

CANADA
Province of Quebec
District of Québec
Division No.: 01-Montréal
Court No.: 500-11-055622-183
Estate No.: 41-2448488

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF:

C & E CANADA INC.,
legal person duly incorporated under the laws of
Canada, having its registered office at 1000 de la
Gauchetière, Suite 2100, Montreal QC H3B 4W5

Petitioner / Debtor

-and-

RICHTER ADVISORY GROUP INC.

Proposal Trustee

**SECOND REPORT OF THE TRUSTEE
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS**

Richter Advisory Group Inc. ("**Richter**"), in its capacity as Trustee, with respect to the Notice of Intention to Make a Proposal ("**NOI**") filed by C & E Canada Inc. (the "**Debtor**" or the "**Company**"), an insolvent person, does hereby report to the Court the following:

INTRODUCTION

1. On November 28, 2018, the Debtor filed a Notice of Intention to make a Proposal (the "**NOI**") in accordance with Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S. C. 1985, c. B.-3, as amended (the "**BIA**"), and Richter was appointed as Proposal Trustee under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy is annexed as Exhibit "A" to the Proposal Trustee's First Report dated November 28, 2018 ("**First Report**").
2. On November 28, 2018, documents were sent by regular mail to all creditors of the Debtor, as identified by it, which included a copy of the Debtor's Notice of Intention, annexed as Exhibit "B" to the First Report.

3. On November 28, 2018, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("**Projections**") together with his report pursuant to Section 50.4(2)(c) of the Act, covering the period from November 25, 2018, to January 19, 2019, which included the major assumptions used in the preparation of the Projections. Concurrently therewith, the Trustee filed its Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act, all of which was annexed as Exhibit "C" to the First Report.
4. On November 28, 2018, the Debtor filed an Application for an Order Approving a Consulting Agreement and Sale Guidelines, for an Extension of Time to File a Proposal and for Ancillary Relief ("**Consulting and Extension Motion**"). The Consulting and Extension Motion was granted on November 30, 2018 ("**Consulting and Extension Order**") as appears from the Court Record.
5. In order to monitor the affairs and finances of the Debtor, the Trustee has been provided with access to the books, records and other important documents of the Debtor.

PURPOSE OF THIS REPORT

6. The purpose of this Second Report is to provide this Court with information pertaining to:
 - a) The Debtor's operations and cash flow results from November 28, 2018 to January 5, 2019;
 - b) The Debtor's statement of projected cash flow for the period from January 6, 2019 to February 16, 2019;
 - c) The Debtor's request for an extension of the time required to file a proposal (the "**Proposal Period**") to February 15, 2019; and
 - d) The Proposal Trustee's recommendation that this Court approve the extension of the Proposal Period to February 15, 2019 ("**Second Extension Order**").

TERMS OF REFERENCE

7. Unless otherwise noted, all monetary amounts contained in this First Report herein are expressed in Canadian dollars.
8. In preparing this Second Report, the Proposal Trustee has relied upon certain unaudited financial information prepared by the Debtor's representatives, the Debtor's books and records, and discussions with the Debtor's representatives and legal counsel (the "**Information**").
9. Except as otherwise described in this Second Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook (the "**CPA**").

Handbook") and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

10. Future oriented financial information relied upon in this Second Report is based on the Debtor's representatives' assumptions regarding future events; actual results achieved may vary from the Information presented even if the hypothetical assumptions occur and these variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether projections will be achieved.

OPERATIONS AND CASH FLOW RESULTS FROM NOVEMBER 28, 2018 TO JANUARY 5, 2019

11. As summarized in the First Report, at the time of the filing, the Debtor had approximately 123 full-time and part-time employees, virtually all of whom were involved in the retail operations, more specifically in the 19 retail stores located in Ontario, British Columbia, Quebec and Alberta. Managerial and administrative services are provided by related entities located in the United States and the United Kingdom.
12. Pursuant to the Consulting and Extension Order, Gordon Brothers Canada ULC ("**Consultant**") was engaged to assist the Debtor in winding up its retail operations in Canada on or before December 31, 2018. The Company and the Consultant confirm that all retail locations were in fact closed on or before December 27, 2018 with the premises remitted to their respective landlords.
13. The table below summarizes the reported versus the projected results for the period November 28, 2018 to January 5, 2019:

C&E Canada Inc.			
Reported Results vs. Cash Flow Forecast			
For the Period from November 28, 2018 to January 05, 2019			
(\$000's)	Reported	Forecast	Variance
Receipts	\$ 3,755	\$ 2,454	\$ 1,301
Disbursements			
Payroll	412	390	22
Rent	221	278	(56)
Liquidation fees & expenses	27	107	(80)
General expenses & other	48	381	(333)
Merchant credit card fees	104	61	43
GST/HST	98	239	(141)
	910	1,455	(545)
Other Disbursements			
Restructuring professional fees	197	374	(177)
Net Cash Flow	\$ 2,648	\$ 624	\$ 2,023
Opening Cash	\$ 269	\$ 269	\$ -
Net Cash Flow	2,648	624	2,023
Ending Cash	\$ 2,917	\$ 893	\$ 2,023

THE DEBTOR'S CASH FLOW FORECAST

14. The Debtor, with the assistance of the Proposal Trustee, has prepared a forecast of their receipts and disbursements for the period from January 6, 2019 to February 16, 2019 (the "**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Exhibit "A"** and is summarized below:

C&E Canada Inc.	
Cash Flow Forecast for the Period from January 06, 2019 to February 16, 2019	
(\$000's)	Total
Receipts	\$ 120
Disbursements	
Payroll	181
Rent	44
Liquidation fees & expenses	82
General expenses & other	83
Merchant credit card fees	-
GST/HST	250
	<hr/>
	640
Other Disbursements	
Restructuring professional fees	300
	<hr/>
Net Cash Flow	\$ (820)
Opening Cash	\$ 2,917
Net Cash Flow	(820)
	<hr/>
Ending Cash	\$ 2,096

15. As the Debtor has closed all of its retail locations, the Cash Flow Forecast reflects the continued wind down of the Debtor's operations including the final payroll payments to employees (including the payment of accrued vacation pay), post-filing sales taxes and other and post-filing obligations.
16. The Cash Flow Forecast does not include any potential recovery of certain remaining wholesale receivables with a book value of \$190,000 nor any remaining inventory which is located in a warehouse in the United States with a book value of approximately \$270,000. The Debtor is reviewing its options with respect to the monetization of these assets.

REQUEST TO EXTEND THE PROPOSAL PERIOD TO FEBRUARY 15, 2019

17. The Debtor is requesting the extension of the Proposal Period to February 15, 2019 (the "**Extension**").

18. The Proposal Trustee supports the Debtor's request for the Extension for the following reasons:
- a) With the completion of the liquidation sale, the Debtor needs additional time to pay its post-filing obligations and to formulate a proposal to its creditors;
 - b) The Debtor needs additional time to attempt to realize on certain remaining wholesale receivables and inventory still in the warehouse;
 - c) the Debtor is acting in good faith and with due diligence to wind down its operations and maximize the value of their assets for the benefit of their stakeholders; and
 - d) it is the Proposal Trustee's view that the Extension will not prejudice or adversely affect any group of creditors.
19. While it is too early to determine whether a viable proposal will be presented by the Debtor to its creditors, in the Proposal Trustee's view, the Debtor's request for the Extension is appropriate in the circumstances.

CONCLUSION AND RECOMMENDATION

20. Based on all of the forgoing, the Proposal Trustee respectfully recommends that this Honourable Court issue the Second Extension Order granting the relief summarized in paragraph 6(d) of this Second Report.

Respectfully submitted at Montreal, this 11th day of January 2019.

Richter Advisory Group Inc.
Licensed Insolvency Trustee



Andrew Adessky, CPA, CA, CIRP, LIT

Exhibit A

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055622-183
Estate No. 41-2448488

-- 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 Notice of Intention to make a Proposal of
C & E Canada Inc.
of the City of Montreal
in the Province of Quebec

The attached statement of projected cash flow of C & E Canada Inc., as of the 10th day of January 2019, consisting of January 6 to February 16, 2019, 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 Montréal in the Province of Quebec, this 10th day of January 2019.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Licensed Insolvency Trustee
Per:



Andrew Adessky, CPA, CA, CIRP, LIT - Licensed Insolvency Trustee
1981 avenue McGill College, 11e étage
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055622-183
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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 Notice of Intention to make a Proposal of
C & E Canada Inc.
of the City of Montreal
in the Province of Quebec

Purpose:

C & E Canada Inc. filed a Notice of Intention to Make a Proposal on November 28, 2018. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of C & E Canada Inc. (the "Company"), for the period from January 6 to February 16, 2019 relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on January 10, 2019 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

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 January 6 to February 16, 2019, considering the economic conditions that are considered the most probable by management.

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.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon the expected collections during the period.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

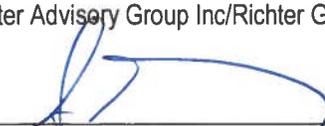
The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 10th day of January 2019.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Licensed Insolvency Trustee

Per:



Andrew Adessky, CPA, CA, CIRP, LIT - Licensed Insolvency Trustee
1981 avenue McGill College, 11e étage
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No. 01 - Montréal
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- 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 Notice of Intention to make a Proposal of
C & E Canada Inc.
of the City of Montreal
in the Province of Quebec

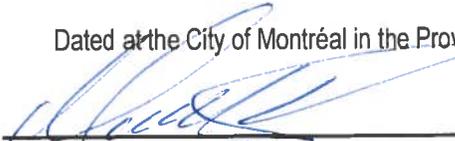
The Management of C & E Canada Inc., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 10th day of January 2019, consisting of January 6 to February 16, 2019.

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 Montréal in the Province of Quebec, this 10th day of January 2019.



C & E Canada Inc.
Debtor



Name and title of signing officer

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055622-183
Estate No. 41-2448488

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 Notice of Intention to make a Proposal of
C & E Canada Inc.
of the City of Montreal
in the Province of Quebec

Purpose:

C & E Canada Inc. filed a Notice of Intention to Make a Proposal on November 28, 2018. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of C & E Canada Inc. (the "Company"), for the period from January 6 to February 16, 2019 relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on January 10, 2019 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

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 January 6 to February 16, 2019, considering the economic conditions that are considered the most probable by management.

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.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon the expected collections during the period.

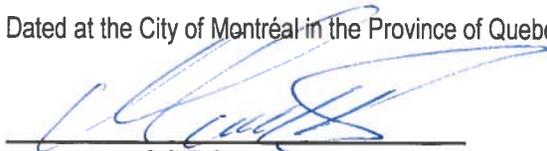
(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 10th day of January 2019.



C & E Canada Inc.

C&E Canada Inc.

Cash Flow Forecast for the Period from January 06, 2019 to February 16, 2019

(\$000's)

	Week Ending						Total
	Jan 12	Jan 19	Jan 26	Feb 02	Feb 09	Feb 16	
Receipts	\$ 120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120
Disbursements							
Payroll	156	-	-	-	25	-	181
Rent	44	-	-	-	-	-	44
Liquidation fees & expenses	38	44	-	-	-	-	82
General expenses & other	33	25	-	-	-	25	83
Merchant credit card fees	-	-	-	-	-	-	-
GST/HST paid into escrow	-	-	250	-	-	-	250
	271	69	250	-	25	25	640
Other Disbursements							
Restructuring professional fees	100	-	75	-	75	50	300
Net Cash Flow	\$ (251)	\$ (69)	\$ (325)	\$ -	\$ (100)	\$ (75)	\$ (820)
Opening Cash	\$ 2,917	\$ 2,666	\$ 2,596	\$ 2,271	\$ 2,271	\$ 2,171	\$ 2,917
Net Cash Flow	(251)	(69)	(325)	-	(100)	(75)	(820)
Ending Cash	\$ 2,666	\$ 2,596	\$ 2,271	\$ 2,271	\$ 2,171	\$ 2,096	\$ 2,096



Maral Bal, Duly Authorized



No: 500-11-055622-183

SUPERIOR COURT
DISTRICT OF MONTREAL
(Commercial Division)

**IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF:**

C & E CANADA INC.

Debtor / Petitioner

-and-

RICHTER ADVISORY GROUP INC.

Trustee

*SECOND REPORT OF THE TRUSTEE ON THE STATE
OF PETITIONER'S BUSINESS AND FINANCIAL
AFFAIRS*

COPY

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