

C A N A D A

SUPERIOR COURT
(Commercial Division)

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

N° : 500-11-

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

MOTOVAN CORPORATION

- and -

MOTORCYCLE TIRES AND ACCESSORIES LLC

Applicants

- and-

KPMG INC.

Proposed Monitor

**AMENDED PRE-FILING REPORT OF THE PROPOSED
MONITOR**

(Companies' Creditors Arrangement Act, R.S.C. 1985, C. C-36, As Amended)

NOVEMBER 29, 2019

CONTENTS

A. Introduction	3
B. Restrictions and Scope Limitations.....	4
C. KPMG’s Qualifications to act as Monitor.....	4
D. Background Information and Overview of the Applicants’ Restructuring Efforts to Date	5
E. The Proposed Monitor’s Activity to Date.....	10
F. Cash Management System	11
G. Cash Flow Forecasts.....	11
H. Proposed Monitor’s Assessment of the Cash Flow Forecasts	13
I. Court Ordered Charges Sought in the Proposed Initial Order	14
J. US Court CCAA Recognition.....	15
K. SISP (Motovan).....	15
L. The Proposed Monitor’s Preliminary Observations.....	16

APPENDIX

Appendix A - Motovan Cash Flow Forecast & MTA Cash Flow Forecast

A. INTRODUCTION

1. KPMG Inc. (“**KPMG**” or the “**Proposed Monitor**”) has taken cognizance of an application (the “**Motion**”) filed on November 28, 2019, by Motovan Corporation (“**Motovan**”) and Motorcycle Tires and Accessories LLC (“**MTA**”, and collectively with Motovan, the “**Companies**” or the “**Applicants**”) in the Quebec Superior Court (the “**Court**”) under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (as amended, the “**CCAA**”), seeking, *inter alia*, the issuance of an Initial Order granting the Companies protection under the CCAA and the granting of certain priority charges, namely an administration charge and a directors and officers' charge (the “**Proposed Initial Order**”) .
2. The purpose of this report (the “**Report**”) is to provide the following information to this Court:
 - a) The terms and reference and disclaimer for the Report (section **B**);
 - b) KPMG’s qualifications to act as Monitor (section **C**);
 - c) Background information and an overview of the Applicants’ restructuring efforts to date (section **D**);
 - d) The Proposed Monitor’s activity to date (section **E**);
 - e) Cash Management System (section **F**);
 - f) Overview of the amended cash flow projections for Motovan (the “**Motovan Cash Flow Forecast**”) and the cash flow projections for MTA (the “**MTA Cash Flow Forecast**” and collectively with the Motovan Cash Flow Forecast the “**Cash Flow Forecasts**”) for the 13-week period from November 17, 2019, to February 15, 2020 (the “**Cash Flow Period**”) (section **G**);
 - g) The Proposed Monitor’s assessment of the Cash Flow Forecasts (section **H**);
 - h) The Proposed Monitor’s position on the proposed court-ordered sought by the Companies in the Motion (section **I**), namely:
 - i. The Administrative Charge (the “**Admin Charge**”); and
 - ii. The Directors’ and Officers’ Charge (the “**D&O Charge**”).
 - i) The Applicant’s intention to potentially request the recognition of the CCAA proceedings (the “**CCAA Proceedings**”) and the terms of the Initial Order to be sought from a court of competent jurisdiction in the United States of America (the “**US Court**”) exercising authority under Chapter 15 of the United States Bankruptcy Code (the “**Chapter 15 Proceedings**”) (section **J**).
 - j) The Applicants’ intention to finalize the documentation required with a view to implement a Sale and Investment Solicitation Process (the “**SISP**”) in connection with its Canadian business and assets (Motovan) within the initial period of ten (10) days of the Proposed Initial Order (section **K**);
 - k) The Proposed Monitor’s preliminary observations regarding the Applicants’ request for relief as sought in the Motion (section **L**).

3. A more detailed description of the business operations of the Companies and background of its restructuring efforts to date is provided in the Motion. Certain information in respect of the Companies is summarized below.

B. RESTRICTIONS AND SCOPE LIMITATIONS

4. In preparing this Report, the Proposed Monitor has been provided with and has relied upon unaudited financial information, books and records prepared by certain senior management of the Applicants (“**Senior Management**”), and discussions with Senior Management (collectively, the “**Information**”). Except as further described in this Report:
 - a) 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 Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* and accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
 - b) Some of the information referred to in this Report consists of financial forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
5. Future oriented financial information referred to in this Report was prepared based on Senior Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections. Even if the assumptions materialize, the variations could be significant.
6. The information contained in this Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Applicants.
7. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars, which is the Applicant’s common Reporting currency.

C. KPMG’S QUALIFICATIONS TO ACT AS MONITOR

8. KPMG is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada).
9. At no time during the preceding two years has KPMG been:
 - a) A director, officer or employee of the Applicants;
 - b) Related to the Applicants or to any former director or officer of the Applicants; or
 - c) The Applicants’ auditor, accountant or legal counsel, or a partner or employee of the auditor, accountant or legal counsel of the Applicants.

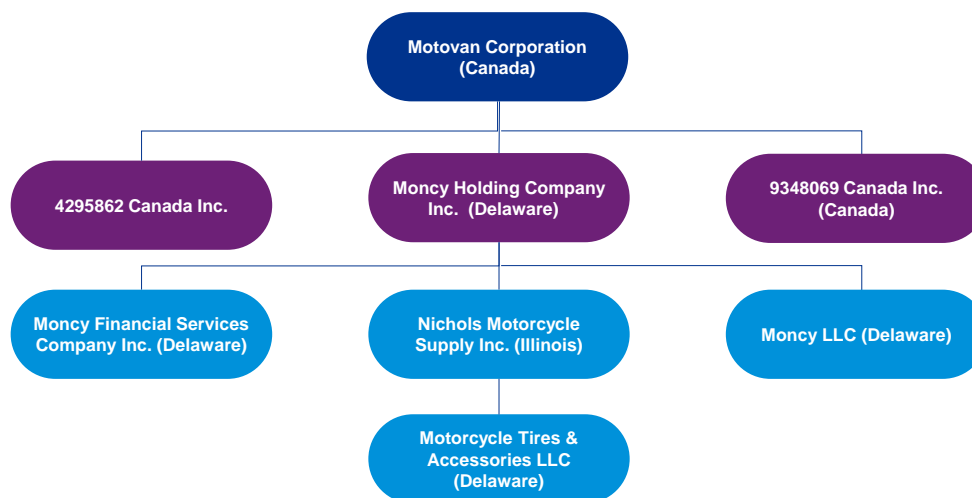
10. Moreover, KPMG is not a trustee under a trust indenture issued by the Applicants or any person related to the Applicants, and is not a holder of a power of attorney granted by the Applicants or by any person related to the Applicants. KPMG is not related to a trustee or holder of a power of attorney noted above.
11. Therefore, KPMG is qualified to act as Monitor and there is no restriction on KPMG being appointed Monitor in these CCAA proceedings.
12. KPMG is a wholly owned subsidiary of KPMG LLP, a Canadian professional services firm providing, among other things, audit, tax and advisory services. KPMG LLP is the Canadian member firm of KPMG International Co-operative, a Swiss entity. The senior KPMG professional personnel with the carriage of this matter includes experienced insolvency and restructuring practitioners, including Chartered Accountants, Chartered Insolvency and Restructuring Professionals and/or Licensed Insolvency Trustees (Canada), who have acted in restructurings and CCAA matters of a similar nature and scale in Ontario, Quebec and other provinces in Canada.
13. KPMG is familiar with the Companies, their management team and their stakeholders. KPMG has provided restructuring consulting services and has assisted the Applicants in preparing for a CCAA filing. Given KPMG's qualifications and background knowledge of the business and financial status of the Applicants, the Applicants have requested that KPMG act as Monitor.
14. KPMG's team has extensive experience acting as monitor under CCAA proceedings in a wide variety of industries, including specifically in the manufacturing and distributing sector.
15. The Proposed Monitor has retained Luc Morin of Norton Rose Fulbright Canada LLP ("**Norton Rose Fulbright**") to act as its independent counsel for the CCAA Proceedings and Jeremy W. Ryan of Potter Anderson Corron LLP ("**Potter Anderson Corron**") for the Chapter 15 Proceedings.
16. KPMG has consented to act as Monitor of the Applicants should this Honourable Court grant the Applicants' Motion.

D. BACKGROUND INFORMATION AND OVERVIEW OF THE APPLICANTS' RESTRUCTURING EFFORTS TO DATE

Corporate Structure

17. Motovan is incorporated pursuant to the *Canada Business Corporations Act* and MTA is incorporated pursuant to *Delaware General Corporate Law*.
18. Motovan is a family business owned by Gestion Famille Paladino Inc.
19. The Applicants are operated on a consolidated basis and have the same management team. The sole directors of the Applicants are James Paladino and Carlos Paladino, who are also the sole shareholders of Gestion Famille Paladino Inc., ultimate shareholders of the Motovan Group.

20. The following corporate chart summarizes the Applicants' corporate structure:



Operations & Employees

21. Motovan's head office is located in 1100, René-Lévesque Blvd. West, suite 2500, Montréal, Québec, with offices and distribution centre in Boucherville, Québec, where approximately 60 full time and part-time employees are working (the "**Canadian Operations**"). Motovan is currently in the process of closing its Edmonton, Alberta distribution centre as part of its restructuring efforts. Motovan also had an office in London, Ontario, with two (2) employees. Motovan is also in the process of closing the London office and the employees will be working from home.
22. MTA operates with major distribution centres in New York, South Carolina, Louisiana, California and Ohio. At the date of this Report, only the Louisiana, California and Ohio distribution centres remain open with approximately 65 full-time employees (the "**US Operations**").
23. Consideration has been given to the appropriate venue for filing purposes. The judicial district of Montreal has been selected and KPMG, as Proposed Monitor, is satisfied that it is appropriate in the circumstances to pursue proceedings in this district, by reason, *inter alia*, of the fact that the principal operating entity, Motovan has its head office in Montreal, and the other circumstances creating a strong nexus warranting such choice. The Applicants' most significant creditors have head offices and/or significant operations in Montreal, where counsel for the principal stakeholders are also located. Moreover, the Proposed Monitor and the Applicants anticipate that the initial filing stage as well as subsequent stages of the restructuring process will entail time-sensitive, complex, multi-party and financially significant decision-making, court filings and court hearings in respect of various relief to be sought, such that the existence and expertise of the dedicated Commercial Division of the Superior Court in the Judicial District of Montreal is essential.
24. Motovan distributes, exports, and manufactures parts and accessories for motorcycles, snowmobiles, MX and All-Terrain Vehicle ("**ATV**") / Utility Task Vehicle across Canada ("**UTV**").

25. In 2015, Motovan acquired MTA through its holding company, Moncy Holding Company Inc. (“**Moncy**”). The acquisition was financed through a short-term loan by Motovan who in return funded the transaction through secured lenders.
26. MTA primarily focused on the distribution of tires and rims for the ATV/UTV market.
27. The Applicants are current in the payment of benefits and vacation pay to their employees. Deductions from employees’ salaries are made, where applicable, and remittances thereof are current. The Applicants do not have any pension plan obligations.

Financial Situation

28. The financial results of Motovan for 2016 to 2019 (9-month year-to-date) and of MTA for 2017 to 2019 (9-month year to date) are summarized as follows:

Motovan Corporation ("MTV") Results					Motorcycle Tires & Accessories ("MTA") Results			
CAD \$'000	YTD FY19 (Internal)	FY18 (Internal)	FY17 (External)	FY16 (External)	USD \$'000	YTD FY19 (Internal)	FY18 (Internal)	FY17 (Internal)
Revenue	43,290	76,688	77,330	83,511	Revenue	37,737	70,755	70,724
Cost of goods sold	32,442	56,254	55,685	58,570	Cost of goods sold	28,970	55,394	52,427
Gross margin	10,848	20,434	21,645	24,941	Gross margin	8,767	15,361	18,297
Salaries	6,729	10,939	8,686	10,186	Salaries	3,771	7,479	6,343
Rent	686	1,374	1,319	1,290	Rent	892	1,347	840
Freight	3,146	4,463	4,533	4,608	Freight	3,194	8,872	5,002
General and admin	2,488	3,159	4,636	5,403	General and admin	1,950	668	8,313
Marketing	1,059	2,008	1,979	1,648	Marketing	247	589	582
Total operating expenses	14,108	21,942	21,154	23,136	Total operating expenses	10,055	18,955	21,080
EBITDA	(3,260)	(1,509)	491	1,805	EBITDA	(1,288)	(3,594)	(2,783)
Depreciation	721	577	372	274	Depreciation	-	88	109
Depreciation - other assets	82	146	181	96	Depreciation - other assets	-	-	2
Interest	1,656	2,295	710	174	Interest	1,089	1,435	1,187
Earnings before taxes	(5,719)	(4,527)	(772)	1,262	Earnings before taxes	(2,377)	(5,117)	(4,081)
Income tax	0	(1,100)	(298)	110	Income tax	-	(36)	723
Net earnings (Net loss)	(5,719)	(3,427)	(474)	1,151	Net earnings (Net loss)	(2,377)	(5,081)	(4,804)

**Financial information for FY16 and FY17 are from Unaudited Financial Statements (Audited only on a consolidation basis). Financial information for FY18 is from Draft Financial Statements and Financial information for YTD FY19 (9-month) is from internal.*

29. Motovan has recorded Net losses during the last two (2) completed fiscal years, FY18 (\$3.4 million) & FY17 (\$474,000) and is on the way to record a Net loss of over \$6 million in its current fiscal year. With the current trend, sales for FY19 would amount to \$58 million which would represent a 25% decrease comparatively to FY18 and a 31% decrease comparatively to FY16.
30. MTA has recorded Net losses since its acquisition by Motovan (FY17) and should be recording a Net loss over \$2.5 million in its current year. With the current trend, sales for FY19 would amount to \$50 million which would represent a 29% decrease comparatively to FY18 and FY17.

31. The Companies' balance sheets as of September 30, 2019, and December 31, 2018, are as follows:

Motovan Corporation ("MTV")			Motorcycle Tires & Accessories ("MTA")		
Balance Sheet			Balance Sheet		
	31-Dec-18	30-Sep-19		31-Dec-18	30-Sep-19
CAD '000	<i>(Internal)</i>	<i>(Internal)</i>	USD '000	<i>(Internal)</i>	<i>(Internal)</i>
Assets			Assets		
Cash	2,162	355	Cash	679	272
Accounts receivable	17,256	6,794	Accounts receivable	6 621	3 711
Inventory	28,112	19,588	Inventory	28 317	15 979
Prepaid expenses	1,886	939	Prepaid expenses	351	516
Total current assets	49,416	27,676	Total current assets	35 968	20 477
Fixed assets	3,235	2,516	Fixed assets	261	243
Investments in affiliate	17,331	17,331	Advance to subsidiary	5 137	5 282
Goodwill	1,183	1,183	Total assets	41 366	26 002
Intangibles	4	4	Liabilities		
Advance to subsidiary	3,804	3,480	Bank indebtedness	22 580	11 400
Other assets	223	141	Accounts payable and accrued liabilities	10 119	8 489
Total assets	75,197	52,331	liabilities		
Liabilities			Advance from subsidiary	6 038	5 861
Bank indebtedness	27,319	12,972	Total current liabilities	38 737	25 750
Accounts payable and accrued liabilities	17,006	15,182	Long term debt	-	-
Income taxes	(15)	(15)	Total liabilities	38 737	25 750
Total current liabilities	44,309	28,139	Shareholder's equity		
Long term debt	13,376	12,399	Share capital	11 619	11 619
Total liabilities	57,685	40,539	Retained earnings	(8 990)	(11 367)
Shareholder's equity			Total Shareholder's equity	2 629	252
Share capital	7,058	7,058	Total liabilities and shareholder's equity	41 366	26 002
Contributed surplus	165	165			
Retained earnings	10,288	4,569			
Total Shareholder's equity	17,511	11,793			
Total liabilities and shareholder's equity	75,197	52,331			

**Financial information as of December 31, 2018, is from Draft Financial Statements and financial information for September 30, 2019, is from internal.*

32. As at September 30, 2019, the Investments in affiliate recorded as an asset of \$17.3 million in the balance sheet of Motovan is connected to the acquisition of MTA. This asset will be written off. Taking into account this write off, the Total Shareholder equity will amount to -\$5 million.

33. The Applicants have estimated outstanding aggregate secured liabilities of \$38 million and aggregate unsecured liabilities of \$26 million as at November 15, 2019, based on the most recent available financial information, which can be summarized as follows:

Liabilities At November 15 th , 2019 CAD '000	MTV		MTA		Total
	Amount due		Amount due		
Secured debt					
Bank of Montreal					
Facility A	13 171				
Facility B (USD \$8,342*)			11 011		
Facility C (USD \$3,671*)	4 846				
		18 017	11 011		29 028
Investissement Québec	2 880	2 880	-		2 880
BDC Capital Inc. - CAD Loan	2 559				
BDC Capital Inc. - USD Loan (USD \$2,669*)	3 524				
		6 083	-		6 083
Sub-Total		26 980	11 011		37 990
Unsecured debt					
Trade payables	10 925		9 010		19 935
Due to related parties	408		5 280		5 688
Sub-Total		11 333	14 290		25 623
Total		38 313	25 300		63 613

* USD loan converted to CAD at 1.32 FX rate

34. A more detailed description of the secured debts of the Companies is provided in the Motion
35. The accrued salary, vacation pay, deduction and employers' remittances will continue to be paid in the normal course of business.
36. Independent reviews of the validity, enforceability and ranking of the foregoing security interests and loan documentation have yet to be conducted.

Events Leading to the Financial Difficulties Requiring the Relief Sought

37. Prior to the acquisition of MTA, Motovan was a profitable company with operations only in Canada.
38. Since the acquisition of MTA, MTA has generated negative earnings before interest, taxes, depreciation and amortization ("**EBITDA**"). Resulting in Motovan being in breach of its fixed coverage ratio ("**FCCR**") covenant with its operating lender, BMO, as the FCCR is calculated using the EBITDA on a consolidated basis over the trailing twelve (12) months.
39. Many factors impacted negatively MTA's results and EBITDA, including:
- US tariffs for Chinese and aluminium imports led to MTA's having to absorb additional costs;
 - Commercial dispute with one of MTA's key tire suppliers has led to lost sales and inventory overstocks;
 - Late integration of the Companies internal services resulting in insufficient synergies gains and costs;
 - Lower sales than expected.

40. Furthermore, the shift in focus from the Canadian operations to the integration of MTA negatively affected Motovan Canadian's revenues.
41. In February 2019, Motovan engaged PwC as financial advisor to identify cost savings, enhance operations, and assist the Company with a view to obtain additional financing through debt financing or moratoriums on debt repayment. Management attempted to improve EBITDA through sale enhancing and cost reduction initiatives, including especially the closing of the two (2) operation centres in USA, termination of more than 138 employees of MTA and Motovan and the renegotiation of contracts. Despite these initiatives, Motovan has remained in breach of the FCCR covenant.
42. Furthermore, as pressure increased on liquidity, replenishment of inventories became a critical issue in order to maintain normal operations. For the past few months, Motovan and MTA did not have the liquidity to purchase the level of goods to support its operations. Also, the Applicants expect to be in deficit positions on its ABL and the deficits are expected to increase every week going forward.
43. The Applicants are insolvent on a consolidated basis and without the continued support of their operating lenders (BMO as agent) they are not in a position to meet their obligations as they become due. The Proposed Monitor has been informed that a forbearance agreement has been entered into between the Applicants and BMO to confirm the support of the Applicants' operating lender during the CCAA Proceedings.
44. On November 20, 2019, BDC Capital Inc. ("**BDC**"), a subordinated secured creditor, served the Applicants with a prior notice to enforce their secured rights, in accordance with Section 244 of the Bankruptcy and Insolvency Act. The Proposed Monitor has been informed by the Applicants that BDC has agreed not to enforce its secured rights given the looming implementation of a SISF in respect to the business and assets of Motovan.

E. THE PROPOSED MONITOR'S ACTIVITY TO DATE

45. Prior to these proceedings, KPMG has been assisting the Applicants to assess their financial situation, explore restructuring avenues and consider options in concert with Senior Management and stakeholders. KPMG is familiar with the Applicants' assets, businesses and personnel and has obtained significant information in respect of the many issues faced by the Applicants in their restructuring efforts.
46. Furthermore, KPMG has been working on the documents that will be required in the context of the looming SISF to be implemented shortly after the issuance of the Initial Order, and conducted within the CCAA Proceedings.
47. KPMG assisted and continues to assist the Applicants with the preparation of cash flow forecasts and its restructuring efforts.

F. CASH MANAGEMENT SYSTEM

48. Under the terms of the credit agreements with BMO as agent and the lenders, the Applicants' cash management system involves the use of a "lock-box" facility, whereby the daily deposits are swept by BMO as a reduction of their advances.
49. The Applicants' disbursements are made from a separate account which is funded by BMO on a weekly basis pursuant to the weekly funding requests.

G. CASH FLOW FORECASTS

50. The Applicants have prepared the Motovan Cash Flow Forecast and the MTA Cash Flow Forecast which covers the Cash Flow Period. A copy of the Cash Flow Forecasts will be filed with this Report as Appendix A.
51. The following table summarizes the Motovan Cash Flow Forecast:

Motovan Corporation ("MTV") Motovan Cash Flow Forecast (amended) For the period November 17, 2019 to February 15th, 2020 (in CA \$)	
RECEIPTS	
Collections from opening balance	2,897,433
Collections - New sales	3,137,587
Total receipts	6,035,020
DISBURSEMENTS	
Operating Disbursements	
Inventory Purchases	(1,257,076)
Freight/Packaging	(648,157)
Rent	(165,564)
Utilities/Building & Moving Expenses	(114,605)
Insurance	(50,000)
Employee Expenses	(1,354,979)
Tax/Duties/Customs	(750,902)
Vehicle Leases	(15,000)
Vehicle Operating Expenses	(7,500)
IT Equipment Leases	(6,000)
Other Equipment Lease	(6,000)
Communication (Internet)	(15,000)
Communication (Phone)	(24,000)
Bank Fees and Credit Card Fees	(120,000)
Contingency	(84,500)
Total Disbursements	(4,619,283)
Debt Service Disbursements	
Interest - Facility A	(157,431)
Total Debt Service Disbursements	(157,431)
Professional Fee Disbursements	
Professional Fees - Monitor	(435,000)
Professional Fees - KPMG Corporate Finance	(195,000)
Professional Fees - Monitor's legal counsel	(130,000)
Professional Fees - Debtor legal counsel	(290,000)
Professional Fees - Bank's counsel fees	(195,000)
Total Professional Fee Disbursements	(1,245,000)
Total Disbursements	(6,021,714)
Net cash flow	13,306
Bank	
Opening bank indebtedness	(13,372,846)
Net cash flow	13,306
Ending bank indebtedness	(13,359,540)

52. With respect to the Motovan Cash Flow Forecast:

- a) Motovan had a balance of -\$13.4 million at the beginning of the Cash Flow Period;
- b) During the Cash Flow Period, Motovan forecasts to generate aggregate cash inflows of approximately \$6 million, consisting of cash receipts from operations;
- c) During the Cash Flow Period, Motovan forecasts to incur cash outflows of approximately \$6 million; and
- d) At the end of the Cash Flow Period, Motovan projects a cash balance of -\$13.4 million.

53. The following table summarizes the MTA Cash Flow Forecast:

Motorcycle Tires & Accessories LLC ("MTA")	
Projected Cash Flow Summary	
For the period November 17, 2019 to February 15th, 2020	
(in US\$)	
RECEIPTS	
Collections from opening balance	2 649 714
Collections - New sales	4 060 000
Total receipts	6 709 714
DISBURSEMENTS	
Operating Disbursements	
Inventory Purchase	-
Freight	(551 650)
Tariffs/Customs/In-Bound Freight	(230 100)
Rent	(156 900)
Utilities/Building Expenses	(21 000)
Insurance	(40 000)
Employee Expenses	(657 935)
Miscellaneous operating expenses	(13 000)
Bank Fees and Credit Card Fees	(106 000)
Communication (Internet/Phone)	(26 000)
Contingency	(80 600)
Total Disbursements	(1 883 185)
Debt Service Disbursements	
Interest - Facility B	(98 182)
Total Debt Service Disbursements	(98 182)
Professional Fee Disbursements	
Professional Fees - Monitor	(130 000)
Professional Fees - Retail consultant	(440 000)
Professional Fees - Debtor legal counsel	(65 000)
Total Professional Fee Disbursements	(635 000)
Total Disbursements	(2 616 367)
Net cash flow	4 093 347
Bank	
Opening bank indebtedness	(8 287 338)
Net cash flow	4 093 347
Ending bank indebtedness	(4 193 991)

54. With respect to the MTA Cash Flow Forecast:
- a) MTA had a balance of -US\$8.3 million at the beginning of the Cash Flow Period;
 - b) During the Cash Flow Period, MTA forecasts to generate aggregate cash inflows of approximately US\$6.7 million, consisting of cash receipts from operations;
 - c) During the Cash Flow Period, MTA forecasts to incur cash outflows of approximately US\$2.6 million; and
 - d) At the end of the Cash Flow Period, MTA projects a cash balance of -US\$4.2 million.
55. Subject to the continued support of their operating lenders, BMO as agent and the lenders, the Cash Flow Forecasts reflect that the Applicants are projected to have sufficient cash flow to operate in the normal course during the Period. This includes operational requirements such as payroll, as well as the costs pertaining to the CCAA proceedings. The Proposed Monitor has been informed by the Applicants and BMO that a forbearance agreement was entered into to, inter alia, allow the Applicants to continue their operations on a going concern basis during the CCAA proceedings.

H. PROPOSED MONITOR'S ASSESSMENT OF THE CASH FLOW FORECASTS

56. The Proposed Monitor has assessed the Cash Flow Forecasts as to its reasonableness as required by Section 23(1)(b) of the CCAA. Pursuant to this standard, the Proposed Monitor's assessment of the Cash Flow Forecasts consisted of inquiries, analytical procedures and discussions related to information supplied to it by Senior Management and employees of the Applicants. The Proposed Monitor's procedures with respect to the assumptions considered in the Cash Flow Forecasts (the "**Cash Flow Assumptions**") were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecasts. The Proposed Monitor also reviewed the supporting Information provided by Senior Management for the Cash Flow Assumptions and the preparation and presentation of the Cash Flow Forecasts.
57. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in any material respect that:
- a) The Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecasts;
 - b) As at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast given the Cash Flow Assumptions; or that
 - c) The Cash Flow Forecasts does not reflect the Cash Flow Assumptions.

I. COURT ORDERED CHARGES SOUGHT IN THE PROPOSED INITIAL ORDER

58. The Proposed Initial Order provides for a series of Court-ordered priority charges (together, the “Charges”).

Administration Charge

59. The Proposed Initial Order provides for an Administration Charge in favour of BCF LLP counsel to the Applicants, the Proposed Monitor and its counsels Norton Rose Fulbright and Potter Anderson Corron and KPMG Corporate Finance, as security for their respective fees and disbursements relating to services rendered in respect of the Applicants in the CCAA Proceedings, up to a maximum of \$500,000 with the priority described in paragraph 67 of this Report.

60. The Proposed Monitor is of the view that the Administration Charge is reasonable and appropriate in the circumstances having regard to the complexity of the proceedings, anticipated work levels of the applicable professional firms and the quantum of similar charges having been granted in comparable cases.

D&O Charge

61. The proposed D&O Charge aims to provide protection to directors and officers for certain liabilities incurred by the Applicants that may result in post-filing claims against the D&O in such capacities.

62. The amount of the D&O Charge is limited to \$723,000 and was calculated by the Proposed Monitor, taking into consideration payroll, commission and vacation costs, deductions at source and other remittances that will become payable by the Applicants from time-to-time during the CCAA period.

63. It is the Proposed Monitor’s understanding that the Applicants current D&O insurance policy (the “D&O Insurance”) expires on December 31, 2019.

64. In the event that the D&O Insurance or the terms of any such renewed coverage contain limitations or exclusions that could potentially affect the total amount of insurance available, the D&O have expressed concern with respect to potential personal liability if they continue in their current capacities through this restructuring process, including, without limitation, with respect to coverage for certain potential employee-related claims.

65. The Proposed Monitor understands that, in accordance with section 11.51 CCAA, the D&O Charge sought will only be available to the D&O in the event and to the extent that recourse to such charge becomes necessary by reason, *inter alia*, of the definitive expiry or lapsing of the D&O Insurance or the underlying policy, of insufficient coverage thereunder, or in the event that, for any other reason (other than for gross or intentional fault), coverage is denied.

66. Consequently, the Proposed Monitor is of the view that the D&O Charge is reasonable and appropriate in the circumstances.

Priority of Charges

67. The Proposed Initial Order provides for the following priority of the Charges:
 - a) First – the Administration Charge; and
 - b) Second – the D&O Charge.
68. Under the Proposed Initial Order, the priorities in respect of the Charges shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, charges, encumbrances or security of whatever nature or kind (collectively, the “**Encumbrances**”) affecting the Property, whether or not charged by such Encumbrances.
69. The Proposed Monitor is informed that the secured creditors likely to be affected by the Charges sought by Applicants have been duly notified.

J. US COURT CCAA RECOGNITION

70. If the Initial Order is granted, Applicants’ may seek to obtain from the US Court the recognition of the CCAA Proceedings and the terms of the Initial Order and to authorize the Proposed Monitor to act as the foreign Representative. The Proposed Monitor believes the Chapter 15 Proceedings may be needed because MTA’s business operates across the United States, and therefore, key vendors and customers are also located in the United States.
71. The Proposed Monitor is prepared to act as the foreign representative in the Chapter 15 Proceedings.
72. The Proposed Monitor is of the view that the assistance of the US Court will be important to the efficient and effective conduct of the CCAA Proceedings and Motovan’s operations. Given that Motovan’s head office functions and Management are predominantly located in Quebec, it is appropriate for Motovan to commence its main proceedings in this jurisdiction while seeking the required recognition in the US Court.

K. SISP (MOTOVAN)

73. Motovan has the intention to implement a SISP in respect of their Canadian business and assets within the initial period of ten (10) days of the Proposed Initial Order. The Proposed Monitor and the Applicants, in consultation with the secured creditors, are currently assessing the terms of the SISP in going concern operations to allow to properly canvass the market, seek the interest of potential partners/investors/purchasers and maximize the realization.
74. The actual timeline and process contemplated by Motovan, in consultation with the secured creditors, is to implement the SISP and send a “*Teaser*” to potential buyers as soon as possible after the issuance of the Proposed Initial Order, with a bid deadline and bid opening set for before the end of January, 2020. Secured creditors will be invited to the bid opening.

75. The Proposed Monitor has been informed that current members of the Applicants' management team may be interested in participating or be associated with a bid in the context of the SISP. The SISP procedures will be drafted with a view of preserving the integrity of the process.

L. THE PROPOSED MONITOR'S PRELIMINARY OBSERVATIONS

76. The Proposed Monitor respectfully makes the following preliminary observations and comments to this Honourable Court:
77. The Proposed Monitor has been involved in this matter for a limited period of time. However, in that time, KPMG has received background information which has allowed it to ascertain the general status and financial circumstances of the Applicants;
78. The Charges appear reasonable in the circumstances and, in the view of the Proposed Monitor, enhance the probability that the Companies will be able to make a viable plan of arrangement.
79. The Proposed Monitor has reviewed the Applicants' filing materials and has consented to act as the Monitor of the Applicants should the Court see fit to grant the relief sought by the Applicants.
80. The Proposed Monitor confirms that:
- a) The Applicants have acted and are continuing to act in good faith with due diligence;
 - b) The Applicants will likely be able to continue their restructuring efforts and file a plan of arrangement if the Proposed Initial Order is granted.

All of which is respectively submitted to this Honourable Court this 29th day of November 2019.

KPMG INC.

in its capacity as the Proposed Monitor of
Motovan Corporation &
Motorcycle Tires and Accessories LLC



Per: Dev A. Coossa, CIRP, LIT
Partner

APPENDIX A - MOTOVAN CASH FLOW FORECAST & MTA CASH FLOW FORECAST

Motovan Corporation & Motorcycle Tires and Accessories LLC

Amended Pre-Filing Report of the Proposed Monitor

Motovan Corporation ("MTV")															
Motovan Cash Flow Forecast (amended)															
For the period November 17, 2019 to February 15th, 2020															
(in CA \$)															
	Week	1	2	3	4	5	6	7	8	9	10	11	12	13	Period total
	Week ending	2019-11-23	2019-11-30	2019-12-07	2019-12-14	2019-12-21	2019-12-28	2020-01-04	2020-01-11	2020-01-18	2020-01-25	2020-02-01	2020-02-08	2020-02-15	
RECEIPTS															
Collections from opening balance		395,738	387,887	291,100	922,162	76,943	533	-	373,559	186,435	428	-	5,259	257,389	2,897,433
Collections - New sales		-	-	-	-	166,667	166,667	166,667	197,333	817,587	364,000	364,000	364,000	530,667	3,137,587
Total receipts		395,738	387,887	291,100	922,162	243,609	167,200	166,667	570,892	1,004,022	364,428	364,000	369,259	788,055	6,035,020
DISBURSEMENTS															
Operating Disbursements															
Inventory Purchases		(50,000)	(70,000)	(70,000)	(70,000)	(370,564)	(70,000)	(70,000)	(70,000)	(70,000)	(70,000)	(276,512)	-	-	(1,257,076)
Freight/Packaging		(46,250)	(46,250)	(76,091)	(91,245)	(61,674)	(49,087)	(49,087)	(49,087)	(71,576)	(58,725)	(49,087)	-	-	(648,157)
Rent		-	-	(55,188)	-	-	-	(55,188)	-	-	-	(55,188)	-	-	(165,564)
Utilities/Building & Moving Expenses		(40,803)	(40,803)	(11,000)	-	-	-	(11,000)	-	-	-	(11,000)	-	-	(114,605)
Insurance		-	-	-	-	-	-	(25,000)	-	-	-	(25,000)	-	-	(50,000)
Employee Expenses		(201,467)	(91,322)	(97,201)	(78,448)	(185,935)	(78,448)	(94,148)	(78,448)	(78,448)	(198,519)	(94,148)	(78,448)	-	(1,354,979)
Tax/Duties/Customs		(7,200)	(257,200)	(11,846)	(14,205)	(9,601)	(7,642)	(257,642)	(7,642)	(11,143)	(9,142)	(157,642)	-	-	(750,902)
Vehicle Leases		-	-	(5,000)	-	-	-	(5,000)	-	-	-	-	(5,000)	-	(15,000)
Vehicle Operating Expenses		-	-	(2,500)	-	-	-	(2,500)	-	-	-	-	(2,500)	-	(7,500)
IT Equipment Leases		-	-	(2,000)	-	-	-	(2,000)	-	-	-	-	(2,000)	-	(6,000)
Other Equipment Lease		-	-	(2,000)	-	-	-	(2,000)	-	-	-	-	(2,000)	-	(6,000)
Communication (Internet)		-	(5,000)	-	-	-	-	(5,000)	-	-	-	(5,000)	-	-	(15,000)
Communication (Phone)		-	(8,000)	-	-	-	-	(8,000)	-	-	-	(8,000)	-	-	(24,000)
Bank Fees and Credit Card Fees		-	-	(40,000)	-	-	-	(40,000)	-	-	-	-	(40,000)	-	(120,000)
Contingency		(6,500)	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)	(84,500)
Total Disbursements		(352,219)	(525,074)	(379,325)	(260,398)	(634,274)	(211,676)	(633,064)	(211,676)	(237,666)	(342,886)	(688,076)	(136,448)	(6,500)	(4,619,283)
Debt Service Disbursements															
Interest - Facility A		-	(46,916)	-	-	-	-	(60,814)	-	-	-	(49,700)	-	-	(157,431)
Total Debt Service Disbursements		-	(46,916)	-	-	-	-	(60,814)	-	-	-	(49,700)	-	-	(157,431)
Professional Fee Disbursements															
Professional Fees - Monitor		(75,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(435,000)
Professional Fees - KPMG Corporate Finance		(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(195,000)
Professional Fees - Monitor's legal counsel		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(130,000)
Professional Fees - Debtor legal counsel		(50,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(290,000)
Professional Fees - Bank's counsel fees		(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(195,000)
Total Professional Fee Disbursements		(165,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(90,000)	(1,245,000)
Total Disbursements		(517,219)	(661,991)	(469,325)	(350,398)	(724,274)	(301,676)	(783,878)	(301,676)	(327,666)	(432,886)	(827,776)	(226,448)	(96,500)	(6,021,714)
Net cash flow		(121,481)	(274,104)	(178,225)	571,764	(480,665)	(134,476)	(617,212)	269,216	676,356	(68,458)	(463,776)	142,811	691,555	13,306
Bank															
Opening bank indebtedness		(13,372,846)	(13,494,327)	(13,768,431)	(13,946,656)	(13,374,892)	(13,855,556)	(13,990,033)	(14,607,244)	(14,338,028)	(13,661,672)	(13,730,130)	(14,193,907)	(14,051,095)	(13,372,846)
Net cash flow		(121,481)	(274,104)	(178,225)	571,764	(480,665)	(134,476)	(617,212)	269,216	676,356	(68,458)	(463,776)	142,811	691,555	13,306
Ending bank indebtedness		(13,494,327)	(13,768,431)	(13,946,656)	(13,374,892)	(13,855,556)	(13,990,033)	(14,607,244)	(14,338,028)	(13,661,672)	(13,730,130)	(14,193,907)	(14,051,095)	(13,359,540)	(13,359,540)

Motovan Corporation 13-week cash flow forecast assumptions

Sales:

- Level of sales are based on management's best estimates and current level of sales.
- Collections of sales are based on :
 - Due date for open invoices from the opening accounts receivable balance.
 - Assumptions of collection based on usual terms by type of sales for specific type sales forecasted.
 - Assumption of collection of 33% of other new sales within 4 weeks, 33% within 8 weeks and 33% within 12 weeks. The assumptions are based on historical collections.

Cost of goods sold: Established at historical margin by sales type (material group) and approx. 78.3% of sales for other sales, based on management's best estimates and current margin realized.

Freight & Packaging: Comprised of inbound/outbound freight and packaging; all together established at approx. 9.25% of sales, based on management's best estimates and current vendor rates.

Rent: Rent consists of Boucherville rent's based on current lease agreements. No rent expenses have been included for Edmonton distribution centre and London office as they are closing by the end of November.

Utilities and Building expenses: Includes Edmonton moving expenses, based on management's best estimates. This caption also includes electricity expenses based on management's best estimate.

Employee expenses: These outflows are comprised of weekly payroll, monthly commission payout (established at 4% of sales) and group insurance expenses (approx. \$16,000/month). Weekly payroll is reduced once the Edmonton and London distribution centres are closed at the end of November

Tax/Duties/Customs: Based on historical outflows in relation to projected sales. Subject to change based on actual level of sales.

Interest – Facility A: Based on average weekly loan balance, calculated with contractual interest rate of 4.6%, paid monthly.

Professional fees: Professional fees are based on best estimates received by different parties involved.

Motovan Corporation & Motorcycle Tires and Accessories LLC
Amended Pre-Filing Report of the Proposed Monitor

Motorcycle Tires & Accessories LLC ("MTA")															
Projected Cash Flow Summary															
For the period November 17, 2019 to February 15th, 2020															
(in US\$)															
	Week	1	2	3	4	5	6	7	8	9	10	11	12	13	Period total
	Week ending	2019-11-23	2019-11-30	2019-12-07	2019-12-14	2019-12-21	2019-12-28	2020-01-04	2020-01-11	2020-01-18	2020-01-25	2020-02-01	2020-02-08	2020-02-15	
RECEIPTS															
Collections from opening balance		504 974	492 805	522 578	742 519	135 623	33 994	7 080	114 822	27 138	-	-	-	68 181	2 649 714
Collections - New sales		-	-	-	-	340 000	255 000	255 000	340 000	850 000	835 000	385 000	400 000	400 000	4 060 000
Total receipts		504 974	492 805	522 578	742 519	475 623	288 994	262 080	454 822	877 138	835 000	385 000	400 000	468 181	6 709 714
DISBURSEMENTS															
Operating Disbursements															
Inventory Purchase		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Freight		(37 400)	(28 050)	(28 050)	(79 475)	(79 475)	(37 400)	(37 400)	(37 400)	(37 400)	(37 400)	(37 400)	(37 400)	(37 400)	(551 650)
Tariffs/Customs/In-Bound Freight		(15 600)	(11 700)	(11 700)	(33 150)	(33 150)	(15 600)	(15 600)	(15 600)	(15 600)	(15 600)	(15 600)	(15 600)	(15 600)	(230 100)
Rent		-	-	(52 300)	-	-	-	(52 300)	-	-	-	(52 300)	-	-	(156 900)
Utilities/Building Expenses		-	-	(7 000)	-	-	-	(7 000)	-	-	-	(7 000)	-	-	(21 000)
Insurance		-	-	-	-	-	-	(20 000)	-	-	-	(20 000)	-	-	(40 000)
Employee Expenses		(49 900)	(49 900)	(49 900)	(49 900)	(131 885)	(49 900)	(49 900)	(49 900)	(50 950)	(24 950)	(24 950)	(24 950)	(50 950)	(657 935)
Miscellaneous operating expenses		-	(6 500)	-	-	-	(6 500)	-	-	-	-	-	-	-	(13 000)
Bank Fees and Credit Card Fees		-	-	(53 000)	-	-	-	-	(53 000)	-	-	-	-	-	(106 000)
Communication (Internet/Phone)		-	(13 000)	-	-	-	(13 000)	-	-	-	-	-	-	-	(26 000)
Contingency		(6 200)	(6 200)	(6 200)	(6 200)	(6 200)	(6 200)	(6 200)	(6 200)	(6 200)	(6 200)	(6 200)	(6 200)	(6 200)	(80 600)
Total Disbursements		(109 100)	(115 350)	(208 150)	(168 725)	(250 710)	(128 600)	(188 400)	(162 100)	(110 150)	(84 150)	(163 450)	(84 150)	(110 150)	(1 883 185)
Debt Service Disbursements															
Interest - Facility B		-	-	(38 470)	-	-	-	(32 336)	-	-	-	(27 376)	-	-	(98 182)
Total Debt Service Disbursements		-	-	(38 470)	-	-	-	(32 336)	-	-	-	(27 376)	-	-	(98 182)
Professional Fee Disbursements															
Professional Fees - Monitor		(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(130 000)
Professional Fees - Retail consultant		(25 000)	(25 000)	(25 000)	(25 000)	(25 000)	(25 000)	(25 000)	(25 000)	(25 000)	(25 000)	(25 000)	(25 000)	(140 000)	(440 000)
Professional Fees - Debtor legal counsel		(5 000)	(5 000)	(5 000)	(5 000)	(5 000)	(5 000)	(5 000)	(5 000)	(5 000)	(5 000)	(5 000)	(5 000)	(5 000)	(65 000)
Total Professional Fee Disbursements		(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(40 000)	(155 000)	(635 000)
Total Disbursements		(149 100)	(155 350)	(286 620)	(208 725)	(290 710)	(168 600)	(260 736)	(202 100)	(150 150)	(124 150)	(230 826)	(124 150)	(265 150)	(2 616 367)
Net cash flow		355 874	337 455	235 958	533 794	184 913	120 394	1 345	252 722	726 988	710 850	154 174	275 850	203 031	4 093 347
Bank															
Opening bank indebtedness		(8 287 338)	(7 931 464)	(7 594 009)	(7 358 051)	(6 824 257)	(6 639 345)	(6 518 951)	(6 517 606)	(6 264 884)	(5 537 896)	(4 827 046)	(4 672 872)	(4 397 022)	(8 287 338)
Net cash flow		355 874	337 455	235 958	533 794	184 913	120 394	1 345	252 722	726 988	710 850	154 174	275 850	203 031	4 093 347
Ending bank indebtedness		(7 931 464)	(7 594 009)	(7 358 051)	(6 824 257)	(6 639 345)	(6 518 951)	(6 517 606)	(6 264 884)	(5 537 896)	(4 827 046)	(4 672 872)	(4 397 022)	(4 193 991)	(4 193 991)

Motorcycle Tires & Accessories LLC 13-week cash flow forecast assumptions

Sales:

- Based on management's best estimates and using a retail consultant to push level of sales.
- Includes bulk sale of STI products for \$900,000 (at cost).
- Collections of sales are based on:
 - Due date for open invoices from the opening accounts receivables balance.
 - Assumption of collection of 80% of new sales within 4 weeks, and 20% within 8 weeks, based on historical collections.

Cost of goods sold: Established between 80% and 90% of sales, based on management's best estimates and current margin realized.

Freight & Packaging: Comprised of outbound freight and packaging, established at approx. 9.35% of sales, based on management's best estimates and current vendor rates.

Rent: Rent consists of Ohio, Louisiana, California monthly expenses, based on current lease agreements.

Utilities and Building expenses: Includes electricity expenses based on historical expenses.

Employee expenses: These outflows are comprised of a weekly payroll, monthly commission payout (established at 3.9% of sales) and group insurance expenses (approx. \$16,000/month). Assumption that payroll is reduced in January during the liquidation.

Tax/Duties/Customs: Based on historical outflows in relation to projected sales.

Interest – Facility B: Based on average weekly loan balance, calculated with contractual interest rate of 6.15%, paid monthly.

Professional fees: Professional fees are based on best estimates received by different parties involved.