

Court / Estate File No: 32-3091796

PIONEER BALLOON CANADA LIMITED

**FIRST REPORT OF KPMG INC.,
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

June 24, 2024

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ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
PIONEER BALLOON CANADA LIMITED**

**FIRST REPORT OF KPMG INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

June 24, 2024

I. INTRODUCTION

1. On June 12, 2024 (the “**Filing Date**”), Pioneer Balloon Canada Limited. (“**Pioneer Balloon**” or the “**Company**”), filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the “**BIA**”). Attached hereto as **Appendix “A”** is a copy of the Certificate of Filing of a Notice of Intention to Make a Proposal issued by the Office of the Superintendent of Bankruptcy for the Company.
2. KPMG Inc. (“**KPMG**”) consented to act as proposal trustee (in such capacity, the “**Proposal Trustee**”) in the NOI proceedings of the Company. The Company’s NOI proceedings are referred to herein as the “**NOI Proceedings**”.
3. The principal purpose of the NOI Proceedings is to create a stabilized environment to provide the Company the opportunity to carry out a sale process for their business and assets, or to restructure their business, so that the Company can present a viable proposal to its creditors.
4. This report (the “**First Report**”) is being filed by the Proposal Trustee in connection with the Company’s motion returnable July 2, 2024 for certain relief, including approval of a formal sale solicitation process (the “**Sale Process**”).

II. PURPOSE OF REPORT

5. The purpose of this report (the “**First Report**”) is to provide the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) with information pertaining to:
 - (a) the Company’s operations, creditors and causes of financial difficulties;
 - (b) the Company’s cash flow projections (the “**Cash Flow Forecast**”) for the period from June 16, 2024 to and including August 17, 2024 (the “**Forecast Period**”);
 - (c) the sale transaction contemplated under the asset purchase agreement dated June 20, 2024 (the “**Stalking Horse APA**”) entered into between Pioneer Balloon, as vendor, and 1488108 B.C. LTD. (the “**Stalking Horse Bidder**”), as purchaser, and the salient terms thereof, for the sale of the Purchased Assets (as defined in the Stalking Horse APA) which, subject to the approval of this Court, is to act as the stalking horse offer (the “**Stalking Horse Bid**”) in the proposed Sale Process;

- (d) the Company’s proposed post-filing strategy, including an outline of the Sale Process to be carried out by the Proposal Trustee and a description of the bidding procedures (the “**Bidding Procedures**”) to be used in connection therewith;
- (e) the proposed priority of the Administration Charge (as defined herein);
- (f) an extension of the time for the Company to file a proposal to August 16, 2024 (the “**Extension**”); and
- (g) the recommendation by the Proposal Trustee that the Court grant an order (the “**Sale Process Order**”) approving, among other things:
 - i. the Stalking Horse APA solely for the purpose of acting as the Stalking Horse Bid in the Sale Process;
 - ii. the Sale Process and the Bidding Procedures, and authorizing and directing the Proposal Trustee, in consultation with the Company and their advisors, to implement same;
 - iii. the Administration Charge (as defined herein) and the proposed priority ranking of such charge; and
 - iv. the Extension.

III. TERMS OF REFERENCE

6. In preparing this First Report, KPMG has relied on information and documents provided by the Company and its advisors, including unaudited financial information, the Company’s books and records, and discussions with the Company’s representatives and its legal counsel (collectively, the “**Information**”). In accordance with industry practice, except as otherwise described in the First Report, KPMG has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, KPMG has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards (“**GAAS**”) pursuant to the *Chartered Professional Accountant of Canada Handbook* and, as such, KPMG expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
7. 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 Proposal Trustee expresses no assurance as to whether the Cash Flow Forecast will be achieved.

8. Capitalized terms not otherwise defined herein are as defined in the affidavit of MaryLynn Borondy, the Managing Director of the Company, sworn June 21, 2024 (the “**Borondy Affidavit**”) and filed in support of the Company’s motion returnable July 2, 2024. This First Report should be read in conjunction with the Borondy Affidavit, as certain information contained in the Borondy Affidavit has not been included herein in order to avoid unnecessary duplication.
9. Materials filed in these NOI Proceedings will be made available by KPMG on its website for this case at: kpmg.com/ca/pioneerballoon (the “**Case Website**”).
10. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. BACKGROUND

11. Information with respect to the Company’s business, operations and causes of insolvency are detailed in the Borondy Affidavit. The information contained herein is not intended to be an exhaustive review of all matters relating to the business of the Company and accordingly, the Proposal Trustee recommends that readers review the materials filed by the Company in respect of its motion.

Corporate Overview

12. Pioneer Balloon manufactures and distributes balloons to customers in North America through its production facilities located in Hamilton, Ontario. Pioneer Balloon’s focus is to provide customers with latex balloons of all sizes and colors for all types of events and occasions.
13. Pioneer Balloon was formed under the laws of the Province of Ontario. Pioneer Balloon’s registered head office is located at leased premises at 333 Kenora Avenue in Hamilton, Ontario (the “**Premises**”).
14. Pioneer Balloon is a subsidiary of Pioneer National Latex (the “**Parent**”), a US-based global balloon manufacturer.
15. On September 22, 2023, the Parent commenced voluntary reorganization proceedings in the United States by filing for relief under chapter 11 of title 11 of the United States Code (the “**Chapter 11 Proceedings**”). Pioneer Balloon is not an applicant in the Chapter 11 Proceedings.

16. The Proposal Trustee understands that the Parent commenced a sale process in the Chapter 11 Proceedings but this did not ultimately result in a transaction that would include the Parent's ownership interest in Pioneer Balloon. This substantially impacts the ongoing viability of Pioneer Balloon's business model given the Company's longstanding reliance upon the Parent and its affiliates, both through operational support (ie. IT, finance, branding, executive management, etc.) and purchasing of the Company's finished goods. The Proposal Trustee further understands that the court-approved transaction in the Chapter 11 Proceedings is scheduled to close in June 2024.
17. Prior to the NOI Proceedings, Pioneer Balloon had production capacity of 1 million balloons per day and employed approximately 125 employees. Employees were comprised of salaried employees, primarily working in manufacturing or in head office functions, and hourly employees, primarily working in manufacturing and distribution functions. The Proposal Trustee understands that the Company has temporarily suspended its manufacturing operations and laid off substantially all of its employees in order to reduce its cash burn during these NOI Proceedings.

Historical Financial Results

18. The Company's unaudited and internal operating results for fiscal years 2022 and 2023, and fiscal 2024 through to May 26, 2024 ("**2024 YTD**"), are summarized in the table below:

Pioneer Balloon Canada Limited Historical Operating Results Summary - Unaudited <i>(in CAD \$000s)</i>			
	January 1, 2022 - December 31, 2022	January 1, 2023 - December 31, 2023	January 1, 2024 - May 26 2024
Sales	25,605	21,325	3,231
Cost of sales	22,758	22,016	4,500
Gross profit	2,848	(691)	(1,269)
Total SG&A expenses (excl. interest and depreciation)	2,059	1,954	479
EBITDA	789	(2,645)	(1,748)

19. For the year ended December 31, 2022, the Company generated earnings before interest, taxes, depreciation and amortization ("**EBITDA**") of approximately \$789,000. In the year ended December 31, 2023, the Company incurred EBITDA losses of approximately \$2,645,000. Further, the Company has incurred EBITDA losses of \$1,748,000 YTD.
20. The Proposal Trustee understands that the Company has been negatively impacted by the Chapter 11 Proceedings as Pioneer Balloon due to the operational interdependencies between the Parent and the Company as described above. Related party sales to the Parent or other related affiliates made up a

significant portion of Pioneer Balloon's total sales (58% in the year ended December 31, 2022, and 60% in the year ended December 31, 2023). and the volume of transactions between Pioneer Balloon and the Parent and its affiliates has decreased significantly while the Parent reorganizes its business and restructure its liabilities in the Chapter 11 Proceedings. Further, manufacturing and distribution costs have increased while Pioneer Balloon was unable to transfer these costs on to its customers. Due to these reasons, the Company has experienced lower margins and a deterioration of profitability over the past couple years.

21. Set out below is an unaudited balance sheet summary of the Company as at May 26, 2024:

Pioneer Balloon Canada Limited			
Balance Sheet as at May 26, 2024 - Unaudited			
(in CAD)			
Current assets		Current liabilities	
Cash	(1,873)	Trade accounts payable	1,209,300
Trade receivables	411,664	Intercompany accounts payab	3,400,669
Related party receivables	3,872,266	Accrued liabilities	141,369
Inventory	2,064,686	Current debt	2,246,285
Prepaid expense	284,020		
Total current assets	6,630,762	Total current liabilities	6,997,623
		Long term liabilities	39,458
Fixed assets	1,364,993	Total liabilities	7,037,081
		Common stock	1,100
Deferred income taxes	1,297,180	Retained earnings	2,254,754
		Shareholder's equity	2,255,854
Total assets	9,292,935	Total liabilities and equity	9,292,935

22. As at May 26, 2024, the book value of the Company's total assets (which primarily consisted of related party receivables, inventory and fixed assets) was \$9.3 million. Inventories consist of raw materials, work-in-progress and finished goods, while fixed assets primarily consist of machinery and equipment used in the Company's manufacturing process. The Proposal Trustee notes that the book value is not likely representative of the realizable value of these assets, particularly the related party receivables owed by entities which are subject to the Chapter 11 Proceedings.

Causes of Insolvency

23. As detailed above and in the Borondy Affidavit, the Company has incurred significant net losses over the past couple of years due to a number of factors, including the impact of the Chapter 11 Proceedings and eroding margins caused by increased manufacturing and distribution costs.

24. As a result of financial losses, the Company has exhausted its liquidity and elected to file an NOI to restructure its business.

Creditors

25. A copy of the Company's list of creditors (the "**Creditor List**") as filed with the NOI is attached hereto as **Appendix "B"**.
26. As detailed on the Creditor List, the Royal Bank of Canada ("**RBC**"), the senior secured creditor of the Company, is owed approximately \$2.3 million as at the Filing Date, pursuant to an agreement dated December 16, 2021, as amended from time to time, between the Company, as borrower, and RBC, as lender (the "**RBC Credit Agreement**"). Under the RBC Credit Agreement, RBC extended an operating line of credit (the "**Line of Credit**"), leasing facilities and a credit card facility. The obligations of the Company to RBC under the RBC Credit Agreement were secured by, among other things, a general security agreement granted by Pioneer Balloon in favour of RBC with respect to substantially all of the Company's assets.
27. The Proposal Trustee's independent legal counsel, Borden Ladner Gervais LLP ("**BLG**"), has commenced a review of RBC's security and will render an opinion in due course with respect to the validity and enforceability thereof.
28. As reflected in Appendix "B", the Company estimates it has unsecured obligations totaling approximately \$2.3 million, including approximately \$1.0 million owing to the Parent and/or its affiliates, as at the Filing Date.
29. As noted in the Borondy Affidavit, Pioneer Balloon has a limited number of other creditors who have registered notice of their security interests pursuant to the *Personal Property Security Act* (Ontario) (the "**PPSA**") and i which appear to relate to the leasing and/or financing of equipment. One of the registrations is from FGI Worldwide LLC ("**FGI**"), which the Proposal Trustee understands relates to a guarantee provided by the Company in connection with historical loans advanced by FGI to the Parent. The Company has advised the Proposal Trustee that the FGI debts were repaid in full. All of the PPSA registrants received notice of the within motion.
30. The Company has advised the Proposal Trustee that employee wages are current, and all required remittances of employee withholdings have been made when due as at the date of this First Report.

31. The Company has advised the Proposal Trustee that all vacation pay amounts are current and accrued amounts were paid to employees prior to the Filing Date.
32. The Proposal Trustee understands that the Company has harmonized sales tax (“**HST**”) arrears owing of approximately \$43,000 relating to periods prior to the Filing Date.
33. The Proposal Trustee also understands that the Company administers a deferred profit-sharing plan (“**DPSP**”) that has been paused. As of the Filing Date, the Company is one month in arrears on employer contributions to the DPSP, which is approximately \$5,000.

V. OBJECTIVES OF THE NOI PROCEEDINGS

34. The Proposal Trustee understands that the primary objectives of these NOI proceedings are to:
 - (a) ensure the Company has the necessary stability to maintain operations as – and a potential sale transaction as – a going concern, thereby preserving the business operations and jobs in Hamilton;
 - (b) implement the Sale Process with a view to providing a forum for prospective purchasers to present a bid superior to that contemplated by the Stalking Horse Bid on a timeline to meet the financial and timing exigencies of these circumstances; and
 - (c) effect a going concern sale of the business of the Company, either to the Stalking Horse Bidder or another party/parties as a result of the Sale Process, with a view to maximizing value for the benefit its stakeholders, including, among others, RBC, employees, and trade suppliers.

VI. THE STALKING HORSE APA

35. The Company, the Stalking Horse Bidder, and their respective counsel, in consultation with the Proposal Trustee, have negotiated the terms and provisions of the Stalking Horse APA pursuant to which the Stalking Horse Bidder is proposed to, on an ‘as is, where is’ basis, acquire the Purchased Assets, subject to higher or otherwise better offers, and approval of the Court.
36. The material terms of the Stalking Horse APA, a copy of which is attached as Exhibit “H” to the Borondy Affidavit, are as follows¹:

¹ All capitalized terms in this paragraph summarized the Stalking Horse APA shall, unless otherwise defined herein, have the meanings ascribed thereto in the Stalking Horse APA.

- (a) Purchaser: 1488108 B.C. LTD.
- (b) Purchase Price: the total purchase price is \$2,300,000 less the “Cure Costs” of any Assigned Contracts, if any, plus the Assumed Liabilities (the “**Purchase Price**”);
- (c) Purchased Assets: comprised of:
 - i. the Assigned Contracts;
 - ii. all of the Company’s right, title and interest in and to all machinery, equipment and furniture of the Company used in connection with the operation of the business, including, desks, chairs, tables, copiers, telephone lines and numbers, telecopy machines and other telecommunication equipment, cubicles, cabinets, televisions, all computer hardware, including servers, computers and peripherals, printers and miscellaneous office furnishings and supplies;
 - iii. all of the Company’s right, title and interest to all accounts receivable, bills receivable, trade accounts, book debts, insurance claims, and choses-in-action, now or hereafter due or owing to the Company;
 - iv. all inventories of stock-in-trade and merchandise, including raw materials, supplies, work-in-process, finished goods used in connection with the business (including those in possession of suppliers, customers and other third parties);
 - v. all intellectual property owned by the Company and primarily used in connection with the business;
 - vi. all books and records related to the Purchased Assets;
 - vii. all licenses and permits owned by the Company, including, all filings, certificates, authorizations, approvals or indicia of authority related to the business or the Purchased Assets or necessary for the operation or use of the Purchased Assets;
 - viii. all rights and interests under or pursuant to all warranties, representations and guarantees, express implied or otherwise, of or made by suppliers or others in connection with the Purchased Assets;
 - ix. all goodwill and other intangible assets of the Company associated with the business, including but not limited to all telephone and fax numbers, all email addresses and servers, and all social media accounts and platforms used in or otherwise related to the business; and

- x. all other property, assets and undertaking of the Company used in or relating to the business of whatsoever nature or kind, including without limitation all property, assets and undertaking of the Company

other than Excluded Assets (as defined in the Stalking Horse APA)

- (d) Assigned Contracts: includes the lease agreement for to the Premises in addition to other contracts, agreements or leases that may be confirmed by the Stalking Horse Bidder (collectively the “**Assigned Contracts**”), prior to 5:00 p.m. (prevailing Eastern Time) on July 10, 2024 (the “**Binding Offer Deadline**”). The Cure Costs relating to the Assigned Contracts shall be deducted from the cash purchase price payable under the Stalking Horse APA;
- (e) Deposit: a refundable deposit in the amount of \$230,000 (the “**Deposit**”). The Deposit was received by the Proposal Trustee and will be held in trust in accordance with the Bidding Procedures;
- (f) Closing Date: ten (10) days after the date on which the Court issues an order (the “**Approval and Vesting Order**”) approving the transactions contemplated under the Stalking Horse APA and not later than the Outside Date;
- (g) Break-Fee: a break-fee in the amount of \$75,000, plus an amount up to \$25,000 for repayment of professional fees and expenses incurring by the Stalking Horse Bidder relating to the transaction contemplated by the Stalking Horse APA (collectively, the “**Break-Fee**”);
- (h) Assignment Order: the Stalking Horse Bidder may request that, concurrently with the application for the Approval and Vesting Order, the Company seek an order (the “**Assignment Order**”) in respect of the Assigned Contracts for which the consent of the necessary contract counterparties is required and cannot be obtained;
- (i) Outside Date: July 31, 2024, or such later date and time as the Company and the Stalking Horse Bidder may agree to in writing;
- (j) Termination: the Stalking Horse APA may be terminated prior to the Closing Date upon the occurrence of, but not limited to, one of the following:
 - i. by mutual agreement of the Company and the Stalking Horse Bidder;
 - ii. by the Company or the Stalking Horse Bidder if the closing of the transaction has not occurred by the Outside Date, provided that the failure to close by such deadline is not caused by a breach of Stalking Horse APA by the party proposing to terminate the Stalking Horse APA; or

- iii. by the Company or the Stalking Horse Bidder if there has been a material breach of the Stalking Horse APA by the other party where such breach has not been cured within five (5) business days.
 - (k) Financing: the Stalking Horse APA does not contain any financing conditions and the Proposal Trustee understands that the Stalking Horse Bidder has made satisfactory arrangements in respect of necessary financing to complete the transaction should it be selected as the “Successful Bidder” (as defined in the Bidding Procedures).
37. The Stalking Horse APA provides for payment of the Break-Fee to the Stalking Horse Bidder in the event it is not the Successful Bidder pursuant to the Sale Process. The Proposal Trustee notes that the Break-Fee represents approximately 4.3% of the Purchase Price.
38. The Proposal Trustee has reviewed recent comparable stalking horse agreements wherein bid protections have been approved in transactions of this nature, and notes that the proposed Break-Fee is within the range of market parameters (as a percentage of purchase price), which typically range between 0.4% to 7.0% of the purchase price with an average of 3.1%. To that end, the Proposal Trustee compared the proposed Break-Fee to other bid protections approved by Canadian courts in insolvency proceedings commenced over the last 2 years. The comparison is attached hereto as **Appendix “C”**. Based on the foregoing, the Proposal Trustee is of the view that the proposed Break-Fee is fair and reasonable in the circumstances given the time and expense incurred by the Stalking Horse Bidder to date, and will not unduly “chill” bidding on the Purchased Assets as part of the proposed Sale Process (as described in further detail below).
39. The Stalking Horse APA sets a “floor price” for the Purchased Assets and provides for a going concern sale of the business, which would likely exceed realizations that would be achieved in a liquidation scenario. The Sale Process, as discussed below, will provide for a fair and transparent marketing process that should allow the Company to pursue other potential purchasers who may offer higher or otherwise better offers for the Purchased Assets than provided for in the Stalking Horse Bid.

VII. THE SALE PROCESS

40. As set out in the Borondy Affidavit, the Company, with the assistance of its advisors and in consultation with the Proposal Trustee, has concluded that a restructuring focusing on completing a sale of the assets and business of the Company pursuant to the proposed Sale Process should maximize value for all stakeholders.

Bidding Procedures²

41. Given the Company's limited liquidity, the Company, in consultation with the Proposal Trustee, developed the Sale Process to promote a competitive, fair, and expedient sale process that seeks to maximize the value of the Company's business and/or assets. The Proposal Trustee notes that the proposed timelines, while compressed, are reasonable in the circumstances given, among other things, the Company's operations are currently idle and majority of its employees are on layoff and potentially at risk of finding alternative employment, which would erode the going concern value of Pioneer Balloon. Further, the Proposal Trustee understands that many of the prospective purchasers are generally familiar with the Company and its business through the sale process undertaken by the Parent as part of the Chapter 11 Proceedings, which included certain details on the Company's operations.
42. The purpose of the Sale Process is to identify one or more purchasers for the Company's business and/or assets, or a sale of all of the Company's assets (including the Purchased Assets) or a portion thereof as a going concern or otherwise. In order to provide interested parties with an opportunity to bid on the Company's business and/or assets, the Proposal Trustee proposes to market the opportunity to prospective purchasers for a period of approximately 28 days. As noted below, the proposed timelines are reasonable in the circumstances and reflective of the Company's limited liquidity and the Cash Flow Forecast.

² Terms used but not otherwise defined in this section have the meaning ascribed to them in the Bidding Procedures.

43. The following table summarizes the key dates and timelines pursuant to the Sale Process:

Date	Event
Commencing on June 13, 2024	Proposal Trustee distributed a Teaser Letter to Known Potential Bidders, and upon execution of the NDA, provided access to the VDR
July 10, 2024 at 5:00 p.m. (EST)	Binding Offer Deadline
By no later than July 12, 2024	Auction, if needed
By no later than July 12, 2024	Selection of Successful Bidder
By July 26, 2024 or the earliest date available thereafter	Sale Approval Motion to approve and authorize the sale transaction(s) to the Successful Bidder(s)
As soon possible but no later than July 31, 2024	Closing of Successful Bid

44. The key features of the Bidding Procedures, a copy of which is attached hereto as **Appendix "D"**, are outlined below:

- (a) Notice: in advance of the hearing of the within motion, commencing on June 13, 2024, the Proposal Trustee distributed: (i) an offering summary describing the transaction opportunity and outlining the proposed Binding Offer Deadline to a list of interested parties (the “**Known Potential Bidders**”), which list has been developed by the Proposal Trustee and Pioneer Balloon. Any Known Potential Bidder interested in exploring the opportunity further was provided with a form of non-disclosure agreement (the “**NDA**”) by the Proposal Trustee. The Proposal Trustee will provide Known Potential Bidders that execute an NDA with a copy of the proposed Bidding Procedures and note the Bidding Procedures remain subject to Court approval. The Proposal Trustee will cause the Teaser Letter and NDA to be sent to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Proposal Trustee as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

- (b) Diligence: Any party that wishes to participate in the Sale Process (a “**Potential Bidder**”) will be required to provide the Proposal Trustee: with (i) an executed NDA and (ii) a letter detailing the identity of the Potential Bidder, its direct and indirect principals, and contact information for such Potential Bidder. Potential Bidders that wish to commence due diligence on the Purchased Assets will be provided, by the Proposal Trustee, with a copy of the proposed Stalking Horse APA and any material amendments thereto, as well as access to a virtual data room (the “**VDR**”) that contains confidential financial and other information relating to the Company and its operations.
- (c) Qualified Bidder: A Potential Bidder (who has delivered the executed NDA and letter as set out above) will be deemed a "Qualified Bidder" if the Proposal Trustee, in its reasonable judgment, and in consultation with the Company, determines such person is likely, based on the availability of financing, experience and other considerations, to be able to consummate a sale transaction pursuant to the Sale Process. The Stalking Horse Bidder is considered a “Qualified Bidder” pursuant to the Bidding Procedures.
- (d) Binding Offers: Any Qualified Bidder (in such capacity, a “**Binding Offer Bidder**”), other than the Stalking Horse Bidder, that wishes to make a formal bid to acquire all or substantially all of the Property or Business, whether through an asset purchase, a share purchase or a combination thereof, must submit a binding offer (a “**Binding Offer**”), in the form of a markup to the Stalking Horse APA to show any amendments and modifications thereto. In addition to the foregoing, a Binding Offer must, among other things:
- i. Provide for cash as the form of consideration for the proposed sale;
 - ii. include evidence, satisfactory to the Proposal Trustee, in consultation with the Company, of the ability to close the transaction within the timeframes contemplated by the Sale Process;
 - iii. include a written statement that such offer be binding and irrevocable unless and until the earlier of: (i) two (2) business days after the date of closing of the Successful Bid; and (ii) the Outside Date;
 - iv. provide for net cash proceeds on closing that exceeds the Purchase Price by at least \$150,000, which represents the sum of: (i) an amount of \$100,000 to cover the Break-Fee; and (ii) a minimum overbid amount of \$50,000;

- v. be accompanied by a deposit of not less than 10% of the cash purchase price payable on closing;
 - vi. identify any executory contracts and leases of the Company that the Qualified Bidder will assume;
 - vii. contain the Qualified Bidder's proposed treatment of employees of the Company;
 - viii. not provide for any break or termination fee, expense reimbursement or similar type of payment, it being understood and agreed that no bidder will be entitled to any bid protections; and
 - ix. be received by the Proposal Trustee on or prior to the Binding Offer Deadline.
- (e) Auction: If the Proposal Trustee determines that more than one Binding Offer (other than the Stalking Horse Bid) should be considered, the Proposal Trustee may, without being obligated to do so, conduct an auction (the "**Auction**") to select the highest and/or best Binding Offer. Significant aspects of the Auction include the following:
- i. the Auction will commence by no later than July 12, 2024 at a time to be designed by the Proposal Trustee;
 - ii. only the Proposal Trustee, the Company, the Stalking Horse Bidder, and any other Binding Offer Bidders, along with their respective representatives and advisors, will be entitled to attend the Auction;
 - iii. prior to the Auction, the Proposal Trustee will identify which of the Binding Offer(s) will constitute the opening bid (the "**Opening Bid**") at the Auction;
 - iv. bidding at the Auction will begin with the Opening Bid and continue in bidding increments (each a "**Subsequent Bid**") providing a net incremental value of at least an additional \$50,000 cash in excess of the Opening Bid;
 - v. each participating Binding Offer Bidder will be given reasonable opportunity to submit an overbid at the Auction to any then-existing overbids. The Auction will continue until the bidding has concluded and there is one remaining Binding Offer Bidder. At such time and upon the conclusion of the bidding, the Auction will be closed, and the Proposal Trustee shall declare the final remaining Binding Offer Bidder the successful

bidder (the “**Successful Bidder**” and such bid, the “**Successful Bid**”). The Proposal Trustee, in consultation with the Company, may consider any commercial factor in evaluating Binding Offers, including speed, certainty, value and preservation of employment; and

- vi. upon selection of a Successful Bidder, the Proposal Trustee will require the Successful Bidder to deliver, as soon as practicable, an amended and executed transaction document that reflects the Successful Bid.
45. In the event the Proposal Trustee does not receive a Binding Offer (other than the Stalking Horse Bid), the Stalking Horse Bid will be deemed the Successful Bid, the Company will promptly seek Court approval of the Stalking Horse APA and the transactions contemplated therein.
46. The Bidding Procedures provide that the Proposal Trustee, in consultation with the Company, may at any time and from time to time, modify, amend, vary or supplement the Bidding Procedures, without the need for obtaining an order of the Court or providing notice to Qualified Bidders, Binding Offer Bidders or the Successful Bidder provided that the Proposal Trustee determines that such modification, amendment, variation or supplement is expressly limited to changes that do not materially alter, amend or prejudice the rights of such bidders (including the rights of the Stalking Horse Bidder, except with the authorization of the Stalking Horse Bidder) and that are necessary or useful in order to give effect to the substance of the Sale Process and the Bidding Procedures. The Proposal Trustee will post on the Case Website, as soon as reasonably practicable, any such modification, amendment, variation or supplement to the Bidding Procedures and inform the bidders impacted by such modifications.
47. Among other things, the Bidding Procedures provide for an orderly and appropriately competitive process through which potential acquirers may submit bids for the Company’s business and/or assets. Additionally, the Bidding Procedures will allow the Proposal Trustee, in consultation with the Company, to conduct the Auction, if required, in a fair and transparent manner that will encourage participation by financially capable bidders with demonstrated ability to consummate a timely transaction.
48. As set out above, immediately following the filing of the NOI, the Proposal Trustee, in consultation with the Company, sent notice to 11 Known Potential Bidders (in addition to the Stalking Horse Bidder), of which 3 executed NDAs and are active in the VDR.

49. In the Proposal Trustee's view, the Sale Process and the Bidding Procedures are consistent with market practice, provide a reasonable opportunity for potential purchasers to submit higher or otherwise better offers to the Stalking Horse APA, and are reasonable and appropriate in the circumstances.

VIII. CASH FLOW FORECAST

50. The Company, in consultation with the Proposal Trustee, has prepared the Cash Flow Forecast for the purpose of projecting its estimated liquidity needs during the Forecast Period. A copy of the Cash Flow Forecast, notes and a report containing prescribed representations of the Company regarding the preparation of the Cash Flow Forecast are attached hereto as **Appendix "E"**.
51. The Cash Flow Forecast assumes that the Company continues to manufacture and distribute products after the Filing Date, and that Pioneer Balloon will continue to generate new sales (at a lower volume) after the commencement of the NOI Proceedings.
52. 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.
53. The Proposal Trustee's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to Information supplied to it by the Company. Since the hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposal Trustee also reviewed the support provided by management of the Company for the probable and hypothetical assumptions, and the preparation and presentation of the Cash Flow Forecast.
54. Based on the Proposal Trustee's review, nothing has come to its attention that causes it to believe that, in any material respects:
- (a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - (b) as at the date of this First Report, the probable assumptions developed by the Company are not suitably supported and consistent with the restructuring plan of the Company 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.
55. As at June 16, 2024, the Company had drawn approximately \$1.9 million on the Line of Credit, net of cash balances. The Cash Flow Forecast projects that the Company will generate cash receipts of approximately \$0.3 million and cash disbursements of approximately \$0.6 million, for a net operating cash outflow of \$0.3 million over the Forecast Period. As such, the Company is projected to have drawn approximately \$2.3 million on the Line of Credit by the end of the Forecast Period, excluding any proceeds generated from the closing of a transaction through the Sale Process.
56. In view of the foregoing, to fund the NOI Proceedings and the Sale Process, and to continue to operate at the currently reduced levels, the Company is entirely dependent on being able to continue to access funds through the Line of Credit. The Proposal Trustee has been advised by RBC that the bank supports this process and the relief sought herein, and shall continue to make funding available to the Company, provided that the proposed Sale Process and any resulting transactions are concluded in July, 2024.
57. The Proposal Trustee notes that the Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

IX. PROPOSED ADMINISTRATION CHARGE

58. The Company is seeking approval for the super priority charge (the “**Administration Charge**”) against the Company’s assets, undertakings and properties in an amount not to exceed \$150,000 in favour of the Company’s counsel, the Proposal Trustee and its counsel, as security for the professional fees and disbursements incurred prior to and after the commencement of the NOI proceedings. The approval of the Administration Charge is typical in proceedings of this nature.
59. The amount of the Administration Charge sought by the Company was determined in consultation with the Proposal Trustee.
60. Given the foregoing, the Proposal Trustee is of the view that the proposed Administration Charge is reasonable in the circumstances.

X. COMPANY'S REQUEST FOR EXTENSION

61. The Company is seeking an extension of the time to file a proposal to August 16, 2024 to permit the Proposal Trustee time to undertake the Sale Process described above.
62. The Proposal Trustee supports the Company's request for the Extension for the following reasons:
 - (a) the Company is acting in good faith and with due diligence in taking steps to facilitate a sale of its operations;
 - (b) it is the Proposal Trustee's view that an extension will not prejudice or adversely affect any group of creditors;
 - (c) the Cash Flow Forecast indicates that the Company is forecasted to have sufficient liquidity to continue to fund operations through the requested extension period ending August 16, 2024;
 - (d) additional time will be required to implement the Sale Process and establish whether there is any serious interest from Known Potential Bidders in acquiring the Company's business and/or assets in connection therewith.
63. While it is too early to say whether a viable proposal will be presented by the Company to its creditors, in the Proposal Trustee's view, the Company's request for the Extension is appropriate in the circumstances, as the current extension request properly reflects the timeframe by which the Proposal Trustee will be able to provide this Court with a meaningful update on the progress of the Sale Process.

XI. CONCLUSIONS AND RECOMMENDATIONS

64. For the reasons set out in the First Report, the Proposal Trustee is of the view that the relief requested by the Company is both appropriate and reasonable in the circumstances and the Proposal Trustee recommends that this Court make an order, among other things:

- (a) approving the Stalking Horse APA solely for the purpose of acting as the Stalking Horse Bid in the Sale Process;
- (b) approving the Sale Process and the Bidding Procedures, and authorizing and directing the Proposal Trustee, in consultation with the Company, to implement the same;
- (c) granting the Administration Charge; and
- (d) approving the Company's request for the Extension.

All of which is respectfully submitted on this 24th day of June 2024.

KPMG Inc.
in its capacity as Proposal Trustee of
Pioneer Balloon Canada Limited.
and not in its personal capacity

Per



Pritesh Patel
CIRP, LIT
Senior Vice President

Appendix “A”



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 07 - Hamilton
Court No. 32-3091796
Estate No. 32-3091796

In the Matter of the Notice of Intention to make a proposal of:

Pioneer Balloon Canada Limited

Insolvent Person

KPMG INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

June 12, 2024

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL

Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: June 12, 2024, 15:04

E-File/Dépôt Electronique

Official Receiver

Federal Building - Hamilton, 55 Bay Street N, 9th Floor, Hamilton, Ontario, Canada, L8R3P7, (877)376-9902

Canada 

Appendix “B”

District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
Pioneer Balloon Canada Limited
of the City of Hamilton, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
1ST. RATE EXPRESS SERVICE	13 Greenaway Avenue Hamilton ON L8L 6C3		700.60
Air Tech Services Inc.	90 Milburn Road Stoney Creek ON L8E 3L9		5,284.55
Akron Dispersions	3291 Sawmill Road Akron OH 44321 USA		13,619.02
Alectra Utilities	P. O. Box 3700 Concord ON L4K 5N2		141,160.33
Amazon Business	PO Box 4283 Postal Station A Toronto ON M5W 5W6		805.43
American Color Technology, LLC	908 NW Vesper St. Blue Springs MO 64015 USA		4,292.74
Andicor Specialty Chemicals	#5-5865 McLaughlin Road Mississauga ON L5R 1B8		45,744.70
Artcraft Label Inc.	5205 Harvester Road, Unit #6 Burlington ON L7L 6B5		5,627.40
Atlantic Packaging Products Lt	111 Progress Avenue Atlanta ON M1P 2Y9		25,836.64
AutomationDirect.com, Inc.	PO Box 402417 Atlanta GA 30384-2417 USA		394.75
Avient Corp.	Box 223554 Pittsburgh PA 15251-3554 USA		28,461.02
Bass Paper & Packaging Ltd.	4380 Harvester Road Burlington ON L7L 4X2		1,867.61
Beach Road Steel Sales	1900 Brampton Street Hamilton ON L8H 3S5		1,753.76
Bell Canada	P.O. Box 9000 North York ON M3C 2X7		2,363.87
Binbrook Plumbing & Heating	4045 Guyatt Road West Binbrook ON L0R 1C0		2,000.10

District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
Pioneer Balloon Canada Limited
of the City of Hamilton, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Bolt & Nut Supply Ltd.	384 Franklin Blvd. Cambridge ON N1R 5W7		1,278.17
Brenntag Canada Incorporated	43 Jutland Road Etobicoke ON M8Z 2G6		25,642.21
BSI Group America Inc.	Dept CH 19307 Palatine IL 60055-9307 USA		532.48
Canada Revenue Agency	PO Box 14000, Station Main Winnipeg MB R3C 3M2		39,127.99
Canada Revenue Agency	PO Box 14000, Station Main Winnipeg MB R3C 3M2		339.24
Canadian Bearings Limited	1600 Drew Road Mississauga ON L5S 1S5		25,963.22
Caswell Maintenance	1812 Sawmill Road Caledonia ON N3W 2G9		2,453.23
Catalyst Finance	200-4145 North Service Rd Burlington ON L7L 6A3		3,911.32
Catalyst Finance	200-4145 North Service Rd Burlington ON L7L 6A3		3,911.32
Chisholm Machinery Solutions	5760 Valley Way, PO Box 245 Niagara Falls ON L2E 6T3		884.59
City Electric Supply	249 Lake Avenue North Hamilton ON L8E 3B8		1,813.28
Clik-Clik Systems Inc. (CAN)	218 Hachborn Rd. Brantford ON N3S 7W5		6,761.69
Commercial Oil	35 Burford Road Hamilton ON L8E 3C6		1,920.32
Control Plastics	1290 Trinity Drive Menlo Park CA 94025 USA		1,163.62
Corrie MacColl N. America Inc.	150 Boush Street, 8th Floor Norfolk VA 23510 USA		196,557.97

District of:
 Division No. -
 Court No.
 Estate No.

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
 Pioneer Balloon Canada Limited
 of the City of Hamilton, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Crane Supply	1755 Burlington Street East Hamilton ON L8H 3L5		587.20
CTI Calibration Technologies I	920 N Tradewinds Parkway Columbia MO 65201 USA		580.29
DeLage Landen Financial	5046 Mainway Unit 1 Burlington ON L7L 5Z1		4,788.24
Electrical Safety Authority	400 Sheldon Dr, Unit 1 Cambridge ON N1T 2H9		1,783.14
Embree Industries Limited	151 Birge Street Hamilton ON L8L 7V4		1,035.08
Emergent Coils	1685 S Colorado Blvd Unit S324 Denver CO 80222 USA		14,961.14
Enbridge Gas Inc.	P.O. Box 2001 50 Keil Drive North Chatham ON N7M 5M1		56,409.48
Everworks Inc.	354 MacNab Street Dundas ON L9H 2L2		2,796.19
Every Scale Limited	3176 Ridgeway Dr., Unit # 60 Mississauga ON L5L 5S6		1,226.05
Expeditors Canada Inc.	55 Standish Court, 11th Floor Mississauga ON L5R 4A1		302.85
Federal Express - CAN	P.O. Box 4626, Station A Toronto ON M5W 5B4		4,068.70
Fire Code	642 Upper Horning Road Hamilton ON L9C 7R1		847.50
First Choice Pure Water Centra	P. O. Box 43042, Mavis Road Mississauga ON L5B 4A7		3,051.00
Fisher Scientific - Canada	C/O 915660 PO Box 4090 STN A Toronto ON M5W 0E9		630.90
Foilpack-Kalpakidou F&G O.E.	Neo Risio 57001 PO Box 113 Thessaloniki 57001 Greece		36,055.90

District of:
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Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
Pioneer Balloon Canada Limited
of the City of Hamilton, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Franklin Empire	350 Carlingview Drive Toronto ON M9W 5G6		6,620.10
Fueltec Combustion Corp.	1-35 Sunnyside Ave. Stoney Creek ON L8E 5M9		31,134.80
GFL Environmental Inc.	PO Box 150 Concord ON L4K 1B2		44,125.57
Glanbrook Water Services Inc.	PO Box 93086-1450 Headon Road Burlington ON L7M 4A3		467.82
Globos Qualatex de Pioneer SA	Avenida Guadalajara No 101 Acatlan de Juarez 45713 Mexico		132,399.97
GoCo Technology LP.	151 North Rivermede Road Concord ON L4K 0C4		506.19
Hamilton Hydronics Limited	358 Cumberland Avenue Hamilton ON L8M 2A2		6,132.70
Home Depot, The	PO Box 675, Station D Scarborough ON M1R 5T4		1,378.94
Industrial Hose and Hydraulics	1227 Barton Street East Hamilton ON L8H 2V0		637.37
Jutzi Water Technologies	525 Wright Boulevard Stratford ON N4Z 1H3		9,040.00
Kish Company Inc., The	P.O. Box 76158 Cleveland OH 44101-4755 USA		1,749.43
Lawlor & Co. (Hamilton) Ltd.	2727 Barton Street East Hamilton ON L8E 2J8		3,543.70
Liftow Limited	PO Box 8092, Stn A Toronto ON M5W 3W5		2,659.26
Lorama Group Inc.	2695 Meadowvale Blvd Mississauga ON L5N 8A3		2,582.48
Marshall Truck Properties Inc.	336 Kenora Avenue Hamilton ON L8E 2W2		75,932.60

District of:
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Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
Pioneer Balloon Canada Limited
of the City of Hamilton, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
McMaster - Carr Supply	PO Box 7690 Chicago IL 60680-7690 USA		3,448.89
National Leasing	1525 Buffalo Place Winnipeg MB R3T 1L9		830.21
Niagara Pallet	2906 South Grimsby Road # 8 Smithville ON L0R 2A0		915.92
Northern Prime Compressed Air	166 Merrilee Crescent Hamilton ON L9A 5G3		14,372.56
Phifer Wire Products	P.O. Box 945823 Atlanta GA 30394-5823 USA		3,017.95
Pioneer Balloon	2400 Pioneer Drive El Dorado KS 67042 USA		915,828.25
Polystar Packaging Inc.	7975 Marco-Polo Montreal QC H1E 1N8		26,173.71
Praxair Inc.	P.O. Box 400, Station D Scarborough ON M1R 5M1		4,005.16
Preston, Phipps (1986) Inc.	6400 Rue Vanden Abeele St. Laurent QC H4S 1R9		6,048.92
Purolator Courier	P.O. Box 4800 Stn Main Concord ON L4K 0K1		1,209.36
Purolator Freight	PO Box 4800 Stn Main Concord ON L4K 0K1		4,435.97
R. E. Glover Ltd.	P.O. Box 3458 STN LCD 1 Hamilton ON L8L 7X7		462.53
R.T. Vanderbilt Company, Inc.	P.O. Box 13030 Postal Station A Toronto ON M5W 1V7		3,199.91
Raymond Johnston Equipment	5990 Avebury Road Mississauga ON L5R 3R2		2,909.96
RCAP Leasing	PO Box 67 Burlington ON L7R 3X8		475.06

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Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
Pioneer Balloon Canada Limited
of the City of Hamilton, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
RJP Packaging Inc.	1550 Yorkton Ct Unit 15 Burlington ON L7P 5B7		699.47
Royal Bank of Canada	2nd Floor, 20 King Street W Toronto ON M6K 1H3		2,140,000.00
Royal Bank of Canada	2nd Floor, 20 King Street W Toronto ON M6K 1H3		18,246.71
Royal Bank of Canada	2nd Floor, 20 King Street W Toronto ON M6K 1H3		85,196.67
RPR Environmental	164-166 South Service Road Stoney Creek ON L8E 3H6		25,705.40
RWAM Insurance Administrators	49 Industrial Drive Elmira ON N3B 3B1		52,254.19
Screentec Corporation	6685 Millcreek Drive Units 3-5 Mississauga ON L5N 5M5		1,882.37
Senna Sales Limited	420 Main Street East Suite 701 Milton ON L9T 5G3		6,103.92
Shell Energy North America (Can)	P.O. Box 4684 Station "A" Toronto ON M5W 6B2		59,132.28
Shelley Automation	41 Coldwater Road Toronto ON M3B 1Y8		2,028.32
Siu & Sons Int'l Trading Corpo	2460 Viking Way Richmond BC V6V 1N2		13,720.55
SPAR Canada Company	10 Planchet Road Unit 21 Vaughan ON L4K 2C8		19,054.70
Stage West Logistics Inc.	1191 Eglinton Avenue East Mississauga ON L4W 0C2		12,601.82
Staples Advantage	PO Box 4446 Station A Toronto ON M5W 4A2		423.68
Sun Chemical Corporation	PO Box 2193 Carol Stream IL 60132-2193 USA		8,047.27

District of:
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- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
 Pioneer Balloon Canada Limited
 of the City of Hamilton, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Tennant Sales and Service Comp	PO Box 57172 Toronto ON M5W 5M5		534.49
Tetra-Chem Industries Limited	271 Ingersoll Street South Ingersoll ON N5C 3J7		4,542.75
Trade-Mark Industrial Inc.	250 Royal Oak Road Cambridge ON N3E 0A4		14,600.05
TransPro Freight Systems Ltd.	8600 Escarpment Way Milton ON L9T 0M1		1,901.70
TRCC (Tiarco)	PO Box 281995 Atlanta, GA 30384-1995 USA		22,714.02
Trimac Transportation Services	3215 12 St NE Calgary AB T2E 7S9		27,122.02
Tubefit Inc.	260 Galaxy Boulevard Toronto ON M9W 5R8		4,265.32
Uline Shipping Supply (CAN)	Box 3500 RPO Streetsville Mississauga ON L5M 0S8		11,723.04
Univar Canada Limited	64 Arrow Road Weston ON M9M 2L9		50,223.94
Universal Electric Services In	1100 South Service Road Unit 105 Stoney Creek ON L8E 0C5		5,672.60
Videojet Canada Limited Partner	PO Box 4488 STN A Toronto ON M5W 4H1		649.46
VWR International Ltd.	P.O. Box 1137 Toronto ON M5L 1K1		1,400.48
Waste Connections of Canada Inc	464 Rennie Street Hamilton ON L8H 3P5		3,551.53
Wm. Groves Limited	P.O. Box 47589 Centre Mall Hamilton ON L8H 7S7		574.04
Workplace Safety & insurance	P.O. Box 4115, Station A Toronto ON M5W 2V3		7,056.26

District of:
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Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
Pioneer Balloon Canada Limited
of the City of Hamilton, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Yale Industrial Trucks Inc.	5335 John Lucas Drive Unit #5 Burlington ON L7L 6A8		1,533.87
Total			4,630,705.04


Pioneer Balloon Canada Limited
Insolvent Person

Appendix “C”



Stalking Horse Break Fee Analysis
Current as at May 13, 2024

Debtor	Purchaser	Proceeding Type	Trustee	APA date	Jurisdiction	Industry	A Termination Fee	B Expense Reimbursement	C = A + B Total Break Fee ("BF")	Estimated Transaction Value ("TV")	BF as a % of TV2	APA in Document Library?	Note
Heritage Cannabis Holdings Corp.	B/K Holdings Ltd. and HAB Cann Holdings Ltd.	CCAA	KPMG	10-Apr-24	Ontario	Cannabis	400,000		400,000	approximately \$7.7 million to \$11.1 million	5.2%		
1000093910 Ontario Inc.	2557904 Ontario Inc.	Receivership	KSV	13-Nov-24	Ontario	Real Estate	200,000	50,000	250,000	24,255,000	1.0%	Yes	
Athabasca Minerals Inc.	JMAC Energy Services LLC	NOI	KSV	5-Dec-23	Alberta	Distribution	-	200,000	200,000	13,000,000	1.5%	Yes	
Garibaldi at Squamish Limited	Aquilini Development LP, Garibaldi Resort Management Company Ltd. and 1413994 B.C. Ltd.	Receivership	EY	13-Mar-24	British Columbia	Other	500,000	-	500,000	approximately \$80.41 million	0.6%	Yes	
Validus Power Corp. et al.	Macquarie Equipment Finance Limited and Far North Power Corp.	CCAA	KSV	19-Oct-23	Ontario	Professional Services	1,260,000	1,000,000	2,260,000	59,000,000	3.8%	Yes	
NextPoint Financial Inc. et al.	Certain lenders to NextPoint	CCAA	FTI	1-Jul-23	British Columbia	Financial Services	700,000	Reasonable expenses also covered	700,000	175,000,000	0.4%	Yes	
Datatax Business Services Limited	2872802 Ontario Inc.	NOI	KPMG	11-Aug-23	Alberta	Professional Services	400,000	-	400,000	40,700,000	1.0%	Yes	
Edward Collins Contracting Ltd.	92712 Newfoundland & Labrador Inc.	CCAA	Grant Thornton	17-May-23	Newfoundland	Construction	144,800	30,000	144,800	7,240,000	2.0%	Yes	
Digital Orthodontic Care Inc.	Ortho Studios Express, Inc.	Receivership	Richter	10-Aug-23	Ontario	Healthcare	85,000	-	85,000	\$3 million credit bid	2.8%	Yes	
Pathway Health Corp. (TSV: PHC) and Pathway Health Services Corp.	AvonleaDrewry Holdings Inc.	Interim Receivership	KSV	2-Oct-23	Ontario	Healthcare			62,500	1,250,000	5.0%	Yes	
IE CA 3 Holdings Limited	NYDIG ABL LLC	Receivership	PwC	7-Jun-23	British Columbia	Financial Services	USD 630,000	-	USD 630,000	USD 21,000,000	3.0%	Yes	
Fire & Flower Inc. et al.	2707031 Ontario Inc. (the DIP lender)	CCAA	FTI	15-Jun-23	Ontario	Cannabis	650,000	100,000	750,000	Credit bid (release of all obligations owing under DIP loan and bridge loan)	3.4%	Yes	
1194038 Alberta Ltd.	2262576 Alberta Ltd.	Receivership	EY	5-Jun-23	Alberta	Real Estate	125,000		125,000	4,375,000	2.8%	Yes	
GreenSpace Brands Inc.	2762454 Ontario Inc.	Ontario	PwC	5-Apr-23	Ontario	Real Estate & Accommodation	150,000	-	150,000	~9 million, plus certain assumed liabilities and other amounts	1.7%	No	
LoyaltyOne Co. (dba AIR MILES®)	BMO	CCAA	KSV	10-Mar-23	Ontario	Other	3 million	1 million	4 million	US 160 million	2.5%	Yes	
Trichome Financial Corp.	L5 Capital Inc.	CCAA	KSV	12-Dec-22	Ontario	Cannabis	-	200,000	200,000	5,000,000 and certain deferred consideration payable pursuant to secured limited recourse promissory notes	4.0%	No (but available in Third Report dated February 22, 2023)	
Westoak Naturals Inc.	Avena Foods Limited	Receivership	BDO	9-Nov-22	Ontario	Distribution	30,000	25,000	55,000	1,000,000 credit bid plus the costs of the receivership	5.5%	No	
Robus Resources Inc.	Robus Equity Acquisition Corporation, as nominee of Blue Fin Group LLP and Robus Services LLC	Receivership	A&M	8-Dec-22	Alberta	Oil & Gas	182,000		182,000	USD\$9,100,000	2.0%	No	
The Flowr Corporation et al.	1000343100 Ontario Inc.	CCAA	EY	31-Oct-22	Ontario	Cannabis	185,000		185,000	\$3,888,888.88 plus the Closing DIP Loan (as defined below) and Assumed Liabilities	4.8%	No	
Solvaqua Inc.	2464525 Alberta Ltd.	Receivership	MNP	1-Oct-22	Alberta	Other	175,000		175,000	A cash payment sufficient to cover various security interests, a CRA claim and a holdback, plus the payment of the balance of the purchase price being \$2.5 million	7.0%	Y	
Cannaplace Group Inc. et al.	Cardinal Advisory Limited	CCAA	BDO	8-Nov-22	Ontario	Cannabis	175,000	25,000	200,000	\$3.5 million cash, plus Assumed Liabilities, if any	5.7%	Yes	
iS5 Communications Inc.	Elektrophoenix GmbH	NOI	Grant Thornton	17-Oct-22	Ontario	Technology	USD \$200,000	USD \$200,000	USD \$250,000	USD \$5 million, a portion of which will be comprised of a "credit bid" of amounts owing under the DIP Term Sheet	5.0%	Yes	
Go-To Developments Holdings Inc.	2357616 Ontario Inc.	Receivership	KSV	8-Aug-22	Ontario	Real Estate	-	60,000	60,000	9.5 million or greater	1.0%	No	
Just Energy Group	The DIP lenders and one of their affiliates	CCAA	FTI	4-Aug-22	Ontario	Oil & Gas	US\$14.66 million	-	US\$14.66 million	US\$184.9 million in cash, plus up to an additional \$10 million, a credit bid of US\$252.7 million, plus the assumption of certain liabilities	3.4%	No	
Freshloc Solutions Inc.	Third Eye Capital Corporation	CCAA	EY	17-Jun-22	British Columbia	Retail	Unclear - confidential	Unclear - confidential	Unclear - confidential	Unclear - confidential	2.5%	No	
Average											3.1%		
Min											0.4%		
Max											7.0%		

Notes

- Purchase price equal to the sum of \$191,000 in cash plus 90% of the inventory value as at the closing date, plus the purchaser's agreement to the AR collection agreement appended to the APA. Estimated TV is reported in Farber's first report.
- Four separate stalking horse agreements were entered into for various of the debtor's business units. The stalking horse bidder in each agreement is a corporation related to the debtor's 95.5% shareholder and most significant secured creditors. The purchase price in each case is in the form of a credit bid or assumption of debt. No break fees are contemplated in any
- APA did not split break fee between termination fee and expense reimbursement amounts
- Estimated transaction value consists only of the cash portion of the purchaser's bid.
- Estimated transaction value equal to an amount sufficient to satisfy i) repayment of the amounts secured by the administration charge; ii) repayment of the DIP loan; iii) payment of amounts secured by KERF charge; and iv) funding of a proposal which will provide for payment of, among other things, the outstanding secured debentures and preferred claims.
- Transaction is for assets of both Canadian and US entities.

Appendix “D”

Schedule A

Bidding Procedures for the Sale Process

INTRODUCTION

1. On June 12, 2024 (the “**Filing Date**”), Pioneer Balloon Canada Limited (the “**Vendor**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”, and the proceedings, the “**NOI Proceedings**”).
2. KPMG Inc., a licensed insolvency trustee, was appointed as the Trustee acting *in re* the proposal of the Vendor (the “**Trustee**”) under the NOI Proceedings.
3. In connection with the NOI Proceedings, the Vendor will apply to the Ontario Superior Court of Justice, Commercial List (the “**Court**”), for an order (the “**Sale Process Order**”), among other things, authorizing the Trustee, with the assistance of the Vendor’s management team, to undertake a sale process (“**Sale Process**”) for the sale of the Vendor’s (A) property, assets and undertaking or shares in the capital of one or more of the Debtors (collectively, the “**Property**”), including liquidation offers for the Debtors’ inventory and equipment, and/or (B) business operations (the “**Business**”). The Sale Process will be conducted by the Trustee in the manner set forth herein and in accordance with the Sale Process Order.
4. Among other things, the Sale Process Order will also: (a) approve the procedures set out in this Schedule (the “**Bidding Procedures**”) for the solicitation of offers or liquidation proposals (each, a “**Bid**”) for the acquisition of the Property and the Business or some portion thereof; and (b) approve the form of stalking horse agreement (as same may be amended from time to time pursuant to its terms and the Sale Process Order, the “**Stalking Horse Agreement**”) to be entered into between Pioneer Balloon Canada Limited, as Vendor, and 1488108 B.C. Ltd. (the “**Stalking Horse Bidder**”), as purchaser, for the purposes of serving as the stalking horse bid in the Sale Process (the “**Stalking Horse Bid**”). For the avoidance of doubt, the implementation of the transactions contemplated by the Stalking Horse Agreement are conditional upon the Stalking Horse Bid being selected as a Successful Bid (as defined below) in accordance with the Bidding Procedures and Court approval of the Stalking Horse Agreement and the transactions contemplated therein on a subsequent motion to be brought by the Vendor following the completion of the Sale Process.

Bidding Procedures

Opportunity

5. The Sale Process is intended to solicit interest in and opportunities for a sale of all or part of the Vendor’s Property and Business (the “**Opportunity**”). The Opportunity may include a sale of all, substantially all or one or more components of the Vendor’s Property and Business as a going concern or otherwise.
6. Any sale of any of the Property and the Business will be on an “*as is, where is*” basis and without surviving representations or warranties of any kind, nature, or description by the

Trustee, the Vendor or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Vendor in and to the Property to be acquired will be sold free and clear of, *inter alia*, all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, except as otherwise provided in such Court orders and definitive documents.

7. The Stalking Horse Agreement constitutes a Binding Offer (as defined below) by the Stalking Horse Bidder (which constitutes a Binding Offer Bidder (as defined below)) for all purposes and at all times under this Sale Process and will serve as the Stalking Horse Bid for purposes of this Sale Process and the Bidding Procedures and have the right to participate in the Auction (as defined below), if any. A copy of the Stalking Horse Agreement will be made available to all Qualified Bidders (as defined below) and a form of such purchase agreement, to be uploaded to the VDR (as defined below), may be used as the basis for any Binding Offer made in the Sale Process.
8. The Bidding Procedures describe the manner in which prospective bidders may gain access to due diligence materials concerning the Vendor, the Property and the Business, the manner in which bidders may participate in the Sale Process, the requirement of and the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder (as defined below) and the requisite approvals to be sought from the Court in connection therewith.
9. Subject to paragraph 27 below, the Trustee, in consultation with the Vendor, may at any time and from time to time, modify, amend, vary or supplement the Bidding Procedures, without the need for obtaining an order of the Court or providing notice to Qualified Bidders, Binding Offer Bidders or the Successful Bidder(s) (as each are defined below) provided that such modification, amendment, variation or supplement is expressly limited to changes that do not alter, amend or prejudice the rights of such bidders (including the rights of the Stalking Horse Bidder, except with the authorization of the Stalking Horse Bidder) and are necessary or useful in order to give effect to the substance of the Sale Process, the Bidding Procedures or the Sale Process Order. Notwithstanding the foregoing, the dates or time limits indicated in the table contained below may be extended by the Trustee, as the Trustee deems necessary or appropriate, or by order of the Court.
10. The Trustee will post on the Trustee's website and serve on the service list maintained in the NOI Proceedings, as soon as practicable, any such modification, amendment, variation or supplement to these Bidding Procedures and inform the bidders impacted by such modifications.
11. The Sale Process will be conducted by the Trustee in the manner set forth herein and in accordance with the Sale Process Order. In the event of a dispute as to the interpretation or application of the Sale Process Order or these Bidding Procedures, the Court will have exclusive jurisdiction to hear and resolve such dispute. For the avoidance of doubt, all bidders shall be deemed to have consented to the jurisdiction of the Court in connection with any disputes relating to the Sale Process, including the qualification of bids, the construction and enforcement of the Sale Process, and closing of a Successful Bid, as applicable.

12. Participants in the Sale Process are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Bid, due diligence activities, the Auction and any further negotiations or other actions whether or not they lead to the consummation of a transaction.

13. A summary of the key dates pursuant to the Sale Process is as follows:

Milestone	Date
Commence solicitation of interest from parties, including delivering NDA and Teaser Letter, and upon execution of NDA (each as defined below) and access to VDR	By no later than June 13, 2024 ¹
Binding Offer Deadline (as defined below)	By no later than 5:00 p.m. (Eastern Time) on July 10, 2024
Auction, if needed	By no later July 12, 2024
Selection of Successful Bid	By no later than July 12, 2024
Approval Motion (as defined below)	By no later than July 26, 2024 or the earliest date available thereafter
Closing of Successful Bid	As soon as possible but no later than July 31, 2024

Solicitation of Interest: Notice of the Sale Process

14. As soon as reasonably practicable after the Filing Date,

- a. the Trustee, in consultation with the Vendor, will prepare a list of potential bidders, including (i) parties that have approached the Debtors or the Trustee indicating an interest in the Opportunity, (ii) strategic and financial parties who the Trustee, in consultation with the Vendor, believe may be interested in purchasing all or part of

¹ The Company and the Proposal Trustee commenced soliciting interest immediately following the filing of the NOI but advised all parties who expressed an interest that a subsequent motion for approval of the sale process and possible stalking horse bid was pending.

the Business or the Property, and (iii) parties that showed an interest in the Vendor and/or its Property prior to the date of the Sale Process Order including by way of the previous, out-of-court strategic review process, in each case whether or not such party has submitted a letter of intent or similar document (collectively, the “**Known Potential Bidders**”); and

- b. the Trustee, with the assistance of the Vendor, will prepare (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the contemplated process under the Sale Process and inviting recipients of the Teaser Letter to express their interest; and (ii) a non-disclosure agreement in form and substance satisfactory to the Trustee and Vendor and their respective counsel, which shall enure to the benefit of any purchaser of the Business or Property or any part thereof (an “**NDA**”).
15. As soon as reasonably practicable, but, in any event, by no later than five (5) business days after the granting of the Sale Process Order, the Trustee, with the assistance of the Vendor, will provide the Known Potential Bidders with a copy of the Bidding Procedures approved by the Court.
 16. The Trustee will cause the Teaser Letter and NDA to be sent to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Trustee as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

Virtual Data Room

17. A confidential virtual data room or rooms (collectively the “**VDR**”) in relation to the Opportunity will be made available by the Trustee to Potential Bidders (as defined below) that have executed the NDA. The VDR will be made available as soon as practicable. The Trustee, in consultation with the Vendor, may establish separate VDRs (including “**clean rooms**”), if the Vendor reasonably determines that doing so would further the Vendor’s and any Potential Bidder’s compliance with applicable antitrust and competition laws, or would prevent the distribution of commercially sensitive competitive information. The Trustee may also, in consultation with the Vendor, limit the access of any Potential Bidder to any confidential information in the VDR where the Trustee, in consultation with the Vendor, reasonably determines that such access could negatively impact the Sale Process, the ability to maintain the confidentiality of the information, the Business, the Property or their value.

Qualified Bidders

18. Any party who wishes to participate in the Sale Process (a “**Potential Bidder**”) must provide to the Trustee and counsel to the Vendor, at the addresses specified in **Appendix “B”** hereto (including by email transmission), an NDA executed by it, acceptable to the Trustee, in consultation with the Vendor, and written confirmation of the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder.
19. A Potential Bidder (who has delivered the executed NDA and letter as set out above) will be deemed a “**Qualified Bidder**” if the Trustee, in its reasonable judgment, and in consultation

with the Vendor, determines such person is likely, based on the availability of financing, experience and other considerations, to be able to consummate a sale or liquidation transaction pursuant to the Sale Process. All Qualified Bidders will be granted access to the VDR. For the avoidance of doubt, the Stalking Horse Bidder is, and will be deemed to be, a Qualified Bidder. The Trustee will provide to each Qualified Bidder a copy of the Stalking Horse Agreement and any material amendment thereto.

20. The Vendor, the Trustee and their respective advisors make no representation or warranty as to the information contained in the VDR, Teaser Letter or otherwise made available pursuant to the Sale Process.
21. At any time during the Sale Process, the Trustee may, in its reasonable judgment, and in consultation with the Vendor, eliminate a Qualified Bidder from the Sale Process, in which case such bidder will be eliminated from the Sale Process and will no longer be a "Qualified Bidder" for the purposes of the Sale Process.
22. Potential Bidders must rely solely on their own independent review, diligence, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the Sale Process and any transaction they enter into with one or more of the entities comprising the Vendor.

Due Diligence

23. The Trustee and the Vendor, shall, subject to competitive and other business considerations, afford each Qualified Bidder such access to due diligence materials and information relating to the Property and Business as the Trustee, in consultation with the Vendor, may deem appropriate. Due diligence access may include management presentations, access to the VDR, on-site inspections, and other matters which a Qualified Bidder may reasonably request and as to which the Trustee, in its reasonable judgment, and in consultation with the Vendor, may agree. Any access or interactions with the Vendor's management and personnel shall be coordinated through, and involve a representative of, the Trustee.
24. The Trustee will designate one or more representatives of the Trustee to be solely responsible for coordinating and responding to all requests for information and due diligence access from Qualified Bidders and the manner in which such requests must be communicated. Neither the Trustee, nor the Vendor through the Trustee, will be obligated to furnish any information relating to the Property or Business to any person other than to Qualified Bidders. Further, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Qualified Bidders if the Trustee, in consultation with the Vendor, determines such information to represent proprietary or sensitive competitive information.

Formal Binding Offers

25. Any Qualified Bidder (other than the Stalking Horse Bidder) that wishes to make a formal offer to (A) acquire all or substantially all of the Property or Business, whether through an asset purchase, a share purchase or a combination thereof, must submit a binding offer (a "**Binding Offer**") as a marked version compared to the Stalking Horse Agreement, a copy of

which will be posted in the VDR (the “**Binding Offer Bidder**”), in each case, to the Trustee, no later 5 p.m. EST on July 10, 2024 (the “**Binding Offer Deadline**”).

26. A Binding Offer will be considered if it:

- (a) provides for net cash proceeds on closing no less than the aggregate of: (A) the amount of cash payable under the Stalking Horse Agreement, plus (B) the amount of cash payable to cover the Break Fee of \$75,000, as defined in the Stalking Horse Agreement, plus (C) the amount of legal costs of the Stalking Horse Bidder up to a maximum of \$25,000, plus (D) a minimum overbid amount of \$50,000 (the amounts set forth in this paragraph 26(a), the “**Minimum Purchase Price**”);
- (b) is submitted on or before the Binding Offer Deadline by a Qualified Bidder;
- (c) is made by way of binding, definitive transaction document(s) that is/are executed by the Binding Offer Bidder;
- (d) identifies any executory contracts and leases of the Vendor that the Binding Offer Bidder will assume and clearly describes, for each contract or on an aggregate basis, how all monetary defaults and non-monetary defaults will be remedied, as applicable;
- (e) is not subject to any financing condition, diligence condition or internal or board approval;
- (f) is unconditional, other than upon the receipt of the Approval Order(s) (as defined below) and satisfaction of any other conditions expressly set forth in the Binding Offer;
- (g) contains or identifies the key terms and provisions to be included in any Approval Order;
- (h) contains the Binding Offer Bidder’s proposed treatment of employees of the applicable Vendor entities (for example, anticipated employment offers and treatment of post-employment benefits);
- (i) includes acknowledgments and representations of the Binding Offer Bidder that it: (i) has had an opportunity to conduct any and all due diligence regarding the Opportunity prior to making its Binding Offer; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property and/or the Business in making its Binding Offer; (iii) did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Opportunity or the completeness of any information provided in connection therewith, other than as expressly set forth in the Binding Offer or other transaction document submitted with the Binding Offer; and (iv) promptly will commence any governmental or regulatory review of the proposed transaction by the applicable competition, antitrust or other applicable governmental authorities;

- (j) includes evidence satisfactory to the Trustee of funds available to pay the Minimum Purchase Price on closing;
- (k) provides for any anticipated corporate, licensing, securityholder, legal or other regulatory approvals required to close the transaction, and an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (l) does not provide for any break or termination fee, expense reimbursement or similar type of payment, it being understood and agreed that no bidder will be entitled to any bid protections;
- (m) includes:
 - (i) the specific purchase price in Canadian dollars and a description of any non-cash consideration;
 - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - (iii) a specific indication of the sources of capital for the Binding Offer Bidder and the structure and financing of the transaction; and
 - (iv) a description of those liabilities and obligations (including operating liabilities) which the Binding Offer Bidder intends to assume and which such liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;
- (n) includes payment of a deposit in the amount of not less than ten percent (10%) of the cash purchase price payable on closing (the “**Deposit**”) by wire transfer to the Proposal Trustee;
- (o) is accompanied by an acknowledgement that if the Binding Offer Bidder is selected as a Successful Bidder, that the Deposit will be non-refundable subject to approval of such Successful Bid by the Court and the terms described in paragraph 27 below;
- (p) contemplates and reasonably demonstrates a capacity to consummate a closing of the transaction set out therein on the date that is ten (10) days from the date of the issuance of the Approval Order approving such bid, or such earlier date as is practical for the parties to close the contemplated transaction, following the satisfaction or waiver of the conditions to closing and in any event no later than July 31, 2024 (the “**Outside Date**”); and
- (q) includes such other information as reasonably requested or identified as being necessary or required by the Trustee, in consultation with the Vendor.

27. By submitting an offer for consideration at a Binding Offer, it is deemed that such Binding Offer: (i) may be accepted by the Vendor by countersigning the Binding Offer, and (ii) is

irrevocable and capable of acceptance until the earlier of (A) two (2) business days after the date of closing of the applicable Successful Bid; and (B) the Outside Date (as defined below).

28. The Trustee, in its reasonable judgment, and in consultation with the Vendor, may waive compliance with any one or more of the requirements specified above and consider such non-compliant Binding Offer. For the avoidance of doubt, the completion of any Binding Offer shall be subject to the approval of the Court.
29. In the circumstance that a Binding Offer, does not provide for net cash proceeds on closing that are at least equal to the Minimum Purchase Price, the Trustee may elect that such Binding Offer nevertheless be considered as a potential Successful Bid and be entitled to participate in the Auction.

Selection of Successful Bid

30. The Trustee, in consultation with the Vendor, may, following the receipt of any Binding Offer, seek clarification with respect to any of the terms or conditions of such Binding Offer and/or request and negotiate one or more amendments to such Binding Offer prior to determining if the Binding Offer should be considered.
31. The Trustee and the Vendor, will (i) review and evaluate each relevant Binding Offer; and (ii) identify the highest and otherwise best Binding Offer (the “**Successful Bid**”, and the Binding Offer Bidder making such Successful Bid, the “**Successful Bidder**”). The Trustee, in consultation with the Vendor, may consider any commercial factor in evaluating Binding Offers, including speed, certainty, value and preservation of employment.
32. In the event that no Binding Offer is selected (other than the Stalking Horse Bid), the Vendor will promptly seek Court approval of the Stalking Horse Agreement and the transactions contemplated therein. In the event there is at least one Binding Offer in addition to the Stalking Horse Bid, a Successful Bid will be identified through an auction (“**Auction**”) in accordance with the procedure set out below.
33. The Trustee may negotiate with Binding Offer Bidders in any manner it considers appropriate in its business judgment with a view to maximizing the value of the Property, including at the Auction. In the event an Auction is required, the Auction will be conducted in accordance with the procedures set forth in this paragraph:
 - (a) The Auction will commence at a time to be designated by the Trustee and may, in the discretion of the Trustee, be held virtually via videoconference, teleconference or such other reasonable means as the Trustee deems appropriate. The Trustee will consult with the parties permitted to attend the Auction to arrange for the Auction to be so held. Subject to the terms hereof, the Trustee, in consultation with the Vendor, may postpone the Auction.
 - (b) The identity of each Binding Offer Bidder participating in the Auction will be disclosed, on a confidential basis, to other Binding Offer Bidders participating in the Auction.

- (c) Except as otherwise permitted in the Trustee's discretion, only the Vendor, the Trustee and the Binding Offer Bidders, and, in each case, their respective professionals and representatives, will be permitted to attend the Auction. Only Binding Offer Bidders (including, for greater certainty, the Stalking Horse Bidder) are eligible to participate in the Auction.
- (d) Binding Offer Bidders will participate in the Auction through a duly authorized representative.
- (e) Except as otherwise set forth herein, the Trustee may waive and/or employ and announce at the Auction additional rules, including rules to facilitate the participation of parties participating in an Aggregated Bid, that are reasonable under the circumstances for conducting the Auction, provided that such rules are:
 - (i) not inconsistent with the Initial Order, the Sale Process, the Bidding Procedures, the BIA, or any order of the Court issued in connection with the NOI Proceedings;
 - (ii) disclosed to each Binding Offer Bidder; and
 - (iii) designed, by the Trustee, in its reasonable judgment, and in consultation with the Vendor, to result in the highest and otherwise best offer.
- (f) The Trustee may arrange for the actual bidding at the Auction to be transcribed or recorded. Each Binding Offer Bidder participating in the Auction will designate a single individual to be its spokesperson during the Auction.
- (g) Each Binding Offer Bidder participating in the Auction must confirm on the record, at the commencement of the Auction and again at the conclusion of the Auction, that it has not engaged in any collusion with the Vendor or any other person, without the consent of the Trustee, regarding the Sale Process, that has not been disclosed to all other Binding Offer Bidders. For greater certainty, communications between the Stalking Horse Bidder and either the Vendor or the Trustee with respect to and in preparation of the Stalking Horse Agreement, the Sale Process and the Bidding Procedures, prior to the issuance of the Sale Process Order and the commencement of the Sale Process will not represent collusion nor communications prohibited by this paragraph.
- (h) Prior to the Auction, the Trustee will identify the highest and best of the Binding Offers received and such Binding Offers will constitute the opening bid for the purposes of the Auction (the "**Opening Bid**"). Subsequent bidding will continue in minimum increments valued at not less than \$50,000.00 cash in excess of the Opening Bid. Each Binding Offer Bidder will provide evidence of its financial wherewithal and ability to consummate the transaction at the increased purchase price. Further, in the event that an Aggregated Bid qualifies to participate in the Auction, modifications to the bidding requirements may be made by the Trustee, in consultation with the Vendor, to facilitate bidding by the participants in the Aggregated Bid.
- (i) All Binding Offer Bidders will have the right, at any time, to request that the Trustee announce, subject to any potential new bids, the then-current highest and best bid

and, to the extent requested by any Binding Offer Bidder, use reasonable efforts to clarify any and all questions such Binding Offer Bidder may have regarding the Trustee's announcement of the then-current highest and best bid.

- (j) Each participating Binding Offer Bidder will be given reasonable opportunity to submit an overbid at the Auction to any then-existing overbids. The Auction will continue until the bidding has concluded and there is one remaining Binding Offer Bidder. The Trustee and the Vendor shall determine which Binding Offer Bidders have submitted the highest and otherwise best Binding Offer of the Auction, which shall be a Successful Bid. At such time and upon the conclusion of the bidding, the Auction will be closed, and the Binding Offer Bidder with the highest and otherwise best Binding Offer of the Auction will be a Successful Bidder.
- (k) Upon selection of a Successful Bidder(s), if any, the Successful Bidder(s), if any, shall deliver to the Trustee and the Vendor, an amended and executed transaction document that reflects their final bid and any other modifications submitted and agreed to during the Auction, prior to the filing of the motion material for the hearing to consider the Approval Motion.
- (l) Any bids submitted after the conclusion of the Auction will not be considered.
- (m) The Trustee, in consultation with the Vendor, shall be at liberty to modify or to set additional procedural rules for the Auction as it sees fit, including to conduct the Auction by way of written submissions.

34. A Successful Bid, if any, will be selected by no later than 5:00 p.m. (Eastern Time) on July 12, 2024 (or such later date immediately thereafter if the Auction is conducted and not completed in one day). If the applicable Successful Bid is terminated for any reason prior to the Outside Date, the Vendor and the Trustee may elect to, or by further order of the Court, seek to complete the transactions contemplated by the Stalking Horse Bid and will promptly seek to close the transaction contemplated by such Stalking Horse Bid, which will be deemed to be a Successful Bid. The Vendor will be deemed to have accepted such Stalking Horse Bid only when the Vendor and the Trustee have made such election.

Approval of Successful Bid

35. The Vendor will apply to the Court (the “**Approval Motion**”) for one or more orders: (i) approving the Successful Bid(s) and authorizing the taking of such steps and actions and completing such transactions as are set out therein or required thereby; and (ii) granting a vesting order(s) to the extent that such relief is contemplated by the Successful Bid(s) so as to vest title to any purchased assets and/or shares in the name of the applicable Successful Bidder(s) (collectively, the “**Approval Order(s)**”). The Approval Motion will be held on a date to be scheduled by the Vendor and confirmed by the Court upon application by the Vendor. With the consent of the Trustee, the Approval Motion may be adjourned or rescheduled by the Vendor without further notice, by an announcement of the adjourned date at the Approval Motion or in a notice to the service list maintained in the NOI Proceedings prior to the Approval Motion. The Vendor will consult with the Trustee and the applicable

Successful Bidder regarding the motion material to be filed by the Vendor for the Approval Motion.

36. All Binding Offers (other than the Successful Bid(s)) will be deemed rejected on and as of the date of the closing of the applicable Successful Bid(s)), with no further or continuing obligation of the Vendor or the Trustee to any unsuccessful Binding Offer Bidders, including the Stalking Horse Bidder.

Deposits

37. The Deposit(s):

- (a) will, upon receipt from the Binding Offer Bidder(s), be retained by the Trustee and deposited in a non-interest-bearing trust account;
- (b) received from the Successful Bidder(s) will:
 - (i) be applied to the purchase price to be paid by the applicable Successful Bidder whose Successful Bid is the subject of the Approval Order(s), upon closing of the approved transaction; and
 - (ii) otherwise be held and refunded in accordance with the terms of the definitive documentation in respect of the applicable Successful Bid, provided that all such documentation will provide that the Deposit will be retained by the Vendor and forfeited by the Successful Bidder, if its Successful Bid fails to close by the Outside Date and such failure is attributable to any failure or omission of the Successful Bidder to fulfil its obligations under the terms of its Successful Bid; and
- (c) received from the Binding Offer Bidder(s) that are not a Successful Bidder will be fully refunded to the Binding Offer Bidder(s) that paid the Deposit(s), as applicable, as soon as practical following the closing of the applicable Successful Bid.

“As is, Where is”

38. Any sale (or sales), including in the case of liquidation, of the Property or the Business or portions thereof will be on an “**as is, where is**” basis except for representations and warranties that are customarily provided in purchase agreements for a company subject to NOI proceedings. Any such representations and warranties provided for in the definitive documents will not survive closing.

Confidentiality

39. For greater certainty, other than as required in connection with any Auction or Approval Motion and subject to paragraph 27, neither the Vendor nor the Trustee will disclose: (i) the identity of any Potential Bidder or Qualified Bidder (other than the Stalking Horse Bidder); or (ii) the terms of any bid, or Binding Offer (other than the Stalking Horse Agreement), to any other bidder or any of its affiliates. Potential Bidders, Qualified Bidders (including the

Stalking Horse Bidder) and each of their respective affiliates shall not communicate with, or contact, directly or indirectly, any other Potential Bidder, Known Potential Bidder, Qualified Bidder or their respective affiliates, without the express written consent of the Trustee, and such communications or discussions are to take place under the supervision of the Trustee.

Further Orders

40. At any time during the Sale Process, the Vendor or the Trustee may apply to the Court for advice and directions with respect to any aspect of this Sale Process including, but not limited to, the continuation of or termination of the Sale Process or with respect to the discharge of its powers and duties hereunder.

Additional Terms

41. In addition to any other requirement of the Sale Process:
- (a) Any consent, approval or confirmation to be provided by the Stalking Horse Bidder, the Vendor and/or the Trustee is ineffective unless provided in writing and any approval required pursuant to the terms hereof is in addition to, and not in substitution for, any other approvals required by the BIA or as otherwise required at law in order to implement a Successful Bid. For the avoidance of doubt, a consent, approval or confirmation provided by email will be deemed to have been provided in writing for the purposes of this paragraph.
 - (b) Prior to seeking Court approval for any transaction or bid contemplated by this Sale Process, the Trustee will provide a report to the Court on the Sale Process, parts of which may be filed under seal, including in respect of any and all bids received.
42. This Sale Process does not, and will not be interpreted to, create any contractual or legal relationship between the Vendor and any other party, other than as specifically set forth in the NDA or any other definitive agreement executed.
43. Notwithstanding anything to the contrary herein, the Trustee shall have no liability whatsoever to any person or entity, including without limitation any Potential Bidder, Qualified Bidder, Binding Offer Bidder, Successful Bidder, or any other creditor or stakeholder, or any Applicant, as a result of implementation or otherwise in connection with this Sale Process, except to the extent that any such liabilities result from the gross negligence or wilful misconduct of the Trustee, as determined by the Court, and all such persons or entities shall have no claim against the Trustee in respect of the Sale Process for any reason whatsoever.

APPENDIX "B"

The Trustee:

KPMG INC.

333 Bay Street, Suite 4600
Toronto, ON M5H 2S5

Attention: Pritesh Patel
Email: pritchpatel@kpmg.ca

with copies to counsel to the Trustee:

Borden Ladner Gervais LLP

Bay Adelaide Centre, East Tower
22 Adelaide St. W
Toronto, ON, Canada
M5H 4E3

Attention: Alex MacFarlane
Email: AMacfarlane@blg.com

The Debtors

Vendor

c/o Loopstra Nixon LLP

130 Adelaide Street West – Suite 2800
Toronto, ON M5H 3PG

Attention: Graham Phoenix
Email: gphoenix@LN.law

Appendix “E”

Pioneer Balloon Canada Ltd. (the "Company")
Projected Statement of Cash Flow
For the period ending August 17, 2024
In \$CAD

Week Ending	Notes	Actual 15-Jun	Forecast 1 22-Jun	Forecast 2 29-Jun	Forecast 3 6-Jul	Forecast 4 13-Jul	Forecast 5 20-Jul	Forecast 6 27-Jul	Forecast 7 3-Aug	Forecast 8 10-Aug	Forecast 9 17-Aug	Total
Receipts												
Collections from pre-filing A/R	1	110,041	50,127	11,289	7,963	65,678	-	-	-	-	-	245,098
Collections from new sales	2	-	-	16,099	41,061	30,000	40,000	25,576	-	-	-	152,736
Other	3	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		110,041	50,127	27,388	49,024	95,678	40,000	25,576	-	-	-	397,834
Disbursements												
Cost of Sales	4	6,215	10,170	-	-	-	-	-	-	-	-	16,385
Payroll & Benefits	5	26,217	-	26,556	-	14,185	-	14,185	-	14,185	-	95,329
Utilities	6	-	-	-	30,000	-	-	-	30,000	-	-	60,000
Rent and property costs	7	-	41,006	-	74,941	-	-	-	74,941	-	-	190,888
SG&A	8	-	7,910	-	11,700	-	-	-	11,700	-	-	31,310
Professional Fees	9	50,000	-	90,000	-	85,000	-	60,000	-	-	-	285,000
HST Remittance	10	-	-	-	18,000	-	-	-	-	-	-	18,000
Interest and bank fees	11	-	-	-	15,000	-	-	-	15,000	-	-	30,000
Total Disbursements		82,432	59,086	116,556	149,641	99,185	-	74,185	131,641	14,185	-	726,913
Net Cash Flow		27,609	(8,959)	(89,167)	(100,617)	(3,508)	40,000	(48,609)	(131,641)	(14,185)	-	(329,078)
Revolver Balance												
Opening		(1,995,066)	(1,967,457)	(1,976,416)	(2,065,583)	(2,166,201)	(2,169,708)	(2,129,708)	(2,178,318)	(2,309,959)	(2,324,144)	(1,995,066)
Net Cash Flow		27,609	(8,959)	(89,167)	(100,617)	(3,508)	40,000	(48,609)	(131,641)	(14,185)	-	(329,078)
Ending Revolver Balance	12	(1,967,457)	(1,976,416)	(2,065,583)	(2,166,201)	(2,169,708)	(2,129,708)	(2,178,318)	(2,309,959)	(2,324,144)	(2,324,144)	(2,324,144)

Notes:

- 1 Collections from pre-filing A/R are based on Management's evaluation on each customers likelihood of collectibility and their historical payment terms.
- 2 Collections from new sales are based on customer purchase orders already received and Management's expectation of potential future orders.
- 3 Other includes other income sources.
- 4 Cost of sales includes transportation and supply costs for confirmed purchase orders to be shipped in June.
- 5 Payroll and benefits are bi-weekly salaries and wages. The shipping and receiving team's salaries and wages are assumed to drop off after June unless orders are received.
- 6 Utilities (gas, electricity and water) are based on Management's estimates for reduced production levels. Amounts shown are for post-filing usage only with the June amounts representing deposits expected to be required by service.
- 7 Rent and property costs include base rent, TMI, property taxes and other property related costs all paid to the landlord for the Hamilton, ON facility. Amounts are based on historical monthly costs and assumed to be paid at the beginning of each period and relate to post-filing amounts only.
- 8 SG&A expenditures include monthly costs for leased equipment as well as internet and telephone services. Estimates are based on historical monthly costs.
- 9 Professional fees relate to retainers and amounts paid to the Trustee, the Trustee's counsel and the Company's counsel.
- 10 HST remittance based on forecasted sales for the post-filing period. No pre-filing arrears are shown in the forecast.
- 11 Interest and bank fees relating to the RBC line of credit based on historical costs.
- 12 Assumes continued access to the RBC line of credit, which remains subject to day-to-day availability and disbursement requests made in accordance with this cash flow forecast.

This cash flow statement is prepared pursuant to the requirements of paragraphs 50(6)(b) and 50.4(2)(b) of the *Bankruptcy and Insolvency Act* and solely for that purpose.

Dated at Hamilton, Ontario, this __20th__ day of June, 2024.



Pioneer Balloon Canada Ltd.

Marylynn Borondy

Name of Signing Officer

This cash flow statement of Pioneer Balloon Canada Ltd. is prepared in accordance with paragraph 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the attached Notes to the Statement of Projected Cash-Flow and the Trustee's Report of the Cash-Flow Statement dated the __20th__ day of June, 2024.

KPMG Inc., Trustee

Per:



Pritesh Patel, Senior Vice President

District of: Ontario
Division No. 07 - Hamilton
Court No. 32-3091796
Estate No. 32-3091796

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
Pioneer Balloon Canada Limited
of the City of Hamilton, in the Province of Ontario

The attached statement of projected cash flow of Pioneer Balloon Canada Limited, as of the 20th day of June 2024, consisting of period from June 16, 2024 to August 17, 2024, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: ☒ the management and employees of the insolvent person or ☐ the insolvent person. 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 projection. We have also reviewed the support provided by: ☒ management or ☐ the insolvent person for the probable assumptions and preparation and presentation of the projection.

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 projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection 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 projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 20th day of June 2024.

KPMG Inc. - Licensed Insolvency Trustee
Per:



Pritesh Patel - Licensed Insolvency Trustee
333 Bay Street - Suite 4600
Toronto ON M5H 2S5
Phone: (416) 777-8500 Fax: (416) 777-3364

District of: Ontario
Division No. 07 - Hamilton
Court No. 32-3091796
Estate No. 32-3091796

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
Pioneer Balloon Canada Limited
of the City of Hamilton, in the Province of Ontario

Purpose:

Pioneer Balloon Canada Limited (the "Company") filed a Notice of Intention to Make a Proposal on June 12, 2024 ("the NOI"). The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Company, for the period from June 16, 2024 to August 17, 2024, relating to the filing of the NOI.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from June 16, 2024 to August 17, 2024, considering the economic conditions that are considered the most probable by management. Please refer to the Company's Statement of Projected Cash Flow for details on the underlying forecast assumptions.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Dated at the City of Toronto in the Province of Ontario, this 20th day of June 2024.

KPMG Inc. - Licensed Insolvency Trustee

Per:



Pritesh Patel - Licensed Insolvency Trustee
333 Bay Street - Suite 4600
Toronto ON M5H 2S5
Phone: (416) 777-8500 Fax: (416) 777-3364

District of: Ontario
Division No. 07 - Hamilton
Court No. 32-3091796
Estate No. 32-3091796

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
Pioneer Balloon Canada Limited
of the City of Hamilton, in the Province of Ontario

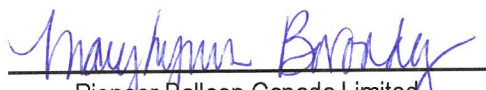
The management of Pioneer Balloon Canada Limited, has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 20th day of June 2024, consisting of period from June 16, 2024 to August 17, 2024.

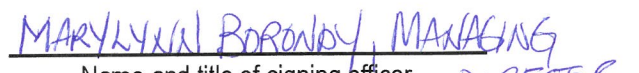

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

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

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Hamilton in the Province of Ontario, this 20th day of June 2024.


Pioneer Balloon Canada Limited
Debtor


Name and title of signing officer 

Name and title of signing officer

District of: Ontario
Division No. 07 - Hamilton
Court No. 32-3091796
Estate No. 32-3091796

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
Pioneer Balloon Canada Limited
of the City of Hamilton, in the Province of Ontario

Purpose:

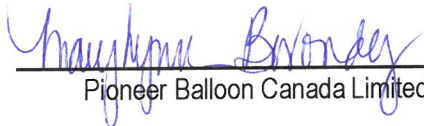
Pioneer Balloon Canada Limited (the "Company") filed a Notice of Intention to Make a Proposal on June 12, 2024 ("the NOI"). The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Company, for the period from June 16, 2024 to August 17, 2024, relating to the filing of the NOI.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from June 16, 2024 to August 17, 2024, considering the economic conditions that are considered the most probable by management. Please refer to the Company's Statement of Projected Cash Flow for details on the underlying forecast assumptions.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Dated at the City of Hamilton in the Province of Ontario, this 20th day of June 2024.


Pioneer Balloon Canada Limited

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C., 1985, C. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF PIONEER BALLOON COMPANY LIMITED

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

PROCEEDINGS COMMENCED AT HAMILTON

FIRST REPORT OF THE PROPOSAL
TRUSTEE, KPMG INC.
(June 24, 2024)

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