

Court / Estate File No: 32-3091796

PIONEER BALLOON CANADA LIMITED

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

July 17, 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**

SECOND REPORT OF KPMG INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE

July 17, 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**”). KPMG Inc. (“**KPMG**”) was appointed 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**”.
2. On July 2, 2024, the Ontario Superior Court of Justice (In Bankruptcy and Insolvency) (the “**Court**”) granted an order (the “**Sale Process Order**”) approving, among other things:
 - (a) an Asset Purchase Agreement dated June 20, 2024 (the “**Stalking Horse APA**”) between Pioneer Balloon and 1488108 B.C. LTD. (the “**Stalking Horse Bidder**”) to act as the stalking horse agreement (the “**Stalking Horse Bid**”) in the proposed Sale Process (as defined herein);
 - (b) the proposed sale process and procedures (the “**Sale Process**”) the Company intended to have the Proposal Trustee carry out, including the bidding procedures (the “**Bidding Procedures**”) to be used in connection therewith;
 - (c) a super-priority charge over the assets of the Company as security for the professional fees and disbursements of counsel to the Company, the Proposal Trustee and counsel to the Proposal Trustee in an amount not to exceed \$150,000 (the “**Administration Charge**”); and
 - (d) an extension of the time for the Company to file a proposal pursuant to section 50.4(9) of the BIA by 35 days to and including August 16, 2024 (the “**Stay Period**”).
3. A copy of the Sale Process Order is attached hereto as **Appendix “A”**.
4. To date, the Proposal Trustee has filed one report in respect of the Company’s NOI Proceedings dated June 24, 2024 (the “**First Report**”). A copy of the First Report, which among other things, providing background information on the Company, the Stalking Horse APA, the Sale Process, and the Administration Charge, is attached hereto as **Appendix “B”**.
5. Copies of materials filed in these NOI Proceedings are available on the Proposal Trustee’s website for this case at: kpmg.com/ca/pioneerballoon (the “**Case Website**”).

II. PURPOSE OF REPORT

6. The purpose of this report (the “**Second Report**”) is to provide the Court with information pertaining to:
 - (a) an overview of the activities of the Proposal Trustee since the Filing Date;
 - (b) the Company’s actual receipts and disbursements for the period from June 16, 2024 to July 13, 2024 (the “**Reporting Period**”), including a comparison of actual to forecast results;
 - (c) the results of the Sale Process;
 - (d) an overview of the proposed transaction (the “**Transaction**”) between Pioneer Balloon and the Stalking Horse Bidder for the sale of all of the Company’s right, title and interest in and to the tangible and intangible assets outlined in the Stalking Horse APA (collectively, the “**Purchased Assets**”);
 - (e) the proposed RBC Distribution (as defined herein);
 - (f) the remaining matters to be completed in these NOI Proceedings;
 - (g) the fees of the Proposal Trustee and its counsel, Borden Ladner Gervais (“**BLG**”), for the periods ending July 5, 2024 and July 15, 2024, respectively, and the Proposal Trustee’s estimate of professional fees and disbursements, including those of its counsel, required to complete the administration of these NOI Proceedings (the “**Estimate to Completion**”); and
 - (h) the recommendation by the Proposal Trustee that this Court:
 - i. make an order (the “**Approval and Vesting Order**”), among other things:
 - A. approving the Transaction, and authorizing and directing the Company to execute such documents and take such additional steps as are necessary to complete the Transaction; and
 - B. vesting in 1488108 B.C. LTD., as at closing, all of Pioneer Balloon’s right, title, and interest, if any, in and to all of the Purchased Assets, free and clear of all liens, charges, security interests and other encumbrances, other than Excluded Assets as identified in the Stalking Horse APA.

- ii. make an order (the “**Ancillary Order**”), among other things:
 - A. approving the First Report and Second Report, and the Proposal Trustee’s activities and conduct described herein;
 - B. approving the accounts of the Proposal Trustee and its counsel, including the Estimate to Completion, as set out in this Second Report;
 - C. authorizing the directing the Proposal Trustee to make the RBC Distribution from proceeds received on the closing of the Transaction, and any subsequent distributions to RBC up to the amount of the indebtedness owed by the Company; and
 - D. ordering, *inter alia*, that effective as of the date of delivery of the Proposal Trustee’s Vesting Certificate (as defined herein), the Released Parties (as defined herein) shall be released and forever discharged from any and all liabilities that the Released Parties now or may hereafter have by any reason of any act, omission, transaction, dealing, or other occurrence in any way relating to, arising out of, or in respect of the NOI Proceedings, the Stalking Horse Bid, and the Sale Process, save and except for any acts of gross negligence or wilful misconduct.

III. TERMS OF REFERENCE

- 7. In preparing this Second 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 Second 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.
- 8. Capitalized terms not otherwise defined herein are as defined in the affidavit of MaryLynn Borondy, the Managing Director of the Company, sworn July 16, 2024 (the “**Borondy July Affidavit**”) and filed in support of the Company’s motion returnable July 25, 2024. The Second Report should be

read in conjunction with the Borondy July Affidavit, as certain information contained in the Borondy July Affidavit has not been included herein in order to avoid unnecessary duplication.

9. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. BACKGROUND

Company Overview

10. Information with respect to the Company's business, operations and causes of insolvency are detailed in the First Report. 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.
11. Pioneer Balloon was formed under the laws of the Province of Ontario. Pioneer Balloon is a subsidiary of Pioneer National Latex (the "**Parent**"), a US-based global balloon manufacturer.
12. 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.
13. Pioneer Balloon manufactures and distributes balloons to customers in North America through its production facilities located at leased premises at 333 Kenora Avenue in Hamilton, Ontario (the "**Premises**"). Pioneer Balloon's focus is to provide customers with latex balloons of all sizes and colors for all types of events and occasions.
14. 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 Company temporarily suspended its manufacturing operations and laid off substantially all of its employees in order to reduce its cash burn during these NOI Proceedings.

Creditors

15. The Company's senior secured creditor, Royal Bank of Canada ("**RBC**") advanced secured loans to the Company 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**"). 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.

16. Under the RBC Credit Agreement, RBC extended an operating line of credit (the "**Line of Credit**"), leasing facilities and a credit card facility.
17. As at July 12, 2024, RBC was owed approximately \$2.23 million as follows:

Pioneer Balloon Canada Limited	
RBC Debt Outstanding	
Estimated as at July 12, 2024	
RBC Debt Accounts	
Line of Credit (net of cash)	2,080,721
Leasing Facilities	102,174
Credit Card Facility	19,130
Total Principal	\$2,202,025
Accrued Interest and Fees	28,683
Total RBC Debt Outstanding	\$2,230,708

18. RBC has continued to provide the Company with access to the Line of Credit since the Filing Date to fund post-filing obligations. Consequently, the Line of Credit is forecasted to increase to approximately \$2.2 million as at the closing Date, which would increase the outstanding obligations owing to RBC to approximately \$2.3 million.
19. In addition to the amount owed to RBC, 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.

V. ACTIVITIES OF THE PROPOSAL TRUSTEE

20. To date, the Proposal Trustee is of the view that Pioneer Balloon has provided the Proposal Trustee with its full co-operation and unrestricted access to its books and records. The Proposal Trustee's activities since the Filing Date have included, among other things:

- (a) assisting the Company with the preparation of the cash flow forecast for the period from June 16, 2024 to August 17, 2024 (the “**Filing Cash Flow**”), including the review of the underlying assumptions;
- (b) implementing procedures for the monitoring of the Company’s receipts and disbursements and for the ongoing reporting of variances to the Filing Cash Flow;
- (c) issuing the prescribed notice to creditors advising of the filing of the Company’s NOI, as required under the BIA;
- (d) preparing the First Report and attending before this Court for the Sale Process Order;
- (e) reviewing and processing the Company’s requests for draws under the Line of Credit in accordance with the Filing Cash Flow, with approval from RBC;
- (f) responding to calls and enquiries from the Company’s creditors regarding the NOI Proceedings;
- (g) drafting of the teaser, non-disclosure agreement and other materials related to the Sale Process, including populating the virtual data room (the “**VDR**”);
- (h) contacting prospective interested parties in connection with the Sale Process, including facilitating due diligence efforts and regularly updating the VDR as appropriate, responding to questions from interest parties and organizing site visits and calls with the Company’s management, as requested;
- (i) providing regular updates to Pioneer Balloon and their counsel in connection with the Sale Process;
- (j) corresponding and communicating with prospective bidders in connection with the Sale Process and the Bidding Procedures;
- (k) corresponding and communicating with RBC and its legal counsel;
- (l) corresponding and communicating with the Stalking Horse Bidder and its legal counsel;
- (m) reviewing the security opinion prepared by BLG on the validity and enforceability of the security granted by Pioneer Balloon to RBC;
- (n) reviewing the Company’s materials filed in connection with the within motion;

(o) attending to administrative matters, including maintaining the Case Website; and

(p) preparing the Second Report.

VI. RECEIPTS AND DISBURSEMENTS FROM JUNE 16, 2024, TO JULY 13, 2024

21. As noted, the Proposal Trustee has implemented procedures for monitoring Pioneer Balloon's receipts and disbursements on a weekly basis, including a review of forecast to actual variance analyses as compared to the Filing Cash Flow.

22. Set out below is a summary of the actual to forecast results for the Reporting Period:

Pioneer Balloon Canada Ltd. (the "Company")

Statement of Cash Flow - Variance

For the period ending July 13, 2024

In \$CAD

	Forecast	Actual	Variance Fav / (Unfav)
Total Receipts	222,217	203,175	(19,042)
Disbursements			
Cost of Sales	10,170	1,778	8,392
Payroll & Benefits	40,741	26,217	14,524
Utilities	30,000	17,085	12,915
Rent and property costs	115,947	115,818	129
SG&A	19,610	12,021	7,589
Professional Fees	175,000	121,796	53,204
HST Remittance	18,000	3,875	14,125
Interest and bank fees	15,000	-	15,000
Total Disbursements	424,469	298,589	125,880
Net Cash Flow	(202,252)	(95,414)	106,838
Bank Balance			
Opening	(1,967,457)	(1,985,307)	(17,850)
Net Cash Flow	(202,252)	(95,414)	106,838
Ending Balance	(2,169,708)	(2,080,721)	88,988

23. As reflected in the above summary table, Pioneer Balloon generated operating cash receipts of \$203,175 as compared to forecasted receipts of \$222,217 while disbursing \$298,589 as compared to forecasted disbursements of \$424,469 over the Reporting Period. This resulted in Pioneer Balloon experiencing a net cash outflow of approximately \$95,414 over the Reporting Period. The ending balance on the Line of Credit (net of cash balances) was \$2,080,721, a favourable variance of approximately \$88,988 as compared to the Filing Cash Flow.

24. The Proposal Trustee notes that Pioneer Balloon provided weekly variance reporting to RBC on a weekly basis to facilitate additional draws on the Line of Credit.
25. The Proposal Trustee notes that all draws on the Line of Credit were approved by RBC prior to funding.
26. As noted in the table above, Pioneer Balloon had drawn \$2.1 million on the Line of Credit as at the end of the Reporting Period. The Company projects that the outstanding balance on the Line of Credit will increase to approximately \$2.2 million at closing based on the following:

Pioneer Balloon Canada Ltd. (the "Company") Projected Statement of Cash Flow In \$CAD	
Total Receipts	149,084
Disbursements	
Cost of Sales	1,300
Payroll & Benefits	54,588
Utilities	20,000
Rent and property costs	-
SG&A	42,000
Professional Fees	125,000
HST Remittance	-
Interest and bank fees	
Total Disbursements	242,888
Net Cash Flow	(93,804)
Bank Balance	
Opening	(2,080,721)
Net Cash Flow	(93,804)
Ending	(2,174,525)

27. Accordingly, the Company is projected to have sufficient liquidity to fund operations through to the Closing Date (as defined herein).
28. The Proposal Trustee is of the view that the Company is acting in a manner consistent with the Filing Cash Flow and as at the date of this Second Report, there have been no material adverse changes to the Company's operations since the Filing Date.

VII. RESULTS OF THE SALE PROCESS

29. As described in greater detail in the First Report, the Stalking Horse Bid established a benchmark for Pioneer Balloon's business and/or assets and the Sale Process provided 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 the circumstances. Among other things, the Sale Process included Bidding Procedures that incorporated the Stalking Horse Bid and the ability of the Proposal Trustee, in consultation with Pioneer Balloon, to conduct an auction if qualified and competitive bids were received.
30. A summary of the key aspects of the Sale Process and its results are summarized below:
- (a) commencing on June 13, 2024, the Proposal Trustee contacted potential interested parties with regards to the transaction opportunity and the Sale Process. In total, 13 strategic parties (the **"Interested Parties"**) were contacted with this opportunity and each of the Interested Parties received an email containing background information on the proceedings, a non-confidential overview of Pioneer Balloon, the key dates pursuant to the Bidding Procedures, and information on next steps to explore the opportunity;
 - (b) Interested Parties looking to obtain additional information regarding the Pioneer Balloon opportunity were required to execute a non-disclosure agreement (**"NDA"**) to obtain access to the VDR maintained by the Proposal Trustee;
 - (c) a total of 4 of the Interested Parties executed the NDA (collectively, the **"Potential Bidders"**);
 - (d) the VDR contained financial, operational and other pertinent information related to Pioneer Balloon, as well as copies of the Sale Process Order, the Bidding Procedures and an electronic copy of the Stalking Horse APA to be used by Potential Bidders to submit an offer in the Sale Process;
 - (e) over the course of the Sale Process, the Proposal Trustee followed up with the Interested Parties to confirm their receipt of the email communication with respect to the Sale Process, and to gauge their potential interest in pursuing the transaction opportunity. The Proposal Trustee also organized site visits to view the operations and meet with the Company's management, and also arranged calls with any Potential Bidder to discuss the Bidding Procedures or inquire about any other aspects of the Sale Process;

- (f) throughout the course of the Sale Process, the Proposal Trustee kept Pioneer Balloon apprised on the status of the Sale Process and any diligence requests received from Potential Bidders;
- (g) Potential Bidders were required to submit a “Binding Offer” (as defined in the Bidding Procedures) to the Proposal Trustee on or before 5 pm EST on July 10, 2024 (the “**Binding Offer Deadline**”); and
- (h) no Binding Offers were received by the Proposal Trustee prior to the Binding Offer Deadline. As a result, on July 10, 2024, the Proposal Trustee advised the Stalking Horse Bidder (hereinafter referred to as the “**Purchaser**”) that the Stalking Horse Bid was declared the “Successful Bid” pursuant to the Bidding Procedures, subject to approval by the Court.

VIII. THE TRANSACTION

- 31. As noted above, the Stalking Horse Bid constituted the only “Binding Offer” received as part of the Sale Process, was deemed to be the “Successful Bid”, and now represents the only viable alternative to a liquidation of the Company’s assets through bankruptcy proceedings.
- 32. The key provisions and terms of the Stalking Horse APA (hereinafter referred to as the “**Asset Purchase Agreement**”)¹ were described in the First Report and below is a summary of certain material terms as they relate to the closing of the Transaction:
 - (a) Purchaser: 1488108 B.C. LTD.
 - (b) Purchased Assets: substantially all of the assets of Pioneer Balloon, other than the Excluded Assets (as defined in the Asset Purchase Agreement).
 - (c) Purchase Price: the total purchase price is \$2,300,000 less the “Cure Costs” of any Assigned Contracts, plus the Assumed Liabilities. The Cure Costs are estimated to be approximately \$50,000.
 - (d) Assigned Contracts: includes the lease agreement to the Premises (as defined in the Asset Purchase Agreement).

¹ All capitalized terms in this paragraph summarizing the Asset Purchase Agreement shall, unless otherwise defined herein, have the meanings ascribed thereto in the Asset Purchase Agreement.

- (e) Payment of Purchase Price: on the Closing Date, the Purchaser shall pay to the Proposal Trustee the sum of: (a) the Cash Purchase Price; less (b) the Deposit of \$230,000 which was previously provided to the Proposal Trustee.
 - (f) Closing Date: closing of the Transaction is scheduled to occur on the date (the “**Closing Date**”) that is no sooner than two business days after the date on which the Court enters the Ancillary Order and not later than the July 31, 2024 (the “**Outside Date**”).
 - (g) Employees: the Company shall terminate, in writing, the employment of all of its employees immediately prior to Closing. At least two (2) business days prior to Closing, the Purchaser shall make new offers of employment to the Company’s employees on substantially the same terms, conditional upon Closing. The Purchaser has advised the Proposal Trustee that it intends to make offers of employment to certain of the Company’s employees post-closing and subject to its ability to ramp up operations, intends to make offers to additional former employees over time, such that a majority of the Company’s former employees are offered employment.
33. A copy of the Asset Purchase Agreement is attached hereto as **Appendix “C”**.
34. Following the closing of the Transaction, the Proposal Trustee will file a closing certificate with the Court (the “**Proposal Trustee’s Vesting Certificate**”) confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to closing as set out in the Asset Purchase Agreement have been satisfied or waived by the Company and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Proposal Trustee..

IX. PROPOSED DISTRIBUTIONS

35. As noted in the First Report, the Proposal Trustee instructed BLG to advise as to the validity and enforceability of the security granted by the Company in favour of RBC.
36. The Proposal Trustee has now received a written opinion from BLG confirming that, subject to certain assumptions and qualifications, the General Security Agreement dated June 11, 2024 and security documents granted by the Company to RBC in connection therewith are, as applicable, valid and enforceable.
37. The security granted by Pioneer Balloon in favour of RBC is subject to the following prior charges and security interests or claims in respect of the Purchased Assets or the proceeds received therefrom:

- (a) the Administration Charge granted in favour of the Company's counsel, the Proposal Trustee and its counsel; and
- (b) statutory claims pursuant to the BIA (the "**BIA Claims**").

Administration Charge

- 38. The Sale Process Order approved a super priority charge against the Company's assets, undertakings and properties in an amount not to exceed \$150,000 in favour of the Company's counsel and the Proposal Trustee and its counsel (collectively, the "**Insolvency Professionals**"), as security for the professional fees and disbursements incurred prior to and after the commencement of the NOI Proceedings.
- 39. As at the date of this Second Report, the outstanding professional fees and disbursements of the Insolvency Professionals amounted to \$11,496.51 (the "**Outstanding Accounts**"). The Outstanding Accounts are anticipated to be paid by the Company in the ordinary course prior to the Closing Date.
- 40. In addition, the Estimate to Completion is estimated to be \$100,000 for the Proposal Trustee and its counsel (including applicable taxes), a portion of which will be paid by the Company in the ordinary course prior to the Closing Date and the balance from the Holdback (as defined herein).

BIA Claims

- 41. Based on the Company's creditor listing as at the Filing Date, the Proposal Trustee is not aware of any amounts owing to Pioneer Balloon's employees in respect of outstanding wages and/or vacation pay as at the Filing Date that would be entitled to a priority claim pursuant to section 81.3 of the BIA.
- 42. The Proposal Trustee understands that the Company did not provide a registered pension plan for its employees. Accordingly, the Proposal Trustee is not aware of any amounts that could be owing pursuant to section 81.5 of the BIA.
- 43. As at the date of this Second Report, the Proposal Trustee is not aware of any claims, other than those noted above, that would rank in priority to the claims of RBC as against the Purchased Assets, or the proceeds received therefrom.

Proposed Distributions

44. Upon closing of the Transaction, the Proposal Trustee estimates it will have available cash proceeds of approximately \$2.25 million. After payment of amounts owing in connection with the Administration Charge, the Proposal Trustee notes that RBC suffer a shortfall on its secured advances to Pioneer Balloon.
45. Due to timing of payments, the Proposal Trustee proposes to maintain a reserve of \$55,000 (the “**Holdback**”) to address accrued post-filing amounts for payroll and professional fees to be paid after the Closing Date. The Proposal Trustee has advised RBC of Proposal Trustee’s intention to retain the Holdback on account of these accrued obligations.
46. Subject to this Court’s approval, the Proposal Trustee proposes to distribute \$2,195,000 (the “**RBC Distribution**”) to RBC upon closing of the Transaction, which, for clarity, represents all of the funds received from the Transaction, less the Holdback, as detailed below:

Pioneer Balloon Canada Limited Proposed Distributions Estimated as at July 31, 2024	
Net Transaction Proceeds	\$ 2,250,000
RBC Distribution	\$2,195,000
Remaining Cash Balance	<hr/> \$55,000

47. Upon completion of the RBC Distribution, the Proposal Trustee will have a remaining cash balance of \$55,000 to address the accrued post-filing obligations, including among other things, payroll, utilities and professional fees. Upon addressing the Remaining Matters (as defined herein), the Proposal Trustee proposes to distribute any residual amounts remaining in the Holdback to RBC without further order of this Court, provided the aggregate distributions to RBC do not exceed the indebtedness owed to it by the Company.

X. REMAINING MATTERS TO COMPLETE IN THESE PROCEEDINGS

48. If this Court grants the proposed Approval and Vesting Order requested herein, the Company and/or the Proposal Trustee will have to complete the following remaining matters prior to the completion of the NOI Proceedings (the “**Remaining Matters**”):

- (a) completing payments for post-filing goods and services provided to the Company, including payment of final payroll to employees and remittances to government taxing authorities for payroll taxes and source deductions;
 - (b) terminating, in writing, all of the employees of the Company prior to the closing of the Transaction and issuing records of employment in connection with same;
 - (c) closing of the Transaction and filing the Proposal Trustee's Vesting Certificate (as defined herein);
 - (d) effecting the RBC Distribution;
 - (e) paying the Estimate to Completion; and
 - (f) attending to other administrative matters incidental to these proceedings.
49. Upon closing of the Transaction, the Company will have no remaining assets or ongoing operations. As there is no prospect that the Company can present a viable proposal to its unsecured creditors (because the anticipated realizations from the Transaction will not exceed the amounts owed to the Company's secured creditors or support a distribution to the Company's unsecured creditors), the Proposal Trustee has advised Pioneer Balloon that it cannot support a further extension of the Stay Period.
50. Consequently, upon the expiration of the Stay Period, an automatic bankruptcy of Pioneer Balloon will result, pursuant to Section 50.4(8) of the BIA.

XI. REQUEST FOR APPROVAL OF FEES AND DISBURSEMENTS

51. KPMG and BLG have maintained detailed records of their professional time and disbursements prior to and since the Filing Date.
52. The total fees and disbursements of KPMG during the period from June 4, 2024, to July 5, 2024 (the "**KPMG Fee Period**"), amount to \$77,293.13, excluding sales taxes (collectively, the "**KPMG Accounts**"). These amounts represent professional fees and disbursements not yet approved by the Court. Attached hereto as **Appendix "D"** is the affidavit of Pritesh Patel in respect of the KPMG Accounts.

53. The total fees and disbursements of BLG during the period from June 12, 2024, to July 15, 2024 (the “**BLG Fee Period**”), amount to \$17,591.40, excluding sales taxes (collectively, the “**BLG Accounts**”). These amounts represent professional fees and disbursements not yet approved by the Court. Attached hereto as **Appendix “E”** is the affidavit of Christine Mason in respect of the BLG Accounts.
54. The Proposal Trustee has reviewed the BLG Accounts and confirms that the services reflected therein have been duly authorized and duly rendered and that, in the Proposal Trustee’s opinion, the charges are reasonable.
55. On the assumption that there are no delays, disputes or unforeseen developments in connection with these proceedings, including the within motion and the performance of the Remaining Matters, the Proposal Trustee has estimated fees and disbursements will not exceed \$100,000, including applicable taxes, for services that have been provided, or will be provided, by KPMG from the end of the KPMG Fee Period, and by BLG from the end of the BLG Fee Period, to the date on which the NOI proceedings conclude.
56. The above estimates take into consideration the reasonable professional and legal fees required to prepare the Second Report, attending before this Court for the within motion, assist with the closing of the Transaction, and complete the Remaining Matters. If the actual Estimate to Completion is less than the above estimate, no further Court approval of fees is required. If the actual Estimate to Completion exceeds the estimate, the Proposal Trustee will seek the consent of RBC to pay same, without further Order of the Court.
57. The fees and disbursements of the Proposal Trustee and its counsel, including the Estimate to Completion, have been reviewed by Pioneer Balloon and RBC. The Proposal Trustee has been advised that Pioneer Balloon and RBC do not oppose these fees and disbursements.

XII. PROPOSED RELEASES

58. The Ancillary Order provide that effective as of the date of the delivery of Proposal Trustee’s Vesting Certificate, in addition to the protections in favour of the Proposal Trustee in any order of the Court or pursuant to the BIA, KPMG and RBC, their respective counsel, and each of their respective affiliates, officers, directors, partners, employees, and agents, as applicable (collectively, the “**Released Parties**”), shall be released and forever discharged from any and all liabilities that the Released Parties now or may hereafter have by reason of any act, omission, transaction, dealing, or

other occurrence in any way relating to, arising out of, or in respect of the NOI Proceedings, the Stalking Horse Bid, and the Sale Process, save and except for any acts of gross negligence or wilful misconduct.

59. The proposed release to be granted to the Released Parties is customary in insolvency proceeding. With regard to KPMG, it has carried out its mandate and duties as Proposal Trustee and facilitated a successful sale to the Purchaser pursuant to the Sale Process and by its actions has enhanced realizations for the Company's stakeholders.
60. As noted above, the Ancillary Order also includes a release in favour of RBC, which has funded these proceedings by allowing the Company continued access to the Line of Credit, as risk to its own recovery. The proposed relief is consistent with releases granted to debtor-in-possession financiers in similar insolvency proceedings. Accordingly, the Proposal Trustee is supportive of the release sought.

XIII. CONCLUSIONS AND RECOMMENDATIONS

61. The Proposal Trustee is of the opinion that the Transaction satisfies the factors to be considered, pursuant to section 65.13(4) of the BIA. In particular, the Proposal Trustee is of the view that:
 - (a) the Sale Process was designed to solicit interest from *bona fide* parties that would be familiar with the business and assets of Pioneer Balloon. The market was appropriately canvassed as part of the Sale Process, and all likely bidders have been provided with a chance to bid on the opportunity;
 - (b) the Sale Process was fair and reasonable in the circumstances, and was approved by the Court;
 - (c) the consideration payable under the Asset Purchase Agreement is fair and reasonable, represents the highest or otherwise best offer for the Purchased Assets, and would be more beneficial for the creditors of Pioneer Balloon than a sale or disposition of the Purchased Assets in a bankruptcy context; and
 - (d) the Asset Purchase Agreement provides for a going-concern sale to the Purchaser, which preserves significant value and maintains important customer and vendor relationships of Pioneer Balloon and, conditional upon closing of the Transaction, provides for employment for certain of the employees of the Company. Based on the alternatives available to the Company, the Transaction is in the best interest of the stakeholders of Pioneer Balloon.

62. For the reasons set out in the Second 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 orders:

- (a) approving the Transaction, and authorizing and directing the Company to execute such documents and take such additional steps as are necessary to complete the Transaction;
- (b) vesting in the Purchaser, as at closing, all of Pioneer Balloon's right, title, and interest, if any, in and to all of the Purchased Assets, free and clear of all liens, charges, security interests and other encumbrances, other than Excluded Assets as identified in the Asset Purchase Agreement;
- (c) approving the First Report and Second Report, and the Proposal Trustee's activities and conduct described herein;
- (d) approving the accounts of the Proposal Trustee and its counsel, including the Estimate to Completion;
- (e) granting the release and discharge from any and all liabilities in favour of the Released Parties in relation to the NOI Proceedings; and
- (f) authorizing the directing the Proposal Trustee to make the RBC Distribution from proceeds received on the closing of the Transaction.

All of which is respectfully submitted on this 17th day of July 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”

Court File No.: BK-24-03091796-32
 Bankruptcy Estate File No. 32-3091796

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY & INSOLVENCY)

THE HONOURABLE)	TUESDAY, THE 2 ND DAY
)	
JUSTICE VALENTE)	OF JULY, 2024

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 CANADA LIMITED

ORDER

(Stay Extension, Stalking Horse Sale Process Approval; Administration Charge)

THIS MOTION, made by Pioneer Balloon Canada Limited pursuant to the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended (the “**BIA**”), for an order (this “**Order**”), among other things:

- (a) if necessary, abridging the time for service and filing of the notice of motion and the motion record or, in the alternative, dispensing with the same;
- (b) extending the time for the Company to file a proposal under section 50.4(9) of the BIA by 35 days to and including August 16, 2024;
- (c) approving the stalking horse asset purchase agreement dated June 20, 2024 (the “**Stalking Horse Agreement**”), between the Company and 1488108 B.C. LTD. as purchaser (the “**Stalking Horse Bidder**”), as appended as Exhibit “H” to the affidavit of Marylynn Borondy sworn June 21 2004 (the “**Borondy Affidavit**”);

(d) approving the stalking horse sale process as described in the Borondy Affidavit and the First Report of the Proposal Trustee, to be filed with the Court (the **"First Report"**); and, as set out in the sale process and procedures appended as Appendix "A" hereto (the **"Sale Process"**); and

(e) granting a super-priority charge over the assets of the Company as security for the professional fees and disbursements of counsel to the Company, the Proposal Trustee and counsel to the Proposal Trustee (the **"Administration Charge"**),

was heard by this Honourable Court (the **"Court"**) on this day by way of judicial video conference in Hamilton, Ontario.

ON READING the Motion Record of the Company, including the Borondy Affidavit and the exhibits thereto, the First Report and the appendices thereto, and on hearing the submissions of counsel for the Company, counsel for the Proposal Trustee, counsel for the Royal Bank of Canada (**"RBC"**), and the other parties listed on the participant information form and no one else appearing although properly served as appears from the affidavit of Amanda Adamo, sworn June 21, 2024, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME

2. **THIS COURT ORDERS** that the time for the filing of a proposal by the Company is hereby extended in accordance with section 50.4(9) of the BIA up to and including August 16, 2024.

APPROVAL OF STALKING HORSE AGREEMENT & SALE PROCESS

Stalking Horse Agreement

3. **THIS COURT ORDERS** that Stalking Horse Agreement hereby approved, and the Company and Proposal Trustee (as applicable) are hereby authorized to execute such documents and do such things as are necessary or advisable in connect with the Stalking Horse Agreement.

Sale Process & Procedures

4. **THIS COURT ORDERS** that the Sale Process is hereby approved.

5. **THIS COURT ORDERS** that the Company and the Proposal Trustee are authorized and directed to perform their obligations under, and take such steps as they consider necessary or desirable in carrying out, the Sale Process; and, that any step taken by the Company or the Proposal Trustee in connection with the Sale Process prior to the date of this Order is approved and ratified.

6. **THIS COURT ORDERS** that the Proposal Trustee shall have no personal or corporate liability in connection with the Sale Process, including, without limitation:

- (a) by advertising the Sale Process;
- (b) by exposing the assets, properties and undertakings of the Company to any and all parties, including, but not limited to, those parties who have made their interests known to the Proposal Trustee and/or the Company;
- (c) by responding to any and all requests or inquiries regarding due diligence conducted in respect of the Company and its assets, properties and undertakings;
- (d) through the disclosure of any and all information Company and its assets, properties and undertakings arising from, incidental to or in connection with the Sale Process;
- (e) pursuant to any and all offers received by the Proposal Trustee in accordance with the Sale Process; and

(f) pursuant to any agreements entered into by any of the Proposal Trustee acting for the Company in respect of the sale of any its assets, properties and undertakings.

7. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada), the Company and the Proposal Trustee are authorized and permitted to disclose personal information of identifiable individuals to prospective purchasers of the assets, properties and undertakings of the Company and their respective advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales (each, a “Sale”). Each prospective purchaser to whom such information is provided shall limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale or Investment, it shall return all such information to the Company or the Proposal Trustee, or in the alternative destroy all such information. The purchaser of any of the assets, properties and undertakings of the Company shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Company, and shall return all other personal information to the Company or the Proposal Trustee, or ensure that all other personal information is destroyed.

ADMINISTRATIVE CHARGE

8. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Company shall be paid their reasonable fees and disbursements (the “**Professional Fees**”), in each case at their standard rates and charges, by the Company as part of the costs of these proceedings. The Company is authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Company on a weekly basis and, in addition, the Company is authorized to pay to the Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Company, such retainers are agreed to among such parties to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

9. **THIS COURT ORDERS** that the Proposal Trustee and its legal counsel shall pass their accounts from time to time, and for this purpose, the accounts of the Proposal Trustee and its legal counsel are referred to a judge of the Ontario Superior Court of Justice.

10. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee, and the Company's counsel shall be entitled to the benefit of and are granted a charge (the "**Administration Charge**") over and against the assets, undertakings and properties of the Company (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$150,000, as security for, as applicable, the Professional Fees, both before and after the making of this Order in respect of these proceedings; and that the Administration Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

11. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

12. **THIS COURT ORDERS** that the Administration Charge shall not be rendered invalid or unenforceable, and the rights and remedies of the chargees entitled to the benefit of the same (collectively, the "**Chargees**") shall not otherwise be limited or impaired in any way by:

- (a) the pendency of these proposal proceedings and the declarations of insolvency made herein;
- (b) any application(s) for bankruptcy, interim receivership or receivership order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications;
- (c) the filing of any assignments or deemed assignments for the general benefit of creditors made pursuant to the BIA;
- (d) any application made pursuant to the *Companies Creditors' Arrangement Act* or any order made pursuant to such application;
- (e) the provisions of any federal or provincial statutes; or

- (f) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Company and notwithstanding any provision to the contrary in any Agreement.
13. Notwithstanding any provision to the contrary in any Agreement:
- (a) the creation of the Administration Charge shall create or be deemed to constitute a breach by the Company of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Administration Charge;
- (c) the payments made by the Company pursuant to this Order and the granting of the Administration Charge do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law, including but not limited to the BIA.
14. **THIS COURT ORDERS** that any Charge created by this Order over one or more leases of real property in Canada shall only be a Charge in the Company’s interest in such real property leases.

SERVICE & NOTICE

15. **THIS COURT ORDERS** that the Guide Concerning Commercial List E-Service (the “**Guide**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 14 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website (defined in the Guide) shall be established in accordance with the Guide with the following URL: kpmg.com/ca/pioneerballoon.

16. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Guide is not practicable, the Company and the Proposal Trustee are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by ordinary prepaid mail, courier, personal delivery or facsimile transmission to the Company's creditors or other interested parties at their respective addresses as last shown on the records of the Company and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

17. **THIS COURT ORDERS** that the Company, the Proposal Trustee and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

18. **THIS COURT ORDERS** that the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of its powers and duties under this Order.

19. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from subsequently expressly acting as an interim receiver, a receiver, a receiver and manager or a trustee in bankruptcy of the Company or the Property.

20. **THIS COURT REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are respectfully requested to make such orders and to provide such assistance to the Company and the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order,

to grant representative status to the Proposal Trustee in any foreign proceeding or to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order.

21. **THIS COURT ORDERS** that each of the Company and the Proposal Trustee is at liberty and is authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

22. **THIS COURT ORDERS** that any interested party (including the Company and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to all parties on the Service List and to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order, provided, however, that the Chargees shall be entitled to rely on this Order as granted and on the Charge and priorities set forth in paragraph 11 hereof with respect to any fees, expenses and disbursements incurred, as applicable, until the date this Order may be amended, varied or stayed.

23. **THIS COURT ORDERS** that any interested party (including the Company and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

24. **THIS COURT ORDERS** that this Order is effective as of 12:01 a.m. from today's date and is enforceable without the need for entry and filing.



SCHEDULE "A"

A handwritten signature in black ink, appearing to be 'WJ' or similar, written in a cursive style.

BIDDING PROCEDURES & SALE PROCESS

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,
- 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"

PB

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

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 CANADA
LIMITED

Court File No. BK-24-03091796-32
Bankruptcy Estate File No. 32-3091796

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY & INSOLVENCY)

Proceedings commenced in Hamilton

ORDER

(Stay Extension, Stalking Horse Sale Process Approval)

LOOPSTRA NIXON LLP
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Lawyers for Pioneer Balloon Canada Limited

Appendix “B”

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
(COMMERCIAL LIST)
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



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:
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
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:
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
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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In the Matter of the Proposal of
Pioneer Balloon Canada Limited
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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

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(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

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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	Food & 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	
Cannapiece 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	
Freshlocal 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

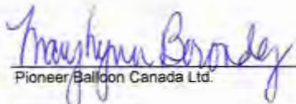
Week Ending	Notes	Actual 15-Jun	Forecast 1 22-Jun	Forecast 2 29-Jun	Forecast 3 6-Jul	Forecast 4 13-Jul	Forecast 5 20-Jul	Forecast 6 27-Jul	Forecast 7 3-Aug	Forecast 8 10-Aug	Forecast 9 17-Aug	Total
Receipts												
Collections from pre-filing A/R	1	110,041	50,127	11,289	7,963	65,678	-	-	-	-	-	245,098
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

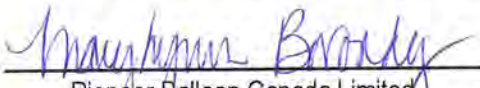
The management of Pioneer Balloon Canada Limited, has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 20th day of June 2024, consisting of period from June 16, 2024 to August 17, 2024.

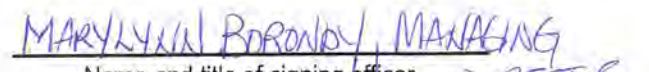

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions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

BORDEN LADNER GERVAIS LLP

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON M5H 4E3
Tel: (416) 367-6000
Fax: (416) 367-6749

ALEX MACFARLANE – LSO No. 28133Q

Tel: (416) 367-6305
amacfarlane@blg.com

NICK HOLLARD – LSO No. 83170O

Tel: (416) 367-6545
nhollard@blg.com

Lawyers for the Proposal Trustee, KPMG Inc.

Appendix “C”

STALKING HORSE ASSET PURCHASE AGREEMENT

This Agreement is made as of June 20th, 2024 (the “**Effective Date**”)

AMONG:

PIONEER BALLOON CANADA LIMITED., a corporation incorporated pursuant to the laws of the Province of Ontario (the “**Vendor**”)

- and -

1488108 B.C. LTD., a corporation incorporated pursuant to the laws of the Province of British Columbia (the “**Purchaser**”)

RECITALS:

A. On June 12, 2024, the Vendor initiated proceedings (the “**NOI Proceedings**”) under the *Bankruptcy and Insolvency Act* R.S.C., 1985, c. B-3 (the “**BIA**”) by filing Notices of Intention to Make a Proposal under section 50.4(6) of the BIA. KPMG Inc. was appointed as the proposal trustee in the NOI Proceedings (in such capacity, the “**Proposal Trustee**”).

B. In connection with the NOI Proceedings, the Vendor intends to seek the approval of the Court to implement a sale process (the “**Sale Process**”) pursuant to which this Agreement will serve as the Stalking Horse Bid (as defined herein) to acquire the Purchased Assets (as defined herein).

C. In the event that this Agreement is selected as the Successful Bid (as defined herein) in the Sale Process, the Purchaser will acquire the Purchased Assets subject to, and in accordance with, the terms and conditions set forth in this Agreement and obtaining Court approval of the Transaction (as defined herein).

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the Parties hereby acknowledge and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

“**Affiliate**” has the meaning given to the term “affiliate” in the *Business Corporations Act*, R.S.O. 1990, c.B-16.

“**Agreement**” means this asset purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof, with the consent of the Proposal Trustee, and “**Article**”, “**Exhibit**”, “**Schedule**”, and “**Section**” mean and refer to the specified article, section, exhibit, schedule, and subsection of this Agreement.

“**Applicable Law**” means, in respect of any Person, property, transaction or event, any: (i) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order; (ii) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority; and (iii) policies, practices, standards, guidelines and protocols

having the force of law, that applies in whole or in part to such Person, property, transaction or event.

“Approval and Vesting Order” means an order by the Court, in form and substance satisfactory to the Purchaser, acting reasonably, among other things, approving and authorizing this Agreement and the Transaction.

“Assigned Contracts” means the Contracts listed in Schedule “A”, as the same may be modified by the Purchaser prior to the Bidding Offer Deadline in accordance with the terms hereof (and including as such Assigned Contracts may be amended, restated, supplemented or otherwise modified from time to time).

“Assignment and Assumption Agreements” means the assignment and assumption agreements for the Assigned Contracts, in a form reasonably satisfactory to the Vendor and the Purchaser.

“Assignment Order” means an order of the Court assigning to the Purchaser the rights and obligations of the Vendor under the Assigned Contracts for which a consent, approval or waiver necessary for the assignment of such Assigned Contract has not been obtained, and which will include, if necessary, a mechanism for the resolution of any disputed Cure Costs.

“Assumed Liabilities” means: (a) Liabilities specifically and expressly designated by the Purchaser as assumed Liabilities in Schedule “B”, as the same may be modified by the Purchaser prior to the Bidding Offer Deadline in accordance with the terms hereof; and (b) all Liabilities which relate to the Business under any Assigned Contracts, solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing.

“BIA” has the meaning set out in the recitals hereto.

“Bidding Offer Deadline” has the meaning set out in the Sale Process.

“Books and Records” means all of the books and records relating to the Purchased Assets, including, without limitation, all personnel files/records relating to all Transferred Employees and sales books, records, books of account, sales and purchase records, lists of suppliers and customers, business reports, projections and all other documents, plans, files, records, correspondence, and other data and information, financial or otherwise, including all data, information and databases stored on computer-related or other electronic media, excluding any of the foregoing as applicable to any Excluded Asset;

“Break Fee” has the meaning set out in Section 5.1(b)(i).

“Business” means the business conducted by the Vendor, being a balloon manufacturer and distributor.

“Business Day” means a day on which banks are open for business in Toronto, Ontario, but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario.

“Cash Purchase Price” has the meaning set out in Section 4.3(b).

“Claims” means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, audit, chose in or cause of action, suit, default,

assessment, litigation, prosecution, third party action, arbitral proceeding or proceeding, complaint or allegation, by or before any Person.

“Closing” means the closing and consummation of the Transaction.

“Closing Date” means the date that is ten (10) days after the date upon which the conditions set forth in Article 8 have been satisfied or waived, other than any conditions set forth in Article 8 that by their terms are to be satisfied or waived at the Closing (or such other earlier or later date as may be agreed by the Vendor and the Purchaser in writing).

“Closing Time” means 12:01 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

“Contracts” means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which any Vendor is a party, or by which such entity is bound or in which such entity has, or will at Closing have, any rights or by which any of its property or assets are or may be affected.

“Court” means the Ontario Superior Court of Justice (Commercial List).

“Cure Costs” means, in respect of the Assigned Contracts, all amounts, costs, fees and expenses: (i) required to be paid to remedy all of the Vendor’s monetary defaults in relation to the Assigned Contracts, other than those arising by reason only of the Vendor’s bankruptcy, insolvency or failure to perform a non-monetary obligation; (ii) necessary to secure a counterparty’s or any other necessary Person’s consent to the assignment of the Assigned Contracts; or (iii) as may be required pursuant to the Approval and Vesting Order or the Assignment Order, as applicable, and which for greater certainty, may be an amount agreed to by the Purchaser and the counterparty to an Assigned Contract, but specifically excluding the Assumed Liabilities.

“Deposit” has the meaning set out in Section 4.3(a).

“Discharge” means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, the full, final, irrevocable, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property and all proceeds thereof.

“Excluded Asset” has the meaning set out in Section 2.4 and includes the Excluded Assets specifically and expressly designated by the Purchaser as Excluded Assets in Schedule “C”.

“Excluded Liabilities” has the meaning set out in Section 2.5.

“Excluded Contracts” means all Contracts that are not Assigned Contracts.

“Effective Date” has the meaning set out in the preamble hereto.

“Employee” means any individual who is employed by a Vendor immediately prior to the Closing Date.

“Encumbrance” means any security interest, lien, Claim, charge, right of retention, deemed trust, judgement, writ of seizure, writ of execution, notice of seizure, notice of execution, notice of sale, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party (including any contractual rights such as purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual right) or encumbrance of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming

any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

“**Excise Tax Act**” means the *Excise Tax Act*, R.S.C, 1985, c. E-15.

“**General Conveyance**” means a general conveyance evidencing the conveyance to the Purchaser of the Vendor’s interest in and to the Purchased Assets, in form and substance satisfactory to the Parties, acting reasonably.

“**Governmental Authority**” means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

“**GST**” means all goods and services tax imposed under Part IX of the *Excise Tax Act*.

“**Income Tax Act**” means the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.).

“**Intellectual Property**” means any or all of the following items, wherever located: all patents and patent rights, trademarks and trademark rights, trade names and trade name rights, service marks and service mark rights, service names and service name rights, copyrights and copyright rights, brand names, trade dress, business and product names, domain names, corporate names, logos, slogans, trade secrets, inventions, processes, recipes, formulae, industrial models, designs, specifications, data, technology, methodologies, computer programs (including all source code), confidential and proprietary information, whether or not subject to statutory registration, all related technical information, manufacturing, engineering and technical drawings, know how, all pending applications for and registrations of patents, trademarks, service marks and copyrights, including all obligations of third parties relating to the protection of the foregoing, the goodwill associated with the foregoing, and the right to sue for past payment, if any, in connection with any of the foregoing, and all documents, disks and other media on which any of the foregoing is stored.

“**Inventory**” means all inventories of stock-in-trade and merchandise, including raw materials, supplies, work-in-process, finished goods related to the Business (including those in possession of suppliers, customers and other third parties).

“**Lease**” means the lease agreement dated as of September 1, 2021, between the Vendor, as tenant, Marshall Truck Properties Inc., as landlord, relating to the premises located at 326 Kenora Avenue, Hamilton, Ontario.

“**Liability**” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

“**Licences and Permits**” means all licences, permits, 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.

“**NOI Proceedings**” has the meaning set out in the recitals hereto.

“Outside Date” means 11:59 pm (Toronto time) on July 31, 2024, or such later date and time as the Vendor and the Purchaser may agree to in writing.

“Parties” means the Vendor and the Purchaser, and **“Party”** means any one of them.

“Person” means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

“Personal Property” means all of the Vendor’s machinery, equipment, furniture, including, without limitation, 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, if any, laptops, cell phones and all other tangible personal property used in the Business, including all property subject to the Assigned Contracts

“Premises” means the premises leased by the Vendor pursuant to the Lease.

“Proposal Trustee” has the meaning set out in the recitals hereto.

“Proposal Trustee’s Certificate” has the meaning set out in Section 8.1(d).

“Purchased Assets” has the meaning set out in Section 2.1.

“Purchase Price” has the meaning set out in Section 4.1.

“Purchaser” means 1488108 B.C. LTD.

“Receivables” means the right, title and interest of the respective Vendor to all accounts receivable, bills receivable, trade accounts, book debts, insurance claims, and choses-in-action, now or hereafter due or owing to any of the Vendor, Related to the Business together with any unpaid interest accrued on such items and any security or collateral for such items, including recoverable deposits, attributable to the period prior to Closing;

“Related to the Business” means, directly or indirectly, used in, arising from, or relating in any manner to the Business or the Purchased Assets;

“Sale Process” has the meaning set out in the recitals hereto.

“Sale Process Order” means an issued order of the Court in the NOI Proceedings approving a Sale Process in respect of the Vendor’s assets, property and undertaking, including the Purchased Assets.

“Stalking Horse Bid” has the meaning set out in Section 5.1(a).

“Successful Bid” has the meaning set out in the Sale Process.

“Taxes” means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers’

compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties.

“**Transaction**” the transaction contemplated by this Agreement whereby the Purchaser will acquire the Purchased Assets.

“**Transfer Taxes**” means all present and future transfer taxes, sales taxes, use taxes, production taxes, value-added taxes, goods and services taxes, land transfer taxes, registration and recording fees, and any other similar or like taxes and charges imposed by a Governmental Authority in connection with the sale, transfer or registration of the transfer of the Purchased Assets, including GST.

“**Vendor**” mean Pioneer Balloon Canada Limited.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement and not to any particular section hereof. The expression “Section” or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term “including” means “including, without limitation,” and such terms as “includes” have similar meanings and the term “third party” means any other Person other than the Vendor or the Purchaser, or any Affiliates thereof.

1.5 Currency

All references in this Agreement to dollars, monetary amounts, or to \$, are expressed in Canadian currency unless otherwise specifically indicated.

1.6 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.7 Schedules & Amendments to Schedules

The following exhibits and schedules are attached hereto and incorporated in and form part of this Agreement:

SCHEDULES

Schedule A - Assigned Contracts

Schedule B - Specific Assumed Liabilities

The Parties acknowledge that as of the Effective Date, the Schedules are not complete. The Purchaser shall be entitled to revise the Schedules after the Effective Date, provided that such Schedules must be complete and final on or before the Bidding Offer Deadline. Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2 PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Purchase and Sale of Purchased Assets

At the Closing Time, subject to the terms and conditions of this Agreement, the Vendor shall sell, assign, transfer and convey to the Purchaser pursuant to the Approval and Vesting Order and the Assignment Order, if applicable, and the Purchaser shall purchase and assume from the Vendor, all of the Vendor's right, title and interest in and to the following tangible and intangible assets (collectively, the "**Purchased Assets**"):

- (a) the Assigned Contracts identified and enumerated in Schedule "A" hereto;
- (b) the Personal Property;
- (c) the Receivables;
- (d) the Inventory;
- (e) the Intellectual Property;
- (f) the Books and Records;
- (g) the Licenses and Permits;
- (h) 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 or otherwise Related to the Business,
- (i) all goodwill and other intangible assets associated with the Business, including abut 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
- (j) all other property, assets and undertaking of the Vendor used in or relating to the Business of whatsoever nature or kind, including without limitation all property, assets and undertaking of the Vendor,

other than Excluded Assets.

2.2 Transfer of Purchased Assets and Assumption of Liabilities

Subject to the terms and conditions of this Agreement, possession, risk, legal and beneficial ownership of the Purchased Assets shall transfer from the Vendor to the Purchaser on the Closing Date, and the Purchaser agrees to assume, discharge, perform and fulfill all of the Assumed Liabilities from and after the Closing Date. For certainty, the Purchaser is not assuming any Liabilities of the Vendor other than the Assumed Liabilities and shall have no liability to any Person therefor.

2.3 Assigned Contracts

- (a) From and after the date hereof until the Bidding Offer Deadline, the Purchaser shall be entitled to make additions, deletions and modifications to the Contracts classified as “Assigned Contracts”, in its sole discretion. For greater certainty: (i) any Assigned Contract subsequently designated by the Purchaser as an Excluded Contract after the date of this Agreement shall be deemed to no longer be an Assigned Contract, and shall be an Excluded Contract; and (ii) any Contract subsequently designated by the Purchaser as an Assigned Contract after the date of this Agreement shall be deemed an Assigned Contract for the purposes of this Agreement.
- (b) Each of the Parties shall use reasonable commercial efforts to obtain, as may be required by the terms of such Assigned Contracts, all consents and approvals required to assign the Assigned Contracts to the Purchaser.
- (c) To the extent that any Assigned Contract is not assignable without the consent or approval of the counterparty or any other Person, and such consent or approval has not been obtained prior to the Bidding Offer Deadline, and this Agreement represents the Successful Bid: (i) the Vendor’s interest in, to and under such Assigned Contract may be conveyed to the Purchaser pursuant to the Assignment Order; (ii) the Vendor will use commercially reasonable efforts to obtain an Assignment Order in respect of such Assigned Contract on or prior to the Closing Date; and (iii) if an Assignment Order is obtained in respect of such Assigned Contract, the Purchaser shall accept the assignment of such Assigned Contract on such terms.
- (d) To the extent that any Cure Costs are payable with respect to any Assigned Contract, the Purchaser shall be responsible for and shall pay all such Cure Costs, which shall be paid either directly to the applicable counterparty or to the Proposal Trustee, as may be agreed to by the parties, which Cure Costs shall be in addition to the Purchase Price. Unless the Parties otherwise agree, to the extent that any Cure Cost is payable with respect to any Assigned Contract, where such Assigned Contract is assigned pursuant to an Assignment Order, the Purchaser shall pay such Cure Costs in accordance with the Assignment Order, and where such Assigned Contract is not assigned pursuant to an Assignment Order, the Purchaser shall pay such Cure Costs in the manner set out in the consent of the applicable counterparty or as otherwise may be agreed to by the Purchaser and such counterparty.
- (e) The Vendor shall be entitled to disclaim or seek to disclaim any Excluded Contracts.
- (f) It shall be the sole obligation of the Purchaser, at the Purchaser’s sole cost and expense, to provide any and all financial assurances, deposits or security, including without limitation any Cure Costs that may be required by Governmental Authorities or any third parties to permit the transfer of the Purchased Assets, including the Assigned Contracts, to the Purchaser.

2.4 Excluded Assets

Any assets not identified as Purchased Assets hereto shall be deemed excluded assets (“**Excluded Assets**”) and shall not pass to the Purchaser and for certainty, all Excluded Assets set forth in Schedule C shall be removed from the Premises at the Vendor’s cost.

Save and except as otherwise expressly set out herein, the Purchaser may, at its option, exclude any of the Purchased Assets from the Transaction at any time prior to Closing by delivering to the Vendor and the Proposal Trustee written notice of the same, whereupon such asset(s) shall become Excluded Assets and shall be deemed to no longer form part of the Purchased Assets, provided, however, that there shall be no reduction in the Purchase Price as a result of such exclusion.

2.5 Excluded Liabilities

Save and except for the Assumed Liabilities explicitly set out herein, if any, the Purchaser is not assuming, and shall not be deemed to have assumed, any Liabilities of the Vendor (collectively, the “**Excluded Liabilities**”), which Excluded Liabilities include, but are not limited to, the following:

- (a) all Liabilities and Claims arising or accruing from the use of, or in any way related to, the Excluded Assets;
- (b) all Liabilities and Claims arising or accruing from the use of the Purchased Assets prior to the Closing; and
- (c) all Liabilities that arise out of or result from the employment or engagement by the Vendor of any of the Employees (unless otherwise imposed by Applicable Laws) and/or the termination or severance of such engagement or employment.

ARTICLE 3 EMPLOYEE MATTERS

3.1 Employment Offers

The Purchaser intends to offer new employment to the majority of the Employees, conditional upon Closing. Which Employees shall be offer such new employment shall be determined by the Purchaser, in its sole discretion. Any such offer shall be made at least two (2) Business Days prior to Closing, on terms and conditions substantially similar and no less favourable than the terms and conditions on which such Employees are employed immediately prior to Closing.

3.2 Employment Terminations

Notwithstanding the foregoing, the Vendor shall terminate, in writing, the employment of all Employees immediately prior to the Closing Time and shall provide proof of such written termination to the Purchaser as a deliverable at Closing.

ARTICLE 4 PURCHASE PRICE

4.1 Purchase Price

The purchase price payable by the Purchaser for the Purchased Assets shall be (i) \$2,300,000, minus (ii) the Cure Costs, if any, plus (iii) the Assumed Liabilities (the “**Purchase Price**”). The Purchase Price shall

be satisfied in accordance with Section 4.3. For certainty, the Purchaser may increase the Purchase Price at any time up until the Bidding Offer Deadline upon notice to the Vendor in accordance with the Sale Process. At the Closing Time, the Purchaser further agrees that if it is assuming the Lease, it shall pay Marshall Truck Properties Inc. a deposit of \$53,000¹ in connection with the Assumed Liabilities.

4.2 Allocation of Purchase Price

The Purchaser and the Vendor agree that the Purchase Price and the Assumed Liabilities shall be allocated among the Purchased Assets for all purposes (including Tax and financial accounting) as agreed between the Vendor and the Purchaser on Closing, acting reasonably.

4.3 Satisfaction of Purchase Price

The Purchaser shall pay and satisfy the Purchase Price in accordance with the following:

- (a) Deposit. Concurrently with execution and delivery of this Agreement, the Purchaser shall deliver to the Proposal Trustee a deposit in the amount of \$230,000, in immediately available funds, to be dealt with in accordance with the terms hereof and credited against the Purchase Price at Closing (the “**Deposit**”).
- (b) Cash Purchase Price. At the Closing Time, the Purchaser shall pay to the Proposal Trustee the balance of the Purchase Price, being \$2,070,000, less an amount equal to the Cure Costs, in immediately available funds (the “**Cash Purchase Price**”).
- (c) Cure Costs. At the Closing Time, the Purchaser shall pay the Cure Costs as directed by the parties to the Assigned Contracts entitled to such Cure Costs.
- (d) Assumed Liabilities. An amount equal to the value of the Assumed Liabilities, which the Purchaser shall assume on the Closing Date, shall be satisfied by the Purchaser performing the Assumed Liabilities as and when they become due.

4.4 Transfer Taxes

The Parties agree that:

- (a) The Purchase Price does not include Transfer Taxes and the Purchaser shall be liable for and shall pay any and all Transfer Taxes pertaining to the Purchaser’s acquisition of the Purchased Assets.
- (b) Except where the Vendor is required under Applicable Law to collect or pay such Transfer Taxes, the Purchaser shall pay such Transfer Taxes directly to the appropriate Governmental Authority or other entity within the required time period and shall file all necessary documentation with respect to such Transfer Taxes when due. The Vendor will do and cause to be done such things as are reasonably requested to enable the Purchaser to comply with such obligation in a timely manner. If the Vendor is required under Applicable Law to pay any such Transfer Taxes which are not paid by the Purchaser at Closing, the Purchaser shall promptly reimburse the Vendor the full amount of such Transfer Taxes upon delivery to the Purchaser of copies of receipts showing payment of such Transfer Taxes.
- (c) At the Closing, the Vendor and the Purchaser shall, if applicable, jointly execute an election under Section 167 of the *Excise Tax Act* to cause the sale of the Purchased Assets to take place on an HST-free basis under Part IX of the *Excise Tax Act* and the Purchaser shall

¹ Exact amount required for the deposit to be confirmed and equal to one month of rent.

file such election with its HST return for the applicable reporting period in which the sale of the Purchased Assets takes place.

- (d) At the Closing, if so requested by the Purchaser, the Vendor and the Purchaser shall, if applicable, jointly execute:
 - (i) an election under Section 22 of the *Income Tax Act* in respect of the Receivables and shall each file such election with their respective tax returns for their respective taxation years that include the Closing Date; and
 - (ii) an election to under subsection 20(24) of the *Income Tax Act*, and any equivalent or corresponding provision under applicable provincial or territorial tax legislation, apply to the obligations of the Vendor in respect of undertakings which arise from the operation of the business to which the Purchased Assets relate and to which paragraph 12(1)(a) of the *Income Tax Act* applies.
- (e) The Purchaser shall indemnify the Vendor for, from and against any Transfer Taxes (including any interest or penalties imposed by a Governmental Authority) that the Vendor may pay or for which the Vendor may become liable as a result of any failure by the Purchaser to pay or remit such Transfer Taxes.

ARTICLE 5 SALE PROCESS, DEPOSIT REPAYMENT

5.1 Sale Process and Deposit Repayment

- (a) The Vendor shall conduct the Sale Process in accordance with the terms of the issued Sale Process Order. The Vendor shall bring a motion for the Sale Process Order to be heard no later than July 5, 2024, subject to the Court’s availability or such other date as the Parties may agree to in writing. The Sale Process Order shall recognize the within offer by the Purchaser and the Purchase Price: (i) as a baseline or “stalking horse bid” in respect of the Purchased Assets (the “**Stalking Horse Bid**”); and (ii) as a deemed “Qualified Bid”, with an attendant right on the part of the Purchaser to participate as a bidder in any Auction (as defined in the Sale Process). The Purchaser acknowledges and agrees that the aforementioned process is in contemplation of determining whether a superior bid can be obtained for the Purchased Assets, and that the within Stalking Horse Bid may or may not be the Successful Bid for the Purchased Assets.
- (b) In consideration for the Purchaser’s expenditure of time and money and agreement to act as the initial bidder through the Stalking Horse Bid, and the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, and subject to Court approval, the Purchaser shall be entitled to
 - (i) a break-fee in the amount of \$75,000,
 - (ii) plus an amount required to reimburse for the Purchaser for its legal fees and costs up to \$25,000,
 (the “**Break Fee**”)

which shall only be payable in the in the event that the Stalking Horse Bid is not the Successful Bid. If payable, the Break Fee shall be paid to the Purchaser has as soon as practicable following the closing of the transaction contemplated by the Successful Bid.

- (c) In the event that the Stalking Horse Bid is not the Successful Bid, in addition to the Break Fee, the Purchaser shall be entitled to repayment in full of the Deposit, which shall be released to the Purchaser as soon as practicable following the Court granting the Approval and Vesting Order in respect of the Successful Bid.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of the Vendor

The Vendor hereby represent and warrant as of the date hereof and as of the Closing Time as follows, and acknowledge that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) Incorporation and Status. The Vendor is a corporation incorporated and existing under the *Business Corporations Act* (Ontario), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement and to own or lease and to operate and use the Purchased Assets and to carry on the Business as now conducted by the Vendor.
- (b) Corporate Authorization. The execution, delivery and, subject to obtaining the Approval and Vesting Order in respect of the matters to be approved therein, performance by the Vendor of this Agreement has been authorized by all necessary corporate action on the part of the Vendor.
- (c) Residency. The Vendor is not a non-resident of Canada for purposes of the *Income Tax Act* or the *Excise Tax Act*, as applicable.

6.2 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of the Vendor as of the date hereof and as of the Closing Time, and acknowledges that the Vendor is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the laws of the Province of British Columbia, is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (b) Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.
- (c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the organizational documents of the Purchaser.
- (d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.

- (e) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.
- (f) Residency. The Purchaser is not a non-resident of Canada for purposes of the *Income Tax Act*.

6.3 As is, Where is

- (a) The Purchaser acknowledges and agrees that it has conducted to its satisfaction an independent investigation and verification of the Business, the Purchased Assets (including the state of title thereto and/or the state of any Encumbrances and permitted Encumbrances), the Assumed Liabilities and all related operations of the Vendor, and, based solely thereon, has determined to proceed with the Transaction contemplated by this Agreement. The representations and warranties of the Vendor shall merge on Closing and shall thereafter be of no further force and effect. The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the Purchased Assets shall be sold and delivered to the Purchaser on an “*as is, where is*” basis, subject only to the representations and warranties contained herein. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition or quality or in respect of any other matter or thing whatsoever.
- (b) The Purchaser has received a copy of any Assigned Contracts and is familiar with the terms, agreements, covenants, obligations and conditions therein. The Purchaser shall be solely responsible for negotiating with and attempting to obtain the agreement of any landlord to amend any lease contemplated to be an Assigned Contract, including the Lease, as may be required by the Purchaser to allow the Purchaser to use the respective Premises for any purpose. For greater certainty, such amendments are not a Closing delivery or a condition of Closing. For further certainty, the foregoing does not modify the condition to Closing that the Assigned Contracts be assigned to the Purchaser.
- (c) The Purchaser acknowledges that the applicable Assigned Contract (that is, a lease) may be subject to permitted Encumbrances and the applicable Vendor shall not be responsible for rectifying any permitted Encumbrances prior to the Closing Date, other than as contemplated by this Agreement.
- (d) The remedies expressly set forth in this Agreement are the Purchaser’s sole and exclusive remedies relating to this Agreement, the Transaction contemplated hereby, the Purchased Assets, the Assumed Liabilities and all related operations of the Vendor or any of them.
- (e) The Purchaser acknowledges and agrees that the enforceability of this Agreement against the Vendor is subject to entry of the Approval and Vesting Order.

ARTICLE 7 CLOSING ARRANGEMENTS

7.1 Closing

Closing shall take place on the Closing Date effective as of the Closing Time electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

7.2 Vendor's Closing Deliveries

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Purchaser the following:

- (a) a true copy of the Approval and Vesting Order, as issued and entered by the Court;
- (b) a true copy of the Assignment Order, if applicable, as issued and entered by the Court, or copies of all signed consents required in connection with the Assigned Contracts;
- (c) the tax elections contemplated by Section 4.4, as applicable;
- (d) the Assignment and Assumption Agreements for the Assigned Contracts, duly executed by the applicable Vendor;
- (e) the General Conveyance, duly executed by the Vendor;
- (f) a specific assignment of any Intellectual Property, including trademarks, as the Purchaser may require;
- (g) proof of the written termination by the Vendor of the employment of all of the Employees prior to the Closing Time;
- (h) all usernames,
- (i) passwords, passcodes and other login information related to any internet domain names, websites, telephone and facsimile numbers, email addresses and servers, and social media accounts used by the Vendor, along with copies of any contract, agreement or understanding related thereto;
- (j) a certificate of an officer of each Vendor dated as of the Closing Date confirming that all of the representations and warranties of the Vendor contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Vendor has performed in all material respects the covenants to be performed by them prior to the Closing Time; and
- (k) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

7.3 Purchaser's Closing Deliveries

At or before the Closing, the Purchaser shall deliver or cause to be delivered to the Vendor (or to the Proposal Trustee, as applicable), the following:

- (a) payment of the Cash Purchase Price in immediately available funds;
- (b) as applicable, payment of all Transfer Taxes payable on Closing to the Vendor or the Proposal Trustee, as applicable (or evidence of payment by the Purchaser thereof to the relevant Governmental Authorities) in accordance with Section 4.4; OR, the tax elections contemplated by Section 4.4, as applicable;
- (c) the payment of all Cure Costs to be paid by the Purchaser pursuant to Section 2.3 to the Vendor or the Proposal Trustee, or evidence that such Cure Costs have been or will be paid directly to the applicable counterparty;
- (d) the General Conveyance, duly executed by the Purchaser;
- (e) the Assignment and Assumption Agreements for the Assigned Contracts, duly executed by the Purchaser;
- (f) a certificate of an officer of the Purchaser dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and
- (g) such other agreements, documents and instruments as may be reasonably required by the Vendor to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE 8 CONDITIONS OF CLOSING

8.1 Conditions Precedent in favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed on or prior to the Closing Date:

- (a) Approval and Vesting Order. The Court shall have issued and entered the Approval and Vesting Order, which Approval and Vesting Order shall not have been stayed, set aside, or vacated and no application, motion or other proceeding shall have been commenced seeking the same, in each case which has not been fully dismissed, withdrawn or otherwise resolved in a manner satisfactory to the Parties, each acting reasonably.
- (b) No Order. No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise in effect that restrains or prohibits the completion of the Transaction; and
- (c) No Restraint. No motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction contemplated by this Agreement.
- (d) Proposal Trustee's Certificate. The Proposal Trustee shall have provided an executed certificate of the Proposal Trustee substantially in the form attached to the Approval and Vesting Order (the “**Proposal Trustee's Certificate**”) confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.

The foregoing conditions are for the mutual benefit of the Parties. If any condition set out in Section 8.1 is not satisfied, performed or mutually waived on or prior to the Outside Date, any Party may elect on written notice to the other Parties to terminate this Agreement.

8.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

- (a) Successful Bid. This Agreement shall have been designated as the Successful Bid in accordance with the terms of the Sale Process.
- (b) Assignment Order/Assignment of Assigned Contracts. The Court shall have issued and entered the Assignment Order, which Assignment Order shall not have been stayed, set aside, or vacated and no application, motion or other proceeding shall have been commenced seeking the same, in each case which has not been fully dismissed, withdrawn or otherwise resolved in a manner satisfactory to the Parties, each acting reasonably; OR, the Purchaser shall be otherwise satisfied, in its sole discretion, with the assignment of the Assigned Contracts and the status of any required consent.
- (c) Vendor's Deliverables. The Vendor shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 7.2.
- (d) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 6.1 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.
- (e) No Breach of Covenants. The Vendor shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Vendor on or before the Closing Date.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 8.2 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set forth in this Section 8.2 is not satisfied or performed on or prior to the Outside Date, the Purchaser may elect on written notice to the Vendor, with a copy to the Proposal Trustee, to terminate this Agreement.

8.3 Conditions Precedent in favour of the Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

- (a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Vendor at the Closing all the documents and payments contemplated in Section 7.3.
- (b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 6.2 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.

- (c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 8.3 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set forth in this Section 8.3 is not satisfied or performed on or prior to the Outside Date, the Vendor may elect on written notice to the Purchaser to terminate the Agreement.

8.4 Proposal Trustee's Certificate

The Parties acknowledge and agree that the Proposal Trustee shall be entitled to deliver to the Purchaser, and file with the Court, the executed Proposal Trustee's Certificate without independent investigation, upon receiving written confirmation from the Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Proposal Trustee shall have no Liability to the Parties in connection therewith. The Parties further acknowledge and agree that upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived, the Proposal Trustee may deliver the executed Proposal Trustee's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Proposal Trustee's written confirmation that all such funds have been received, the Proposal Trustee's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

ARTICLE 9 TERMINATION

9.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

- (a) by the mutual written agreement of the Vendor (with the consent of the Proposal Trustee) and the Purchaser;
- (b) by the Purchaser upon written notice to the Vendor if there has been a material breach by the Vendor of any material representation, warranty or covenant contained in this Agreement, which breach has not been waived by the Purchaser and, if the breach is curable, such breach has not been cured within five (5) Business Days following the date upon which the Purchaser notified the Vendor of such breach;
- (c) by the Vendor (with the consent of the Proposal Trustee) upon written notice to the Purchaser if there has been a material breach by the Purchaser of any material representation, warranty or covenant contained in this Agreement, which breach has not been waived by the Vendor and, if the breach is curable, such breach has not been cured within five (5) Business Days following the date upon which the Vendor notified the Purchaser of such breach; or
- (d) by the Vendor (with the consent of the Proposal Trustee) or the Purchaser upon written notice to the other Parties if the Closing has not occurred on or prior to the Outside Date; provided that the failure to close by such deadline is not caused by a breach of this Agreement by the Party proposing to terminate the Agreement.

9.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 9.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder; except for the provisions of: (a) this Section 9.2; and (b) Section 5.1 with respect to the Purchaser's entitlement to the Break Fee and Deposit Repayment. Notwithstanding the foregoing, if the Transaction is terminated solely as a result of the Vendor's failure to perform any of its obligations under this Agreement, then the Deposit shall be repaid to the Purchaser in full, without deduction or setoff. If the Transaction is terminated solely as a result of the Purchaser's failure to perform any of its obligations under this Agreement, the Deposit and any other payments made by the Purchaser will be forfeited to the Vendor on account of its liquidated damages, and the Purchased Assets may be resold by the Vendor.

10.1 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

- (a) in the case of the Purchaser, as follows:

c/o Clark Wilson LLP
885 W Georgia St #900, Vancouver, BC V6C 3H1
Attention: A. M. Will
Email: gdlv326@aol.com

with a copy to Purchaser's Counsel:

WeirFoulds LLP
66 Wellington St W Suite 4100
Toronto, ON M5K 1B7

Attention: Philip Cho
Email: pcho@weirfoulds.com

- (b) in the case of the Vendor as follows:

Pioneer Balloon Canada Limited
333 Kenora Ave.
Hamilton, ON L8E 2W3

Attention: MaryLynn Borondy
Email: marylynnb@pioneerballoon.com

with a copy to:

Loopstra Nixon LLP
130 Adelaide Street West – Suite 2800
Toronto, Ontario M5H 3P5

Attention: Graham Phoenix
Email: gphoenix@LN.law

- (c) in each case, with a further copy to the Proposal Trustee as follows:

KPMG Inc.

333 Bay Street, #4600
Toronto, Ontario M5H 2S5

Attention: Pritesh Patel

Email: pritchpatel@kpmg.ca

with a copy to the Proposal Trustee's counsel:

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

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

10.2 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

10.3 Survival

The representations and warranties of the Parties contained in this Agreement shall merge on Closing, provided that the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

10.4 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

10.5 Entire Agreement

This Agreement and the Exhibits and Schedules attached hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements. This Agreement may not be amended or modified in any respect except by written instrument executed by the Vendor and the Purchaser.

10.6 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

10.7 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the Court, and any appellate courts of the Province of Ontario therefrom.

10.8 Assignment

- (a) This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Vesting Order, in whole or in part, without the prior written consent of the Vendor or the Proposal Trustee, provided that: (i) such assignee is a related party or subsidiary of the Purchaser; (ii) the Purchaser provides prior notice of such assignment to the Vendor and the Proposal Trustee; and (iii) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment; provided, however, that any such assignment shall not relieve the Purchaser of its obligations hereunder.
- (b) This Agreement may not be assigned by the Vendor without the consent of the Purchaser.

10.9 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

10.10 Counterparts

This Agreement may be executed and delivered electronically in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

10.11 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

10.12 Proposal Trustee's Capacity

In addition to all of the protections granted to the Proposal Trustee under the BIA or any order of the Court in this NOI Proceeding, the Vendor and the Purchaser acknowledge and agree that the Proposal Trustee,

acting in its capacity as Proposal Trustee of the Vendor and not in its personal capacity, is not a signatory to this Agreement and will have no Liability, in its personal capacity or otherwise, in connection with this Agreement or the Transaction contemplated herein whatsoever as Proposal Trustee.

[Signature Page Follows]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

For the Vendor:

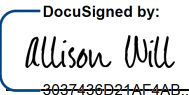
PIONEER BALLOON CANADA LIMITED.,

By: Marilynn Borondy
Name: MARILYN BORONDY
Title: Authorizing Signing Authority

I have authority to bind the Corporation.

For the Purchaser:

1488108 B.C. LTD.

By:  DocuSigned by:
Allison Will
3037436D21AF4AB...
Name: A. M. Will
Title: Authorized Signing Authority
I have authority to bind the Corporation.


**SCHEDULE “A”
ASSIGNED CONTRACTS**

1. The Lease

2. <*>


[To be completed / confirmed prior to the Bidding Offer Deadline]

SCHEDULE "B"
SPECIFIC ASSUMED LIABILITIES

1. All obligations and liabilities under the Lease and other Assigned Contracts, but excluding Cure Costs.
2. All obligations and liabilities to any Employees hired by the Purchaser in respect of, arising from or connected to the period from and after Closing, if any.
3. 

[To be completed / confirmed prior to the Bidding Offer Deadline]

SCHEDULE "C"
SPECIFIC EXCLUDED ASSETS

1. All latex waste and other assets identified as waste located at the Premises.
2. 

[To be completed / confirmed 2 Business Days prior to Closing.]

Appendix “D”

**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**

**AFFIDAVIT OF PRITESH PATEL
(Sworn July 15, 2024)**

I, Pritesh Patel, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a Senior Vice President of KPMG Inc. (“**KPMG**”), and, as such, I have knowledge of the matters hereinafter deposed to, except where stated to be on information and belief and whereso stated I verily believe it to be true.
2. 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 (Canada) R.S.C. 1985, c. B.-3, as amended (the “**BIA**”), on June 12, 2024 (the “**Filing Date**”). KPMG consented to act as proposal trustee (the “**Proposal Trustee**”) in connection with the NOI proceedings.
3. Before and after the Filing Date, the Proposal Trustee has provided services in the amount of \$73,612.50, incurred disbursements of \$3,680.63, and HST of \$10,048.11, for a total amount of \$87,341.24 in the period from June 4, 2024 to July 5, 2024 (the “**KPMG Fee Period**”).

Attached hereto and marked as Exhibit “A” to this Affidavit is a summary of all invoices rendered by the Proposal Trustee during the KPMG Fee Period (the “**Accounts**”).

4. True copies of the Accounts, which include a fair and accurate description of the services provided along with hours and applicable rates claimed by the Proposal Trustee, are attached as Exhibit “B” to this Affidavit.
5. KPMG, in its capacity as Proposal Trustee, previously filed one report with this Court (the “**Prior Report**”). In addition, and contemporaneously with the filing of this Affidavit, the Proposal Trustee is filing its second report to the Court (the “**Second Report**” and together with the Prior Report, the “**Reports**”). Details of the activities undertaken and services provided by the Proposal Trustee in connection with the administration of the NOI proceedings are described in the Reports.
6. In the course of performing its duties, statutory or otherwise, the Proposal Trustee’s staff has expended a total of hours 154.00 during the KPMG Fee Period. Attached as Exhibit “C” to this Affidavit is a schedule setting out a summary of the individual staff involved in the administration of the NOI proceedings and the hours and applicable rates claimed by the Proposal Trustee for the KPMG Fee Period. The average hourly rate billed by the Receiver during the KPMG Fee Period is \$478.00.
7. The Proposal Trustee requests that this Court approve its Accounts for the KPMG Fee Period, in the total amount of \$73,612.50 (excluding HST) for services rendered and recorded during the KPMG Fee Period.

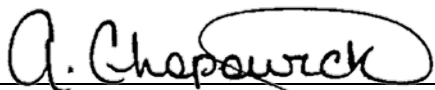
8. Borden Ladner Gervais LLP (“**BLG**”), as independent legal counsel to the Proposal Trustee, has also rendered services and incurred disbursements throughout these proceedings in a manner consistent with the instructions of the Proposal Trustee and have prepared an affidavit with respect to the services rendered for the period from June 12, 2024 to July 15, 2024 (the “**BLG Fee Period**”). The Proposal Trustee has reviewed the invoices rendered by BLG during this period and is satisfied that their activities were consistent with the instructions of the Proposal Trustee.
9. The fees and disbursements of the Proposal Trustee from the end of the KPMG Fee Period, and those of BLG from the end of the BLG Fee Period, to the date on which the NOI proceedings conclude will be calculated and billed at the standard rate currently in effect. Barring any delays, disputes or unforeseen circumstances in connection with this matter, including the within motion, and taking into account the remaining matters to be completed, I estimate that those fees and disbursements will not exceed \$100,000 (including sales taxes), including the fees and disbursements of BLG (the “**Estimate to Completion**”).
10. The above estimate takes into consideration the reasonable professional and legal fees required to complete all remaining matters to be completed in the NOI proceedings as outlined in the Second Report. If the actual Estimate to Completion are less than the above estimates, no further Court approval of fees is required. If the actual Estimate to Completion exceed the estimates, the Proposal Trustee will seek the consent of RBC to pay same, without further Order of the Court.

11. To the best of my knowledge, the rates charged by the Proposal Trustee and BLG are comparable to the rates charged for the provision of similar services by other accounting and law firms in the Greater Toronto Area.

12. I verily believe that the fees and disbursements incurred by the Proposal Trustee and BLG are fair and reasonable in the circumstances.

13. This Affidavit is sworn in connection with a motion for an Order of this Court to, among other things, approve the fees and disbursements of the Proposal Trustee and BLG and for no other or improper purpose.

SWORN BEFORE ME over video)
teleconference this 15th day of July, 2024,)
in accordance with Ontario Regulation)
431/20. The affiant was located in)
Toronto, Ontario, while the)
commissioner, Annette Chopowick, was)
located in Whitby, Ontario.)



A Commissioner for Taking Affidavits)

Annette Chopowick, a
Commissioner, etc. Province
of Ontario, for KPMG Inc.
Expires August 3, 2024


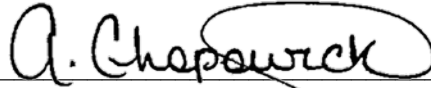

Pritesh Patel

EXHIBIT A

This is the Exhibit marked “A” referred to
in the Affidavit of Pritesh Patel,
sworn before me this 15th day of July, 2024.

A handwritten signature in black ink, reading "A. Chopowick". The signature is written in a cursive style with a large, looped "A" and a long, sweeping underline that extends to the right.

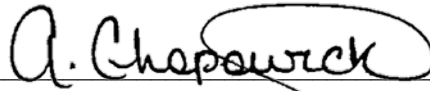
A Commissioner for Taking Affidavits

Annette Chopowick, a
Commissioner, etc. Province
of Ontario, for KPMG Inc.
Expires August 3, 2024

KPMG Inc. In its capacity as Proposal Trustee of Pioneer Balloon Canada Limited Statement of Accounts								in \$CAD
Invoice #	Period	Fees	Disbursements	Subtotal	HST	Total		
8005506342	For the period from June 4, 2024 to June 21, 2024	\$ 48,600.00	\$ 2,430.00	\$ 51,030.00	\$ 6,633.90	\$ 57,663.90		
8005532544	For the period from June 22, 2024 to July 5, 2024	\$ 25,012.50	\$ 1,250.63	\$ 26,263.13	\$ 3,414.21	\$ 29,677.34		
Total		\$ 73,612.50	\$ 3,680.63	\$ 77,293.13	\$ 10,048.11	\$ 87,341.24		

EXHIBIT B

This is the Exhibit marked “B” referred to
in the Affidavit of Pritesh Patel,
sworn before me this 15th day of July, 2024.

A handwritten signature in black ink, reading "A. Chopowick". The signature is written in a cursive style with a large, looping "A" and a long, sweeping underline that extends across the signature.

A Commissioner for Taking Affidavits

Annette Chopowick, a
Commissioner, etc. Province
of Ontario, for KPMG Inc.
Expires August 3, 2024



KPMG Inc.
Suite 4600 Bay Adelaide Centre
333 Bay Street
Toronto, ON M5H 2S5

Payment Address:
KPMG LLP, T4348
P.O. Box 4348, Station A
Toronto, ON M5W 7A6

June 25, 2024

Pioneer Balloon Canada Limited
333 Kenora Avenue
Hamilton, ON L8E 2W3

Invoice : 8005506342
Reference : 2001977695
Client : 1000053101
Contact : Pritesh Patel
Telephone : (416) 468-7923
Email : pritpatel@kpmg.ca

For professional services rendered from June 4 to June 21, 2024 as per Engagement Letter dated June 4, 2024

Our Fee
Technology and Support Charge

\$ 48,600.00 CAD
2,430.00

HST

\$ 51,030.00 CAD
6,633.90

Amount Due

\$ 57,663.90 CAD

Payment is due upon receipt

GST/HST Number 12236 3153 RT0001 QST Registration 1023774310 TQ0001

CAD Cheque Payments: KPMG LLP, T4348, P.O. Box 4348, Station A, Toronto, ON M5W 7A6
Please return remittance advice with cheque.

CAD Wire Payments: Beneficiary: KPMG LLP
Bank Details: TD Canada Trust, 55 King St. West, Toronto, ON M5K 1A2, Bank Code # 004, Transit # 10252,
Account # 0938281, Swift Code TDOMCATTOR
Please e-mail related wire payment details including invoice number to kpmg-ar@kpmg.ca

Invoice No: 8005506342 **Reference:** 2001977695 **Client:** 1000053101 **Amount:** \$ 57,663.90 CAD

Professional Fees Summary - Pioneer Balloon Canada Limited
For the period from June 4 to June 21, 2024

Name	Position	Hours	Rate	Fee (\$)
Pritesh Patel	Partner	40.50	\$ 625	\$ 25,312.50
Mackenzie Wong	Sr. Consultant	54.00	375	\$ 20,250.00
Kayla Bandukwala	Sr. Consultant	1.50	375	\$ 562.50
Angelina Hung	Technician	8.25	300	\$ 2,475.00
Total Professional Fees		104.25		\$ 48,600.00
Technology and Support Charge				\$ 2,430.00
Subtotal				\$ 51,030.00
HST				\$ 6,633.90
Total Amount Due				\$ 57,663.90

Pioneer Balloon Canada Limited
Time Keeper Details
For the period from June 4 to June 21, 2024

Work Date	Name	Time Narrative	Hours	Rate	Fee (\$)
06/03/2024	Patel, Pritesh	Call with potential purchaser and client; follow-up call with potential purchaser and client; emails to client re potential sale scenarios; call with client on next steps, review of cash flow.	2.50	\$ 625	\$ 1,562.50
06/04/2024	Patel, Pritesh	Call with client re meeting with second potential purchaser; update call with client re purchaser meetings; call re potential MBO; email to RBC re update call.	2.00	\$ 625	\$ 1,250.00
06/05/2024	Patel, Pritesh	Call with interested party re supply agreement; call with interested party re acquisition; debrief call with company, review of cash flow; preparation of IRL and info needed for NOI and email to client.	3.00	\$ 625	\$ 1,875.00
06/06/2024	Patel, Pritesh	Update call with RBC; discuss with M.Wong re NOI and next steps; call with interested party re asset purchase; debrief call with company; call with Loopstra Nixon on file background.	2.75	\$ 625	\$ 1,718.75
06/06/2024	Wong, Mackenzie	Assist NOI document preparation; review and preparation of cash flow forecast; administrative duties (Website; toll free and local numbers; mailbox); internal discussion with P. Patel.	3.50	\$ 375	\$ 1,312.50
06/07/2024	Patel, Pritesh	Calls with Controller to review CF, NOI docs; review of same; discussions with M.Wong on updated cash flow; email to company re CF; call with client and legal counsel; call with potential interested party.	2.50	\$ 625	\$ 1,562.50
06/07/2024	Hung, Angelina	Set up initial filing info in Ascend and preparing filing documents.	1.00	\$ 300	\$ 300.00
06/07/2024	Wong, Mackenzie	Call with P. Patel and controller to discuss cash flow forecast; revise cash flow forecast and document assumptions; review NOI document preparation and call re: same; internal discussion with P. Patel re: virtual data room.	5.00	\$ 375	\$ 1,875.00
06/08/2024	Wong, Mackenzie	Revise cash flow forecast; review NOI document preparation.	0.50	\$ 375	\$ 187.50
06/10/2024	Patel, Pritesh	Update call with RBC re CF; coordinate with KPMG team re NOI docs; call with G.Phoenix re timing for filing; calls with company on timing for filing.	2.00	\$ 625	\$ 1,250.00
06/10/2024	Hung, Angelina	Update initial filing info and prepare documents for review.	1.50	\$ 300	\$ 450.00
06/10/2024	Wong, Mackenzie	Consolidated IRL; coordinate and review Proposal Trustee's website; coordinate and review Proposal Trustee's phone number and email; set up administrative items for virtual data room and sales process, prepare potential buyer list; draft sales NDA and teaser.	3.50	\$ 375	\$ 1,312.50
06/11/2024	Patel, Pritesh	Call with PBCL counsel re status of filing materials and next steps; call with potential SH bidder; calls with PBCL re filing materials, info for sales process; review and edits to teaser, NDA; review of buyer list, edits to same; email materials to PBCL for review.	2.00	\$ 625	\$ 1,250.00
06/11/2024	Hung, Angelina	Update initial filing info and prepare documents for execution.	0.75	\$ 300	\$ 225.00
06/11/2024	Wong, Mackenzie	Draft sales NDA and teaser; coordinate and review Proposal Trustee's website; set up administrative items for virtual data room and sales process; upload documents to the virtual data room.	4.50	\$ 375	\$ 1,687.50
06/12/2024	Patel, Pritesh	Coordinate NOI filing with KPMG team; review of weekly disbursements, emails to RBC on same; update call with PBCL to review teaser, data room and buyer list; discussion with M.Wong on next steps.	3.00	\$ 625	\$ 1,875.00
06/12/2024	Bandukwala, Kayla	Preparation of draft buyer list for Sale Process.	1.50	\$ 375	\$ 562.50
06/12/2024	Hung, Angelina	Efile initial filing documents with OSB.	0.50	\$ 300	\$ 150.00
06/12/2024	Wong, Mackenzie	Update documents in the VDR; draft NOI creditor package; update Proposal Trustee's Website; evaluate cash flow analysis and prepare variance analysis; call with Deryk and Marylynn to discuss teaser, buyer list; edit documents for the VDR; discussion with P. Patel on next steps.	7.50	\$ 375	\$ 2,812.50
06/13/2024	Patel, Pritesh	Coordinate NOI filing with KPMG team; review of weekly disbursements, emails to RBC on same; update call with PBCL to review teaser, data room and buyer list; discussion with M.Wong on next steps.	2.50	\$ 625	\$ 1,562.50
06/13/2024	Hung, Angelina	Arrange mailing of notice package. Attend to banking matter.	1.00	\$ 300	\$ 300.00
06/13/2024	Wong, Mackenzie	Update VDR; update Sale Process email; search for contact information for teaser distribution, distribute teasers to potential buyers; internal discussion with P. Patel	3.25	\$ 375	\$ 1,218.75
06/14/2024	Patel, Pritesh	Call with potential stalking horse bidder re next steps; call/email to PBCL counsel on same; call with PBCL re creditor inquiries, stalking horse bid, data room; call with M.Wong re NDAs, VDR updates.	1.75	\$ 625	\$ 1,093.75
06/14/2024	Wong, Mackenzie	Update Website; email to creditors regarding NOI; preparing Creditor tracker; sending out NDAs to interested buyers; reviewing NDAs to ensure no changes; tracking potential buyers; correspondence to interested buyers; call with P. Patel	2.75	\$ 375	\$ 1,031.25
06/17/2024	Patel, Pritesh	Call with Stalking Horse bidder re status; review of comments from SH bidder counsel re Bidding Procedures, call with PBCL counsel on same; response on same; call with PBCL re cash flow update.	1.25	\$ 625	\$ 781.25
06/17/2024	Hung, Angelina	Prepare Affidavit of Mailing and efile with OSB on the same, email copy of Notice to Creditor package to Court.	1.00	\$ 300	\$ 300.00

06/17/2024	Wong, Mackenzie	Updates to the virtual data room; correspondence and calls with creditors on the NOI proceedings; call with Management re: cash flow forecast.	3.50	\$	375	\$	1,312.50
06/18/2024	Patel, Pritesh	Call with Stalking Horse bidder re status; update call with PBCL re cash flow/sales; review of creditor inquiries, NDAs signed; call with PBCL counsel re call with bidder.	1.50	\$	625	\$	937.50
06/18/2024	Wong, Mackenzie	Upload and clean items for VDR; review NDA; update NOI cash flow forecast; re-circulate teasers to parties that did not respond to initial email.	3.00	\$	375	\$	1,125.00
06/19/2024	Patel, Pritesh	Call with counsels and Stalking Horse bidder re APA comments, review of same; calls with M.Wong re cash flow, SISF; emails with interested parties; call with PBCL counsel re timing for materials.	2.25	\$	625	\$	1,406.25
06/19/2024	Hung, Angelina	Prepare statutory forms for filing.	1.00	\$	300	\$	300.00
06/19/2024	Wong, Mackenzie	Preliminary draft of the First Report; updates to the NOI cash Flow Forecast; responses to potential bidders; email to creditor re:NOI Proceedings; discussion with P. Patel re: drafting First Report.	5.00	\$	375	\$	1,875.00
06/20/2024	Patel, Pritesh	Update calls with RBC re cash flows, stalking horse bid and next steps; review and edits to cash flow forecast, discussions with KPMG team on filing; numerous emails/calls with Stalking Horse Bidder and counsel re APA and timing for execution, wire of deposit; review and edits to drafts of Affidavits, NOM and Order; call with BLG on timing for filing and next steps; discussion with M.Wong re drafting of First Report.	6.50	\$	625	\$	4,062.50
06/20/2024	Hung, Angelina	Update documents for execution, efile with OSB.	1.00	\$	300	\$	300.00
06/20/2024	Wong, Mackenzie	Call with P. Patel regarding cash flow forecast; updates to cash flow forecast; updates to the First Report (draft); review of stalking horse bidder APA; review of motion materials, draft Order and Affidavit and revision comments; correspondence to BLG re: comments; correspondence to potential bidders.	8.50	\$	375	\$	3,187.50
06/21/2024	Patel, Pritesh	Update calls with RBC re Order; calls/emails with PBCL counsel re timing for service, changes to Sale Process; review and edits to First Report; update call with PBCL re Sale Process and next steps.	5.00	\$	625	\$	3,125.00
06/21/2024	Hung, Angelina	Attend to banking matter.	0.50	\$	300	\$	150.00
06/21/2024	Wong, Mackenzie	Preparation of break-Fee Analysis for First Report; review and edits to First Report, email to creditors on NOI Proceedings; draft and send email to potential bidders on update to the Sale Process; review as filed Motion Materials.	3.50	\$	375	\$	1,312.50
Subtotal			104.25		\$		48,600.00



KPMG Inc.
Suite 4600 Bay Adelaide Centre
333 Bay Street
Toronto, ON M5H 2S5

Payment Address:
KPMG LLP, T4348
P.O. Box 4348, Station A
Toronto, ON M5W 7A6

July 10, 2024

Pioneer Balloon Canada Limited
333 Kenora Avenue
Hamilton, ON L8E 2W3

Invoice : 8005532544
Reference : 2001977695
Client : 1000053101
Contact : Pritesh Patel
Telephone : (416) 468-7923
Email : pritpatel@kpmg.ca

For professional services rendered from June 22 to July 5, 2024 as per Engagement Letter dated June 4, 2024

Our Fee	\$	25,012.50	CAD
Technology and Support Charge		1,250.63	
	\$	26,263.13	CAD
HST		3,414.21	
Amount Due	\$	29,677.34	CAD

Payment is due upon receipt

GST/HST Number 12236 3153 RT0001 QST Registration 1023774310 TQ0001

CAD Cheque Payments: KPMG LLP, T4348, P.O. Box 4348, Station A, Toronto, ON M5W 7A6
Please return remittance advice with cheque.

CAD Wire Payments: Beneficiary: KPMG LLP
Bank Details: TD Canada Trust, 55 King St. West, Toronto, ON M5K 1A2, Bank # 004, Transit # 10252,
Account # 0938281, Swift Code TDOMCATTTOR
Please e-mail related wire payment details including invoice number to kpmg-ar@kpmg.ca

Invoice No: 8005532544 **Reference:** 2001977695 **Client:** 1000053101 **Amount:** \$ 29,677.34 CAD

Professional Fees Summary - Pioneer Balloon Canada Limited
For the period from June 22 to July 5, 2024

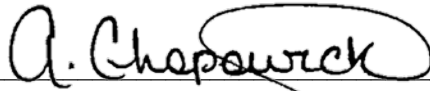
Name	Position	Hours	Rate	Fee (\$)
Pritesh Patel	Partner	25.50	\$ 625	\$ 15,937.50
Mackenzie Wong	Sr. Consultant	24.00	375	\$ 9,000.00
Angelina Hung	Technician	0.25	300	\$ 75.00
Total Professional Fees		49.75		\$ 25,012.50
Technology and Support Charge				\$ 1,250.63
Subtotal				\$ 26,263.13
HST				\$ 3,414.21
Total Amount Due				\$ 29,677.34

Pioneer Balloon Canada Limited
Time Keeper Details
For the period from June 22 to July 5, 2024

Work Date	Name	Time Narrative	Hours	Rate	Fee (\$)
06/22/2024	Patel, Pritesh	Review of comments from BLG on First Report, updates on same; circulate updated draft to PBCL counsel.	2.50	\$ 625	\$ 1,562.50
06/23/2024	Wong, Mackenzie	Request to update Proposal Trustee's Website for filing materials.	0.25	\$ 375	\$ 93.75
06/24/2024	Patel, Pritesh	Review of updated draft First Report incorporating comments from PBCL counsel; finalize, compile and sign First Report, email to BLG for service; emails with interested parties re Sale Process.	2.00	\$ 625	\$ 1,250.00
06/24/2024	Wong, Mackenzie	Correspondence to unsecured creditors; call with P. Patel re: updates to the First Report; compiling appendices to the First Report; call with unsecured creditors; updates to the Proposal Trustee's website, re-sending email to bidders on updates; update and uploading documents to the VDR; reviewing stalking horse APA, reviewing invoices.	3.00	\$ 375	\$ 1,125.00
06/25/2024	Patel, Pritesh	Call with PBCL re weekly reporting; emails with interested parties re Sale Process.	0.75	\$ 625	\$ 468.75
06/25/2024	Wong, Mackenzie	Emails to creditors; call with Controller and P. Patel re: Cash Flow Protocols; Cash Flow Variance Reporting;	1.25	\$ 375	\$ 468.75
06/26/2024	Patel, Pritesh	Review of weekly funding request, emails with PBCL on same; discussion with M.Wong re CF, call with RBC on same; call with PBCL re DD questions from interested parties and next steps.	1.50	\$ 625	\$ 937.50
06/26/2024	Hung, Angelina	Update creditor addresses.	0.25	\$ 300	\$ 75.00
06/26/2024	Wong, Mackenzie	Discussion with P. Patel re: cash balances, variance reporting; call with the Controller to discuss payroll and correspondence re: same; Cash Flow Variance analysis; call with Management re: items requested by a Potential bidder; reviewing items in the VDR.	3.25	\$ 375	\$ 1,218.75
06/27/2024	Patel, Pritesh	Review of emails from stalking horse bidder; review of responses/info from PBCL, drafting response to DD questions from interested party.	1.25	\$ 625	\$ 781.25
06/27/2024	Wong, Mackenzie	Uploading items to the VDR; correspondence with creditor.	0.75	\$ 375	\$ 281.25
06/28/2024	Patel, Pritesh	Update call with BLG; calls with RBC re funding requests, recent financials, status of Sale Process; update call with PBCL; call with M.Wong re creditor inquiries, July 2 hearing; emails with interested party re site visit.	2.50	\$ 625	\$ 1,562.50
06/28/2024	Wong, Mackenzie	Correspondence to creditor; call with P. Patel and BLG to discuss Court and next steps; emails to potential bidders; uploading documents to the VDR; updating Proposal Trustee's website.	2.00	\$ 375	\$ 750.00
07/02/2024	Patel, Pritesh	Preparation and attendance for Sale Process approval hearing; emails with interested parties re opportunity; attendance on site fortour and diligence questions from interested party; debrief with PBCL team.	5.00	\$ 625	\$ 3,125.00
07/02/2024	Wong, Mackenzie	Correspondence with potential new bidder; review signed NDA; attend Court; update documents in the VDR; upload documents to the VDR; correspondence with bidders; cash flow variance reporting; correspondence to creditor inquiries.	4.50	\$ 375	\$ 1,687.50
07/03/2024	Patel, Pritesh	Review of cash flow reporting; review of emails from interested parties; calls with PBCL re diligence requests; call with PBCL counsel re court order and next hearing.	2.00	\$ 625	\$ 1,250.00
07/03/2024	Wong, Mackenzie	Respond to creditor inquiries; clean and upload items to VDR; internal discussion with P. Patel; review invoices; prepare variance analysis; call with Controller on variance items and invoices; correspondence to potential bidders;	4.25	\$ 375	\$ 1,593.75
07/04/2024	Patel, Pritesh	Update call with M.Borondy; emails with interested parties re Sale Process; review of draft security opinion, comments on same; correspond with M.Wong re VDR updates.	3.00	\$ 625	\$ 1,875.00
07/04/2024	Wong, Mackenzie	Correspondence to bidder queries; draft outline for bidders; upload items to the VDR;	1.75	\$ 375	\$ 656.25
07/05/2024	Patel, Pritesh	Attendance on site for tour and diligence questions from interested party; debrief with PBCL team; update call with M.Wong re next steps.	5.00	\$ 625	\$ 3,125.00
07/05/2024	Wong, Mackenzie	Commence drafting Second Report.	3.00	\$ 375	\$ 1,125.00
Subtotal			49.75	\$	25,012.50

EXHIBIT C

This is the Exhibit marked “C” referred to
in the Affidavit of Pritesh Patel,
sworn before me this 15th day of July, 2024.

A handwritten signature in black ink, reading "A. Chopowick". The signature is written in a cursive style with a large, looping "A" and a long, sweeping underline that extends to the right.

A Commissioner for Taking Affidavits

Annette Chopowick, a
Commissioner, etc. Province
of Ontario, for KPMG Inc.
Expires August 3, 2024

in \$CAD

Staff Member	Number of Hours	Hourly Rate	Amount
Senior Vice President Pritesh Patel	66.00	\$ 625.00	\$ 41,250.00
Senior Associate Mackenzie Wong	78.00	\$ 375.00	\$ 29,250.00
Kayla Bandukwala	1.50	\$ 375.00	\$ 562.50
Staff Technician Angelina Hung	8.50	\$ 300.00	\$ 2,550.00
Total	154.00		73,612.50
Blended Average Hourly Rate	\$ 478.00		

Appendix “E”

**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**

**AFFIDAVIT OF CHRISTINE MASON
(Sworn July 16, 2024)**

I, **CHRISTINE MASON**, of the City of Toronto, in the Province of Ontario, **MAKE
OATH AND SAY:**

1. I am a partner at the law firm of Borden Ladner Gervais LLP ("**BLG**"), lawyers for the KPMG Inc. ("**KPMG**"), in its capacity as proposal trustee (the "**Proposal Trustee**") of all the property, assets, and undertakings of Pioneer Balloon Canada Limited ("**Pioneer Balloon**"), and as such have knowledge of the matters hereinafter deposed to.

2. This affidavit is made in support of a motion for, among other things, the approval of the fees and disbursements of BLG for the period from June 12, 2024 to July 15, 2024 (the "**Fees Period**"). Attached hereto and marked as **Exhibit "A"** is a summary of the hourly rate and time expended by the professionals at BLG during the Fees Period.

3. Attached hereto and marked as **Exhibit "B"** are true copies of the accounts issued by BLG for the Fee Period, in the total amount of \$19,878.29. The accounts attached as Exhibit B provide a fair and accurate description of the activities undertaken by BLG.

5. BLG estimates that it will incur no more than \$25,000.00 in additional fees, excluding disbursements and applicable taxes (“**BLG’s Estimate to Completion**”), for services to be provided to the Proposal Trustee through to the date of the Proposal Trustee’s discharge. BLG requests that the Court approve BLG’s Estimate to Completion for the period from July 16, 2024 through to the date of the Proposal Trustee’s discharge.

Adriana Gypire

Massen

LSO Licence No.: P14458

EXHIBIT A

This is the Exhibit marked "A" referred to
in the Affidavit of Christine Mason,
sworn before me this 16th day of July 2024.

A handwritten signature in blue ink, appearing to read "Adrienne Gypsin", is written over a horizontal line.

A Commissioner for Taking Affidavits

LSO Licence No.: P14458

EXHIBIT “A”

**Summary of Fees and Disbursements of Borden Ladner Gervais LLP
for the period from June 12, 2024 to July 15, 2024**

Name of Professional	Total Hours Billed	Avg. Hourly Rate (\$/Hr)	Total Amount Billed
A. MacFarlane	10.30	\$600.00	\$6,180.00
C. Mason	4.70	\$600.00	\$2,820.00
C. Chien	2.90	\$600.00	\$1,740.00
N. Hollard	9.40	\$600.00	\$5,640.00
G. Di Girolamo	1.10	\$470.00	\$517.00
J.L. Francis	0.30	\$355.00	\$106.50
A. Gasparini	1.20	\$330.00	\$396.00
Total Hours/Average Rate/Total Fees	29.90	\$507.86	\$17,399.50
Total Disbursements			\$191.90
Total Fees and Disbursements excluding Tax			\$17,591.40
Taxes (GST/HST)			\$2,286.89
Total Fees and Disbursements including Tax			\$19,878.29

EXHIBIT B

This is the Exhibit marked “B” referred to
in the Affidavit of Christine Mason,
sworn before me this 14th day of March 2024.

A handwritten signature in blue ink, appearing to read "Adrienne Pappas", is written above a horizontal line.

A Commissioner for Taking Affidavits

LSO Licence No.: P14458



Borden Ladner Gervais LLP
Lawyers | Patent & Trade-mark Agents
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada M5H 4E3
T 416.367.6000 F 416.367.6749
blg.com

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5

July 9, 2024

Attention: Pritesh Patel

Invoice # 698406601
Page 1

Re: Pioneer Balloon Canada Limited

File No: 089171/000020

PROFESSIONAL SERVICES rendered to June 30, 2024 in connection with the above matter as described in the attached.

Fees	\$ 10,431.50
Less Discount	(3,014.00)
Fee Balance	<u>7,417.50</u>
Disbursements and Other Charges	0.00
HST on Fees and Taxable Disbursements and Other Charges	<u>964.28</u>
Total this Invoice	<u><u>\$ 8,381.78</u></u>

THIS IS OUR ACCOUNT - E. & O.E.

BORDEN LADNER GERVAIS LLP

Borden Ladner Gervais LLP

For: Alex MacFarlane

KPMG LLP
Re: Pioneer Balloon Canada Limited

July 9, 2024
Invoice # 698406601
File No: 089171/000020
Page 2

PROFESSIONAL SERVICES RENDERED to June 30, 2024

Jun 12, 2024	A. MacFarlane	0.20	Telephone attendance with P. Patel re: engagement as proposal trustee's counsel.
Jun 14, 2024	A. MacFarlane	0.10	Review and revise engagement letter.
Jun 14, 2024	A. MacFarlane	0.10	Email to P. Patel.
Jun 14, 2024	A. MacFarlane	0.20	Revise engagement letter with KPMG.
Jun 20, 2024	N. Hollard	1.70	Review and provide comments re draft motion materials.
Jun 20, 2024	A. MacFarlane	0.20	Telephone attendance with P. Patel to discuss sale approval process and stalking horse bid.
Jun 20, 2024	A. MacFarlane	0.10	Email to and from T. Hogan re: RBC security.
Jun 21, 2024	N. Hollard	1.80	Review, revise, and provide comments to draft report of the Proposal Trustee.
Jun 21, 2024	A. MacFarlane	0.20	Email to and from N. Hollard re: draft report.
Jun 21, 2024	A. MacFarlane	0.20	Email to and from P. Patel re: draft report revisions.
Jun 21, 2024	A. MacFarlane	0.10	Email to C. Chien and C. Mason re: security review.
Jun 22, 2024	A. MacFarlane	1.00	Review and revise proposal trustee's first report.
Jun 22, 2024	A. MacFarlane	0.30	Email to and from N. Hollard, P. Patel and M. Wong re: revisions to report.
Jun 22, 2024	A. MacFarlane	0.10	Email to and from P. Patel re: US proceedings issues.
Jun 24, 2024	A. MacFarlane	0.80	Review of the Proposal Trustee's First Report.
Jun 24, 2024	A. MacFarlane	0.30	Emails to and from P. Patel re: stalking horse bid, bidding procedure and First Report.
Jun 24, 2024	A. MacFarlane	0.20	Emails to and from N. Hollard and J. Earl re: service of Proposal Trustee's Report.
Jun 27, 2024	C. Chien	2.90	Reviewed loan and security documents.
Jun 27, 2024	A. Gasparini	0.30	Add N. Hollard to Caselines and email N. Hollard and A. MacFarlane re service list; email M. Wong at KPMG to add N. Hollard to service list.
Jun 27, 2024	N. Hollard	0.30	Call with A. MacFarlane re hearing attendance; follow-up correspondence re court materials.
Jun 28, 2024	J.L. Francis	0.30	Review for compliance and submit a First Report and an Affidavit of Service via the court's online portal for acceptance into the court file.

July 9, 2024

Invoice # 698406601

File No: 089171/000020

Page 3

KPMG LLP
Re: Pioneer Balloon Canada Limited

Jun 28, 2024	A. Gasparini	0.40	Correspond with N. Hollard re Caseline; correspond with J. Earl re affidavit of service; upload report to Caselines; send documents to e-filing clerks for court submission.
Jun 28, 2024	N. Hollard	0.60	Review factum of the applicant and First Report of the Proposal Trustee.
Jun 28, 2024	N. Hollard	0.40	Call with P. Patel and M. Wong re motion to approve sale process.

TO OUR FEES	\$ 10,431.50
Less Discount	(3,014.00)
FEE BALANCE	<u>7,417.50</u>

FEE SUMMARY

<u>Timekeeper</u>	<u>Hours</u>	<u>Avg. Rate/Hr.</u>	<u>Amount</u>
C. Chien	2.90	\$ 600.00	\$ 1,740.00
J.L. Francis	0.30	355.00	106.50
A. Gasparini	0.70	330.00	231.00
N. Hollard	4.80	600.00	2,880.00
A. MacFarlane	4.10	600.00	2,460.00
	<u>12.80</u>		<u>\$ 7,417.50</u>

Total Fees and Disbursements and Other Charges 7,417.50

HST on Fees and Taxable Disbursements and Other Charges 964.28

TOTAL THIS INVOICE **\$ 8,381.78**



Borden Ladner Gervais LLP
Lawyers | Patent & Trade-mark Agents
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada M5H 4E3
T 416.367.6000 F 416.367.6749
blg.com

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5

July 9, 2024
Invoice # 698406601
AM/AM

Re: Pioneer Balloon Canada Limited

File No: 089171/000020

REMITTANCE COPY

Fees	\$ 10,431.50
Less Discount	(3,014.00)
Fee Balance	<u>7,417.50</u>
Disbursements and Other Charges	0.00
HST on Fees and Taxable Disbursements and Other Charges	<u>964.28</u>
Total this Invoice	<u>\$ 8,381.78</u>

PLEASE REFER TO PAYMENT OPTIONS PAGE FOR REMITTANCE INFORMATION.



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KPMG LLP
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333 Bay Street, Suite 4600
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July 16, 2024

Attention: Pritesh Patel

Invoice # 698411710
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Re: Pioneer Balloon Canada Limited

File No: 089171/000020

PROFESSIONAL SERVICES rendered to July 16, 2024 in connection with the above matter as described in the attached.

Fees	\$ 15,812.00
Less Discount	(5,830.00)
Fee Balance	<u>9,982.00</u>
Disbursements and Other Charges	191.90
HST on Fees and Taxable Disbursements and Other Charges	<u>1,322.61</u>
Total this Invoice	<u><u>\$ 11,496.51</u></u>

THIS IS OUR ACCOUNT - E. & O.E.

BORDEN LADNER GERVAIS LLP

Borden Ladner Gervais LLP

For: Alex MacFarlane

KPMG LLP
Re: Pioneer Balloon Canada Limited

July 16, 2024
Invoice # 698411710
File No: 089171/000020
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PROFESSIONAL SERVICES RENDERED to July 16, 2024

Jun 20, 2024	N. Hollard	0.20	Correspondence from A. MacFarlane re security review and SISP; correspondence with P. Patel re motion materials.
Jun 21, 2024	N. Hollard	0.10	Correspond with A. MacFarlane, P. Patel, and M. Wong re [REDACTED]
Jun 24, 2024	N. Hollard	0.30	Review APA and correspond with P. Patel re comments to same.
Jun 28, 2024	N. Hollard	0.10	Correspond with P. Patel re hearing discussion.
Jul 1, 2024	N. Hollard	0.20	Prepare submissions for hearing re sale process.
Jul 2, 2024	G. Di Girolamo	0.30	Re Pioneer Balloon Canada Limited - conducted corporate information search;
Jul 2, 2024	N. Hollard	1.20	Prepare for and attend motion to approve sales process and extend stay.
Jul 3, 2024	G. Di Girolamo	0.80	Re Pioneer Balloon Canada Limited - received and reviewed PPSA search results; conducted s427 Bank Act searches; conducted bankruptcy and insolvency search with the Office of the Superintendent of Bankruptcy; conducted sheriff's execution search.
Jul 3, 2024	C. Mason	2.00	Reviewing loan documents and draft security review letter.
Jul 4, 2024	A. MacFarlane	0.10	Email to and from P. Patel re: security opinion.
Jul 4, 2024	A. MacFarlane	0.20	Telephone attendance with C. Mason [REDACTED]
Jul 4, 2024	C. Mason	2.00	Discussing draft security review with C Chien and A MacFarlane, and revising the same.
Jul 5, 2024	A. MacFarlane	0.20	Emails to and from T. Hogan re: Bank files to verify GSA.
Jul 5, 2024	A. MacFarlane	0.20	Email to and from P. Patel re: security opinion and account.
Jul 9, 2024	A. MacFarlane	0.20	Email to and from T. Hogan with respect to RBC's security review and additional documents.
Jul 9, 2024	A. MacFarlane	0.10	Follow-up discussion with C. Mason re: security review and [REDACTED]

July 16, 2024

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KPMG LLP
Re: Pioneer Balloon Canada Limited

Jul 10, 2024	N. Hollard	0.50	Call with proposal trustee and debtor's counsel re bid approval and next steps.
Jul 10, 2024	A. MacFarlane	0.50	Telephone conference call with P. Patel, M. Wong and N. Hollard to discuss sales process and motion.
Jul 11, 2024	A. Gasparini	0.50	Review fee affidavit and send comments to A. MacFarlane.
Jul 11, 2024	N. Hollard	0.60	Review and provide comments to fee affidavit.
Jul 11, 2024	A. MacFarlane	0.20	Review of draft Fee Affidavit.
Jul 11, 2024	A. MacFarlane	0.20	Email to and from A. Gasparini re: Fee Affidavit.
Jul 11, 2024	A. MacFarlane	0.10	Email to KPMG.
Jul 12, 2024	A. MacFarlane	0.20	Email to and from C. Mason re: security opinion.
Jul 12, 2024	A. MacFarlane	0.10	Email to P. Patel re: security opinion.
Jul 12, 2024	A. MacFarlane	0.20	Review of materials received from T. Hogan re: Bank security.
Jul 12, 2024	A. MacFarlane	0.10	Discussion with C. Mason re: RBC security.
Jul 12, 2024	C. Mason	0.50	Reviewing historic loan agreements, and attending to email correspondence re security review.
Jul 14, 2024	N. Hollard	0.30	Review and provide comments to second report of the Proposal Trustee.
Jul 14, 2024	A. MacFarlane	0.10	Email to and from P. Patel re: report.
Jul 14, 2024	A. MacFarlane	0.60	Review and revise Second Report of Proposal Trustee.
Jul 14, 2024	A. MacFarlane	0.20	Email to and from N. Hollard and C. Mason re: revised Report.
Jul 14, 2024	C. Mason	0.20	Reviewing Trustee's Second Report; attending to email correspondence.
Jul 15, 2024	N. Hollard	0.50	Review and provide comments to draft orders from counsel for Pioneer.
Jul 15, 2024	N. Hollard	0.60	Call with A. MacFarlane re revisions to Ancillary Order; revise Ancillary Order.
Jul 15, 2024	A. MacFarlane	0.20	Review of revisions to Ancillary Order from N. Hollard.
Jul 15, 2024	A. MacFarlane	0.20	Review of draft AVO and Ancillary Order.
Jul 15, 2024	A. MacFarlane	0.20	Office discussion with N. Hollard re: changes to AVO and Ancillary Order.
Jul 15, 2024	A. MacFarlane	0.30	Email from and to P. Patel re: suggested changes to Ancillary Order and Second Report.

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Jul 15, 2024	A. MacFarlane	0.30	Email to and from N. Hollard re: changes to Ancillary Order.
Jul 15, 2024	A. MacFarlane	0.70	Review and revise Ancillary Order.
Jul 15, 2024	A. MacFarlane	0.20	Discussion with N. Hollard re: Ancillary Order.
Jul 15, 2024	A. MacFarlane	0.30	Emails to and from G. Phoenix re: Ancillary Order.
Jul 15, 2024	A. MacFarlane	0.20	Email to and from M. Wong re: Ancillary Order and revisions to Report.
Jul 15, 2024	A. MacFarlane	0.10	Email to G. Phoenix re: revisions to Ancillary Order.

TO OUR FEES	\$ 15,812.00
Less Discount	(5,830.00)
FEE BALANCE	<u>9,982.00</u>

FEE SUMMARY

<u>Timekeeper</u>	<u>Hours</u>	<u>Avg. Rate/Hr.</u>	<u>Amount</u>
G. Di Girolamo	1.10	\$ 470.00	\$ 517.00
A. Gasparini	0.50	330.00	165.00
N. Hollard	4.60	600.00	2,760.00
A. MacFarlane	6.20	600.00	3,720.00
C. Mason	4.70	600.00	2,820.00
	<u>17.10</u>		<u>\$ 9,982.00</u>

DISBURSEMENTS AND OTHER CHARGES:

<u>Taxable</u>	G=GST; Q=QST; H=HST; P=PST
Ecore Searches (Fees)	\$42.00 H
Ecore Searches (Govt. Disb.)	32.00 H
Other Searches	117.90 H



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Page 5

Total Taxable Disbursements and Other Charges	191.90
Total Disbursements and Other Charges	191.90
Total Fees and Disbursements and Other Charges	10,173.90
HST on Fees and Taxable Disbursements and Other Charges	1,322.61
TOTAL THIS INVOICE	\$ 11,496.51



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

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

PROCEEDING COMMENCED AT TORONTO

AFFIDAVIT OF CHRISTINE MASON

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Lawyers for KPMG Inc.

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 TORONTO

SECOND REPORT OF KPMG INC.
(July 17, 2024)

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