipts	4,003,742
<u>Disbursements</u>	
Production and operating costs	(2,916,226)
Rent and insurance	(175,124)
Payroll and benefits	(810,000)
Excise taxes	(1,048,708)
Sales taxes	(112,705)
Professional fees	(988,750)
Total disbursements	(6,051,512)
Net operating cash flow	(2,047,770)
<u>Cash roll</u>	
Opening cash balance	654,011
Net operating cash flow	(2,047,770)
Interim financing	-
Closing cash balance	(1,393,759)

50. As set out above, the Company had a cash balance of approximately \$0.7 million as of August 3, 2024.
51. The Cash Flow Forecast projects that the Company will experience a net operating cash outflow of approximately \$2.0 million over the Forecast Period (prior to any interim financing), comprised of:
- (a) cash receipts of approximately \$4.0 million, primarily related to the collection of existing accounts receivable, and new sales generated during the Forecast Period; and
 - (b) cash disbursements of approximately \$6.0 million, primarily related to operating expenses, rent, payroll and benefits, excise taxes, HST, and the professional fees and expenses associated with the CCAA Proceedings.
52. The Cash Flow Forecast projects that the Company will require additional funding in the amount of approximately \$1.4 million in order to continue to operate during the Forecast Period beyond the week ending August 16, 2024. The Proposed Monitor understands that Vancor is prepared to provide the Debtors with interim financing in the CCAA Proceedings and that arrangements are being made to secure the necessary interim financing with a view to having the interim financing agreement approved at the Comeback Motion.

VIII. RELIEF SOUGHT IN THE INITIAL ORDER

Appointment of a CRO

53. As outlined in the Van Iersel Affidavit, the Applicant is of the belief that the appointment of a Chief Restructuring Officer is necessary in order to bring stability and independent perspective to the Company's operations. Shawn Dym is being proposed as Chief Restructuring Officer (the "**Proposed CRO**") and the Proposed Monitor understands that Mr. Dym has the requisite knowledge of and expertise in the cannabis industry and is well positioned to assist the Company, in consultation with the Proposed Monitor, throughout the CCAA Proceedings.
54. The powers and obligations of the Proposed CRO are as set out in an engagement letter between the Debtors and the Proposed CRO dated August 2, 2024 (the "**CRO Agreement**"), a redacted copy of which (with fee information redacted) is attached hereto as **Appendix "C"**, and an unredacted copy of which is attached hereto as **Confidential Appendix "A"**. The following is a summary of the powers and obligations of the proposed CRO:
- (a) Upon the issuance of the proposed Initial Order, the Proposed CRO shall perform such supervisory and reporting services as the Proposed CRO, in consultation with the Proposed

Monitor, deems advisable, including receiving and reviewing information from the Company and the Proposed Monitor and other professionals involved in the CCAA Proceedings regarding the business and affairs of the Company;

- (b) Upon the issuance by the Court of an Amended and Restated Initial Order (the “**ARIO**”) in the CCAA Proceedings, the services provided by the Proposed CRO shall be expanded to include the following, which shall be performed in consultation with the Proposed Monitor:
- (i) assisting the Company in managing and providing information to, and serving as a contact with, the Company’s stakeholders;
 - (ii) retaining such further advisors and executing such further retainer agreements, directions, documents or instruments as may be deemed necessary or advisable by the Proposed CRO, after consultation with the Proposed Monitor, in connection with the Company’s restructuring;
 - (iii) taking any and all actions and steps to manage, operate and carry on the business of the Company, including actions or steps that the Proposed CRO considers necessary or desirable to proceed with a restructuring of the Company’s business;
 - (iv) receiving, collecting and exercising control over all monies and accounts held by or owing to the Company, and exercising all remedies of the Company in collecting monies owed or hereafter owing to the Company to enforce any security held by the Company;
 - (v) executing, assigning, issuing and endorsing agreements and documents of whatever nature in respect of any of the Company property for any purpose pursuant to the CRO Agreement or the ARIO;
 - (vi) assisting with the sale and investment solicitation process to be conducted by the Proposed Monitor in connection with the CCAA Proceedings;
 - (vii) exercising any rights or powers granted by the ARIO or taking any steps required to be taken by the Company under the ARIO or any order of the Court in connection with the CCAA Proceedings;
 - (viii) assisting the Company in dealing with the administration of financing, dealing with any insolvency related claims, and other applicable matters within the CCAA Proceedings;

- (ix) overseeing and participating in the Company's management and executive team; and
- (x) performing such other duties or services or taking such other steps as are reasonably incidental to the exercise of the foregoing activities, or are directed by the Proposed Monitor, subject to the terms of the Initial Order or the ARIO, as applicable.

55. The Proposed Monitor has reviewed the CRO Agreement and is supportive of the appointment of the Proposed CRO.
56. Due to the current management disputes within the Debtors that are provisionally addressed by the Control Order and the regulatory restrictions on Van Iersel undertaking any management functions of the Debtors, the Applicant believes that it is appropriate for the Monitor to execute the CRO Agreement, on behalf of the Debtors, should the Court grant an order appointing the Monitor and authorizing it to do so. Should the Proposed Monitor be appointed as Monitor, and should the Court authorize the Monitor to execute the CRO Agreement on behalf of the Debtors, the Monitor intends to do so immediately.
57. The Applicant is requesting that the CRO Agreement be sealed to protect the commercial sensitivity of the fees being charged by the Proposed CRO. The Proposed Monitor agrees that the CRO's compensation under the CRO Agreement is commercially sensitive and supports the Applicant's request for a sealing order with respect to Confidential Appendix "A". In the Proposed Monitor's view, the redactions are sufficiently limited, and restricted to only the commercially sensitive information in the CRO Agreement, that the requested sealing order is appropriate in the circumstances.

Payment of Pre-Filing Amounts

58. The proposed Initial Order contemplates authorizing the Debtors to make payments in respect of certain pre-filing expenses including to Health Canada in respect of annual licensing fees and to Solid in respect of equipment finance payments, if the Debtors determine, in consultation with the Monitor, that these payments are necessary in order to ensure the uninterrupted operation of the Debtors' business.
59. The Proposed Monitor considers the authority to pay pre-filing amounts to be an extraordinary remedy in CCAA proceedings, subject to the Court's discretion to permit them where payment of such amounts is necessary for the efficient and effective conduct of a CCAA process. In this case,

the pre-filing expenses for which authorization to pay is sought appear to the Proposed Monitor to be reasonable, necessary for the uninterrupted operations of the Debtors, and of a reasonable amount that the authorization sought by the Applicants ought to be granted. The Proposed Monitor also notes that pre-filing payments are only authorized to be made to arm's length parties, and that any such payments can only be made in consultation with the Monitor, and, if appointed, the Monitor will carefully consider the necessity and reasonableness of such payments.

Administration Charge

60. The proposed Initial Order provides for a super-priority charge for the 10-day period prior to the Comeback Motion on all of the Property (as defined in the proposed Initial Order) of the Debtors, up to a maximum amount of \$250,000, to secure the fees and disbursements of counsel to the Applicant, and the CRO, KPMG, and each of their counsel, incurred both before and after the commencement of the CCAA Proceedings (the "**Administration Charge**").
61. As discussed further below, the Proposed Monitor understands that the Applicant will be seeking to increase the Administration Charge to \$750,000 at the Comeback Motion.
62. The Proposed Monitor believes that the Administration Charge is reasonable and appropriate in the circumstances, having considered, among other things:
 - (a) the work completed to date in preparation for the CCAA Proceedings by the professionals involved has been material and no payments have been issued to date;
 - (b) the quantum of the proposed Administration Charge is comparable to other insolvency proceedings, and has been determined in consultation with the Proposed Monitor, taking into account the expected future professional costs and cadence of payment of invoices; and
 - (c) the quantum of the proposed Administration Charge is limited to an amount necessary to ensure that the beneficiaries of the Administration Charge have adequate protection to the date of the Comeback Motion.

IX. COMEBACK MOTION

63. Should the Court grant the proposed Initial Order, the Proposed Monitor understands that the Applicant intends to return to the Court on or before August 16, 2024 for the Comeback Motion seeking:
 - (a) an extension of the stay of proceedings established by the proposed Initial Order;

- (b) approval of an interim financing facility to be provided by Vancor to the Debtors in order to fund the Debtors' projected cash flow requirements, and a corresponding charge to secure advances made to the Debtors in respect of interim financing during the CCAA Proceedings;
- (c) approval of a sale and investor solicitation process with a stalking horse bid component;
- (d) an increase to the quantum of the Administration Charge to \$750,000; and
- (e) any other relief as may be required to advance the Debtors' restructuring.

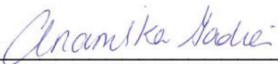
X. PROPOSED MONITOR'S CONCLUSION AND RECOMMENDATIONS

- 64. For the reasons set out in this Pre-Filing Report, the Proposed Monitor is of the view that the relief requested by the Applicant is both appropriate and reasonable. The Proposed Monitor is also of the view that granting the relief requested will provide the Debtors the best opportunity to undertake a going concern sale or otherwise restructure under the CCAA, thereby preserving value for the benefit of the Debtors' stakeholders.
- 65. As such, the Proposed Monitor supports the Applicant's application for CCAA protection in respect of the Debtors and respectfully recommends that the Court grant the relief sought by the Applicant in the proposed Initial Order.


All of which is respectfully submitted this 4th day of August, 2024.

KPMG Inc.
In its capacity as Proposed Monitor of
1000370759 Ontario Inc. and
Galaxie Brands Corporation
and not in its personal or corporate capacity

Per:



Anamika Gadia
Senior Vice-President



George Bourikas, CIRP, LIT
Vice-President

Appendix “A”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, C. C-36, AS AMENDED

B E T W E E N:

THE VANCOR GROUP INC.

Applicant

and

1000370759 ONTARIO INC. AND GALAXIE BRANDS CORPORATION

Respondents

CONSENT

KPMG Inc. hereby consents to act as the Court-appointed Monitor in this proceeding should an Initial Order be granted by the Court.

Dated at Toronto this 2nd day of August, 2024

KPMG INC.

Per: 

Name: George Bourikas

Title: Vice President

I/We have the authority to bind the corporation

Appendix “B”

Cash Flow Forecast ⁽¹⁾															
In C\$; unaudited															
CCAA Week		1	2	3	4	5	6	7	8	9	10	11	12	13	
Week Ending	Notes	9-Aug-24	16-Aug-24	23-Aug-24	30-Aug-24	6-Sep-24	13-Sep-24	20-Sep-24	27-Sep-24	4-Oct-24	11-Oct-24	18-Oct-24	25-Oct-24	1-Nov-24	Total
Receipts															
Opening accounts receivable	2	140,537	249,074	96,612	213,301	89,301	-	-	-	-	-	-	-	-	788,826
New sales	3	-	-	-	-	357,213	357,213	357,213	357,213	357,213	357,213	357,213	357,213	357,213	3,214,916
Total receipts		140,537	249,074	96,612	213,301	446,514	357,213	357,213	357,213	357,213	357,213	357,213	357,213	357,213	4,003,742
Disbursements															
Production and operating costs	4	(387,000)	(237,755)	(195,000)	(225,481)	(195,000)	(195,000)	(237,755)	(195,000)	(210,241)	(195,000)	(237,755)	(195,000)	(210,241)	(2,916,226)
Rent and insurance	5	-	-	-	-	(58,375)	-	-	-	(58,375)	-	-	-	(58,375)	(175,124)
Payroll and benefits	6	-	(135,000)	-	(135,000)	-	(135,000)	-	(135,000)	-	(135,000)	-	(135,000)	-	(810,000)
Excise taxes	7	-	-	-	-	-	-	-	-	(476,685)	-	-	-	(572,022)	(1,048,708)
Sales taxes	8	-	-	-	(80,000)	-	-	-	-	-	-	-	-	(32,705)	(112,705)
Professional fees	9	(214,700)	-	(175,150)	(28,250)	(96,050)	-	(107,350)	(28,250)	(96,050)	-	(118,650)	-	(124,300)	(988,750)
Total disbursements		(601,700)	(372,755)	(370,150)	(468,731)	(349,425)	(330,000)	(345,105)	(358,250)	(841,350)	(330,000)	(356,405)	(330,000)	(997,642)	(6,051,512)
Net operating cash flow		(461,163)	(123,681)	(273,538)	(255,430)	97,090	27,213	12,108	(1,037)	(484,137)	27,213	808	27,213	(640,429)	(2,047,770)
Opening cash															
Net operating cash flow		654,011	192,848	69,167	(204,370)	(459,800)	(362,710)	(335,497)	(323,389)	(324,426)	(808,564)	(781,351)	(780,543)	(753,330)	654,011
Interim financing	10	(461,163)	(123,681)	(273,538)	(255,430)	97,090	27,213	12,108	(1,037)	(484,137)	27,213	808	27,213	(640,429)	(2,047,770)
Ending cash		192,848	69,167	(204,370)	(459,800)	(362,710)	(335,497)	(323,389)	(324,426)	(808,564)	(781,351)	(780,543)	(753,330)	(1,393,759)	(1,393,759)

13-Week Cash Flow Forecast Notes and Summary of Assumptions

In the matter of a Plan of Compromise or Arrangement of 1000370759 Ontario Inc. and Galaxie Brands Corporation (collectively the “Debtors” or the “Company”)

Disclaimer

Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast Period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty, or other assurance that any of the estimates, forecasts or projections will be realized.

The Cash Flow Forecast is presented in Canadian dollars. All defined terms that are not otherwise defined herein are to have the same meaning ascribed to them in the report of the Proposed Monitor dated August 4, 2024.

Note 1 Purpose of the Cash Flow Forecast

The purpose of the Cash Flow Forecast is to present the estimated cash receipts and disbursements of the Debtors for the period from August 3, 2024 to November 1, 2024 (the “**Forecast Period**”). The Cash Flow Forecast has been prepared by the Debtors, in consultation with the Proposed Monitor. Readers are cautioned that this information may not be appropriate or relied upon for any other purpose.

Note 2 Accounts Receivable

Current accounts receivable are forecast to be collected based on the payment terms for individual customers. Overdue accounts receivable are forecast to be collected based on management’s best estimate of when these customers may pay.

Note 3 Sales

Sales are based on the Debtors latest sales forecast by customer and forecast sales to be collected based on the payment terms for individual customers.

Note 4 Production and Operating Costs

Production and operating costs include, but are not limited to, inventory purchases and production costs, including certain critical vendor payments.

Note 5 Rent and Insurance

Rent and insurance expenses are forecast based on current rent levels and are paid monthly.

Note 6 Payroll and Benefits

Payroll expenses include salaries and wages, payroll taxes and remittances, and employee benefits paid to the Debtors' employees. Payroll expenses are forecast based on current headcount levels and are paid bi-weekly.

Note 7 Excise Taxes

Excise taxes are amounts accrued or collected after the date of the proposed Initial Order.

Note 8 Sales Taxes

Sales taxes are amounts accrued or collected after the date of the proposed Initial Order, or where such sales taxes were accrued or collected prior to date of the proposed Initial Order but not required to be remitted until on or after the date of the proposed Initial Order.

Note 9 Professional Fees

Includes professional fees and disbursements of counsel to the Applicant, and the CRO and KPMG, and each of their counsel, incurred prior to or during the CCAA Proceedings.

Note 10 DIP Financing

As discussed in the Van Iersel Affidavit, if the proposed Initial Order is granted at the Comeback Motion, Vancor intends to seek an amended and restated Initial Order, approving interim financing in order to fund the CCAA Proceedings. The Cash Flow Forecast does not reflect the interim financing arrangements which are still being finalized.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C.1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 1000370759
ONTARIO INC. AND GALAXIE BRANDS CORPORATION**

(collectively the "Debtors" or the "Company")

**MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)**

The management of the Debtors have developed the assumptions and prepared the attached statement of projected cash flow as of the 2nd day of August 2024, consisting of the period from August 3, 2024, to November 1, 2024 (the '**Cash Flow Forecast**').

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow Forecast described in the notes therein, and the probable assumptions are suitably supported and consistent with the plans of the Debtors and provide a reasonable basis for the Cash Flow Forecast. All such assumptions are disclosed in the notes therein.

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

The Cash Flow Forecast has been prepared solely for the purpose described in the notes therein, using the probable and hypothetical assumptions set out therein. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Dated at Kitchener, in the Province of Ontario, this 2nd day of August 2024.

1000370759 Ontario Inc. and Galaxie Brands Corporation



Shantel Rodriguez
Controller

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C.1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
1000370759 ONTARIO INC. AND GALAXIE BRANDS CORPORATION**

(collectively the “Debtors” or the “Company”)

**MONITOR’S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)**

The attached statement of projected cash flow of the Debtors prepared as of the 2nd day of August 2024, consisting of the period from August 3, 2024 to November 1, 2024 (the “**Cash Flow Forecast**”), has been prepared by management of the Debtors, in consultation with the Monitor for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast.

Our review and consultation consisted of inquiries, analytical procedures and discussions related to information supplied by management and employees of the Debtors. 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 Cash Flow Forecast. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow Forecast.

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 Cash Flow Forecast;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Debtors or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
- c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the Cash Flow Forecast 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 Cash Flow Forecast will be achieved.

The Cash Flow Forecast has been prepared solely for the purpose described in the notes thereto and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, in the Province of Ontario, this 4th day of August 2024.

KPMG Inc.
In its capacity as Proposed Monitor of
1000370759 Ontario Inc. and Galaxie Brands Corporation
And not in its personal or corporate capacity



George Bourikas
Vice President

Appendix “C”

August 2, 2024

Private and Confidential

KPMG Inc., in its capacity as proposed Monitor of:

**1000370759 Ontario Inc. and
Galaxie Brands Corporation**
780 Concession 8 West
Puslinch Ontario N0B 2J0

Attention: Anamika Gadia / George Bourikas

Re: Engagement Letter – Chief Restructuring Officer of 1000370759 Ontario Inc. and Galaxie Brands Corporation

This letter agreement (this “**Agreement**”) confirms and sets forth the terms and conditions of the engagement of the undersigned by 1000370759 Ontario Inc. and Galaxie Brands Corporation (collectively, the “**Companies**”), to act as Chief Restructuring Officer (the “**CRO**”) of the Companies in connection with the proceedings commenced in respect of the Companies under the *Companies’ Creditors Arrangement Act*, R.S.C., 1986, c. C-36 (the “**CCAA Proceedings**”). This letter is addressed to KPMG Inc. in its capacity as proposed monitor of the Companies in the CCAA Proceedings (in such capacity, the “**Monitor**”).

1. Scope of Engagement. On the terms and subject to the conditions of this Agreement, the Companies hereby engage Shawn Dym to act as CRO of the Companies, such appointment to be approved and authorized by order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The services provided by the CRO shall be limited for the initial 10-day period following the Initial Order, and then shall be expanded, as follows:

- (a) Upon the issuance of the Initial Order, the CRO shall perform such supervisory and reporting services as the CRO, in consultation with the Monitor, deems advisable, including receiving and reviewing information from the Companies and the Monitor and other professionals involved in the CCAA Proceedings regarding the business and affairs of the Companies;
- (b) Upon the issuance by the Court of an Amended and Restated Initial Order (the “**ARIO**”) in the CCAA Proceedings, the services provided by the CRO shall be expanded to include the following, which shall be performed in consultation with the Monitor:
 - i. assisting the Companies in managing and providing information to, and serving as a contact with, the Companies’ stakeholders;
 - ii. retaining such further advisors and executing such further retainer agreements, directions, documents or instruments as may be deemed necessary or advisable by the CRO, after consultation with the Monitor, in connection with the Companies’ restructuring;
 - iii. taking any and all actions and steps to manage, operate and carry on the business of the Companies, including actions or steps that the CRO considers necessary or

desirable to proceed with a restructuring of the Companies' business and including, without limitation:

- A. terminating the employment of, or temporarily laying off employees of the Companies;
 - B. settling, extending or compromising any indebtedness owing to or by the Companies;
 - C. purchasing or leasing machinery, equipment, inventories, supplies, premises or other assets to continue the Companies' business, or any part or parts thereof;
 - D. initiating, prosecuting and continuing the prosecution of any and all proceedings and defending all proceedings now pending or hereafter instituted with respect to the Companies, their business and/or property, and to settle or compromise any such proceeding;
 - E. applying for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and in the name of the Companies;
 - F. taking any and all corporate governance actions for the Companies; and
 - G. providing instruction and direction to the advisors of the Companies;
- i. receiving, collecting and exercising control over all monies and accounts held by or owing to the Companies, and exercising all remedies of the Companies in collecting monies owed or hereafter owing to the Companies to enforce any security held by the Companies;
 - ii. executing, assigning, issuing and endorsing agreements and documents of whatever nature in respect of any of the Companies' property for any purpose pursuant to this Agreement or the ARIO;
 - iii. assisting with the sale and investment solicitation process to be conducted by the Monitor in connection with the CCAA Proceedings;
 - iv. exercising any rights or powers granted by the ARIO or taking any steps required to be taken by the Companies under the ARIO or any order of the Court in connection with the CCAA Proceedings;
 - v. assisting the Companies in dealing with the administration of financing, dealing with any insolvency related claims, and other applicable matters within the CCAA Proceedings;

- vi. overseeing and participating in the Companies' management and executive team; and
- vii. performing such other duties or services or taking such other steps as are reasonably incidental to the exercise of the foregoing activities, or are directed by the Monitor, subject to the terms of the Initial Order or the ARIO, as applicable.

2. **Term.** This Agreement shall commence on the date hereof and may be terminated: (a) by the CRO, at the sole discretion of the CRO, upon no less than 10 days written notice to the Companies; and (b) by the Monitor, (i) on no less than [30] days written notice to the CRO, provided that such notice cannot be given until the 60th day following the issuance of the ARIO, or (ii) if the Company emerges from the CCAA Proceedings. Upon termination of the Agreement, the Monitor, on behalf of the Companies, shall promptly remit any fees and expenses due to the CRO for services as set out in Section 3 provided up to and including the effective date of termination (including fees and expenses that were accrued prior to, but invoiced subsequent to, the effective date of termination). The provisions of this Agreement that expressly state that they are to continue in effect after the termination of this Agreement, or which by their nature would survive the termination of this Agreement shall survive and continue to bind the parties.

3. **Compensation.** The CRO shall be entitled to receive the following compensation:

- (a) [REDACTED] immediately upon the issuance of the Initial Order;
- (b) [REDACTED] immediately upon the issuance of the ARIO; and
- (c) [REDACTED] every thirty (30) days thereafter until the termination of the CCAA Proceedings and discharge of the Monitor; provided that the payments described in this Section 3(c) shall continue for at least a period of 90 days;

plus applicable taxes and out-of-pocket expenses reasonably incurred in connection with or arising out of its activities under or contemplated by this Agreement. Out-of-pocket expenses shall include, but not be limited to, fees, disbursements and other charges associated with the CRO's reasonable travel and lodging expenses, reasonable legal services provided to the CRO (if any), and other necessary expenses. The foregoing costs and expenses shall be funded by the interim financing facility established by The Vancor Group Inc. in the CCAA Proceedings.

4. **Contractor Relationship.** During the performance of this Agreement, the CRO shall be an independent contractor and not an agent or employee of the Companies. The CRO's engagement shall be on a non-exclusive basis.

5. **Covenants.** The Monitor, on behalf of the Companies, shall, to the extent that its powers and duties under the *Companies' Creditors Arrangement Act* and any Orders of the Court enable it to do so (including any Order of the Court approving this Agreement), use commercially reasonable efforts to:

- (a) provide the CRO with access to management and other representatives of the Companies;

- (b) provide the CRO with access to all facilities of the Companies; and
- (c) furnish all books and records, data, material and other information concerning the business, assets, liabilities, operations, cash flows, properties, financial condition and prospects of the Companies that the CRO may reasonably request in connection with its services as CRO.

6. **Information Access and Forward-Looking Statement.** The CRO shall rely, without further independent verification, on the accuracy and completeness of all publicly available information and information that is furnished to the CRO by or on behalf of the Companies, or otherwise reviewed by the CRO in connection with the services performed for the Companies. The Companies acknowledge and agree that the CRO shall not be responsible for the accuracy, completeness, or inaccuracies or omissions contained therein. The CRO shall be under no obligation to update or correct the data submitted to the CRO, or to review any other areas unless specifically requested to do so. The Companies acknowledge that the services to be rendered by the CRO may include the review and preparation of projections and other forward-looking statements. Numerous factors may affect the actual results of the Companies' operations, which may materially and adversely differ from those projections. Accordingly, the CRO shall not be responsible for any discrepancies between the projected and actual results, nor for any adverse effects that may arise from such differences.

7. **Confidentiality.** The CRO agrees to maintain the confidentiality of all non-public, proprietary, or confidential information disclosed by or on behalf of the Companies, using such information solely for performing duties under this Agreement, and not disclosing it to any third party without the Companies' prior written consent, except as required by law. This obligation excludes information that is or becomes publicly available through no fault of the CRO, was known to the CRO prior to disclosure, or is disclosed with the Companies' approval.

8. **Limitation of Duties.** The CRO does not, and shall not be obligated to, make any representation or guarantee, including that: (a) an appropriate restructuring proposal or strategic alternative can be formulated for the Companies; (b) any restructuring proposal or strategic alternative will be more successful than all other possible restructuring proposals or strategic alternatives; (c) a restructuring is the best course of action for the Companies; or (d) any proposed restructuring plan or strategic alternative will be accepted by any of the Companies' creditors or other stakeholders, or approved by the Court. Further, the CRO shall not assume any responsibility for the Company's decision to pursue, or not pursue any business strategy, or to effect, or not to effect any transaction.

9. **No Audit.** The Companies acknowledge and agree that the CRO is not being requested to perform an audit, review or compilation, or any other type of financial statement reporting engagement that is subject to the rules of the Ontario Securities Commission, the Securities Exchange Commission, or other provincial, state or national professional or regulatory body.

10. **No Third-Party Beneficiary.** The Companies acknowledge that all advice (written or oral) provided by the CRO to the Companies in connection with this Agreement is intended solely for the benefit and use of the Companies in considering the matters to which this Agreement relates. The Companies may choose to reproduce, disseminate, quote or refer to such information as it wishes, in

its sole and absolute discretion, provided that in no event may such information be attributed to the CRO.

11. **Indemnification / Limitation of Liability**. The CRO shall not incur liability for any acts or omissions in its capacity as CRO related to the performance or non-performance of the services described herein, provided that such actions or omissions are not carried out in a manner that is grossly negligent and/or the result of willful misconduct.

The Companies shall indemnify and hold harmless the CRO for any and all costs, claims, charges, expenses and liabilities of any nature whatsoever incurred in Mr. Dym's capacity as CRO or that may arise as a result of any matter directly or indirectly relating to or pertaining to this Agreement (the "**CRO Liabilities**") to the same extent as the most favorable indemnification they extend to their officers or directors, whether under the Companies' bylaws, articles, by contract or otherwise, and no reduction or termination in any of the benefits provided under any such indemnities shall affect the benefits provided herein. The provisions of this section are in the nature of contractual obligations and no change in applicable law or the Companies' charter, bylaws or other organizational documents or policies shall affect the rights of the CRO hereunder. The CRO Liabilities set forth herein shall have the protection provided by the Administration Charge in the Initial Order.

In the context of the CCAA Proceedings, the Companies shall seek, as part of any sale approval order, a full and final release of the CRO from all potentially affected parties, which release shall be consistent with the terms of other releases sought for professionals in respect of the insolvency proceedings. The Companies shall use best efforts to obtain such approval by the court.

The CRO hereby agrees and acknowledges that the Monitor is entering into this agreement on behalf of the Companies, pursuant to its authority under the Initial Order, and solely in its capacity as Court-appointed Monitor. KPMG INC. shall accordingly not incur liability for any acts or omissions in its personal or corporate capacity related to the performance or non-performance of its obligations herein.

12. **Miscellaneous**. This Agreement:

- (a) shall be governed and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without giving effect to such Province's rules concerning conflicts of laws that might provide for any other choice of law;
- (b) constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, whether oral or written;
- (c) may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and a signed copy of this Agreement delivered by email, or other electronic means, shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement. The parties agree that electronic signatures shall be accepted and shall have the same force and effect as original signatures; and
- (d) may not be amended or modified except in writing executed by each of the parties hereto.

If the foregoing is acceptable to you, kindly sign below to acknowledge your agreement with its terms.

Yours truly,

Signed by: 
63CE4BEB98204EF...
SHAWN DY M

Accepted on the date first written above by:

**KPMG INC. in its capacity as court-appointed
Monitor of 1000370759 Ontario Inc. and
Galaxie Brands Corporation and not in its
personal or corporate capacities**

Per: _____
Name: George Bourikas
Title: Authorized Signatory

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
THE VANCOR GROUP INC. and 1000370759 ONTARIO INC. AND GALAXIE BRANDS CORPORATION

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding Commenced at Toronto

**PRE-FILING REPORT OF THE PROPOSED
MONITOR
dated August 4, 2024**

BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
199 Bay Street
Suite 4000, Commerce Court West
Toronto, Ontario M5L 1A9

Chris Burr, LSO #55172H
Tel: 416-863-3261
Email: chris.burr@blakes.com

Lawyers for the Proposed Monitor