

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAV
BEAUTY BRANDS INC., MARC ANTHONY COSMETICS LTD., MARC ANTHONY US
HOLDINGS, INC., MARC ANTHONY COSMETICS USA, INC., MAC PURE HOLDINGS,
INC., MAV MIDCO HOLDINGS, LLC, RENPURE, LLC, ONESTA HAIR CARE, LLC,
AND THE MANE CHOICE HAIR SOLUTION LLC**

**FIRST REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

NOVEMBER 20, 2023

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1.0 INTRODUCTION

- 1.1 On November 14, 2023 (the “**Filing Date**”), MAV Beauty Brands Inc. (“**MAV Brands**”), Marc Anthony Cosmetics Ltd. (“**MAV Cosmetics**”), Marc Anthony US Holdings, Inc. (“**MAV US Holdings**”), Marc Anthony Cosmetics USA, Inc. (“**MAV Cosmetics USA**”), MAC Pure Holdings, Inc. (“**MAC Holdings**”), MAV Midco Holdings, LLC (“**MAV Midco**”), Rempure, LLC (“**Rempure**”), Onesta Hair Care, LLC (“**Onesta**”), and The Mane Choice Hair Solution LLC (“**Mane Choice**”) (collectively, the “**Applicants**” or the “**MAV Group**”) commenced these proceedings (the “**CCAA Proceedings**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).
- 1.2 The principal purpose of these CCAA Proceedings is to stabilize and maintain the MAV Group’s business, obtain additional required liquidity for the business, and implement a proposed sale of the MAV Group’s assets and business (the “**Transaction**”) to MAV USA, LLC (the “**US Purchaser**”), an affiliate of Nexus Capital Management LP (“**Nexus**”), and/or one or more of its designees, including MAV Beauty Canada, Inc. (the “**Canadian Purchaser**” and, together with the US Purchaser, the “**Purchasers**”).
- 1.3 Pursuant to the initial order (the “**Initial Order**”) granted by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on November 14, 2023, Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as monitor of the Applicants in these CCAA Proceedings (in such capacity, the “**Monitor**”).
- 1.4 A copy of the pre-filing report dated November 13, 2023, prepared by A&M in its capacity as the proposed monitor (the “**Pre-Filing Report**”) is attached hereto as Appendix “A”. The Pre-Filing Report, the Applicants’ CCAA application record filed in respect of the

Initial Order, and other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor's case website at: www.alvarezandmarsal.com/MAV (the "**Case Website**").

1.5 The Initial Order, among other things:

- (i) granted a stay of proceedings in respect of the Applicants and their respective directors and officers until and including November 24, 2023 (the "**Stay Period**");
- (ii) authorized the continued use by the Applicants of their centralized Cash Management System (as defined in the Initial Order);
- (iii) granted approval of the debtor-in-possession financing facility (the "**DIP Facility**") and the Interim Financing Term Sheet (the "**DIP Facility Agreement**") entered into on November 13, 2023, among MAV Cosmetics and MAC Holdings, as borrowers, MAV Cosmetics, MAC Holdings, MAV Brands, MAV US Holdings, MAV Cosmetics USA, MAV Midco, Renpure, Onesta and Mane Choice, as guarantors, Royal Bank of Canada ("**RBC**"), as administrative agent (in such capacity, the "**DIP Agent**") and certain of the lenders party to the Credit Agreement (as defined below), as interim lenders (in such capacity, the "**DIP Lenders**");
- (iv) authorized the Applicants, subject to the DIP Facility Agreement and the consent of the Monitor, to pay for certain goods and services supplied to the Applicants prior to the Filing Date; and

- (v) granted the Administration Charge, the D&O Charge and the DIP Lenders Charge (each as defined in the Initial Order) over the Applicants' current and future assets, properties and undertakings (collectively, the "**Property**").

1.6 This first report (the "**First Report**") should be read in conjunction with the affidavit of Laurel MacKay-Lee, the Chief Financial Officer of each of the Applicants, sworn November 13, 2023 (the "**First MacKay-Lee Affidavit**"), the affidavit of Laurel MacKay-Lee sworn November 17, 2023 (the "**Second MacKay-Lee Affidavit**"), and the Affidavit of Mike Genereux, Managing Director of Applicants' financial advisor, Piper Sandler & Co. ("**Piper Sandler**"), sworn November 16, 2023 (the "**Genereux Affidavit**" and, collectively with the First MacKay-Lee Affidavit and the Second MacKay-Lee Affidavit, the "**Affidavits**"). Unless otherwise indicated, capitalized terms used and not defined in this First Report shall have the meanings given to them in the Affidavits.

1.7 The purpose of this First Report is to provide the Court with information and, where applicable, the Monitor's views on:

- (i) the relief sought by the Applicants pursuant to the proposed amended and restated Initial Order (the "**ARIO**"), including with respect to:
 - (a) extending the stay of proceedings until and including December 21, 2023;
 - (b) authorizing the Applicants to pay certain employee retention bonuses;
 - (c) increasing the amounts of the Administration Charge, D&O Charge and DIP Lenders Charge; and

- (d) approving the engagement of Piper Sandler pursuant to the engagement letter between MAV Brands and Piper Sandler dated January 23, 2023 (the “**Piper Sandler Engagement Letter**”), and granting a charge on the Property in favour of Piper Sandler for fees payable by the Applicants pursuant to such engagement letter (the “**Transaction Fee Charge**”);
- (ii) the relief sought by the Applicants pursuant to the proposed approval, vesting and distribution order (the “**AVO**”), including with respect to:
 - (a) approving the asset purchase agreement dated November 13, 2023, among MAV Brands and MAV Cosmetics (together, the “**Canadian Sellers**”), MAV Cosmetics USA, MAV Midco, Renpure and Mane Choice (collectively, the “**US Sellers**” and together with the Canadian Sellers, the “**Sellers**”) and the US Purchaser (the “**Asset Purchase Agreement**”) and the Transaction contemplated thereby;
 - (b) vesting the Canadian Sellers’ right, title and interest in and to the Purchased Assets (as defined in the Asset Purchase Agreement) (the “**Canadian Purchased Assets**”) in the Canadian Purchaser free and clear of all interests, liens, charges, and encumbrances, other than certain permitted encumbrances;
 - (c) vesting the US Sellers’ right, title and interest in and to the Purchased Assets (as defined in the Asset Purchase Agreement) (the “**US Purchased Assets**”) in the US Purchaser free and clear of all interests, liens, charges, and encumbrances, other than certain permitted encumbrances;

- (d) sealing an unredacted copy of the Asset Purchase Agreement, attached hereto as Confidential Appendix “1”, until closing of the Transaction, or further Order of the Court;
 - (e) sealing a summary prepared by Piper Sandler and the Monitor of the non-binding letters of intent (each an “**LOI**”) received in the Strategic Review Process (as defined herein) and the Asset Purchase Agreement, including the economic terms of same (the “**Bid Summary**”), attached hereto as Confidential Appendix “2”, until further Order of the Court; and
 - (f) approving the proposed distributions to the Agent on behalf of the Lenders (each as defined below);
- (iii) the proposed contract assignment order (the “**Assignment Order**”) sought by the Applicants, among other things, assigning certain assumed contracts of the Sellers to the Purchasers in connection with the Transaction;
 - (iv) intended next steps in the CCAA Proceedings; and
 - (v) the Monitor’s conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this First Report, the Monitor has been provided with, and has relied upon, unaudited financial information and the books and records prepared by the Applicants, and has held discussions with management of the Applicants, their legal counsel and Piper Sandler (collectively, the “**Information**”). Except as otherwise described in this First

Report in respect of the Applicants' Cash Flow Forecast (as defined in the Pre-Filing Report):

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("CASs") pursuant to the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- (ii) some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this First Report was prepared based on the Applicants' management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.

3.0 UPDATES SINCE THE INITIAL ORDER

3.1 Since the Filing Date, the Monitor understands that the Applicants have, among other things, undertaken the following activities:

- (i) issued a press release on November 14, 2023, announcing the proposed Transaction and commencement of these CCAA Proceedings;
- (ii) held two town hall meetings for their employees to explain the impact of the CCAA Proceedings and the proposed Transaction;
- (iii) communicated with various stakeholders, including suppliers and customers, regarding the commencement of these CCAA Proceedings and the impact of the proposed Transaction;
- (iv) sent notices to contractual parties who may have their contracts assigned to the Canadian Purchaser or the US Purchaser, as applicable, under the proposed Assignment Order;
- (v) subject to the matters described in Section 3.2 below, managed the cash flow in accordance with the Initial Order and the terms of the DIP Facility, in consultation with the Monitor; and
- (vi) continued to work with the Purchasers to advance the proposed Transaction, including obtaining the Buyer Deposit (as defined in the Asset Purchase Agreement).

3.2 On or about November 10, 2023, the Applicants exceeded the Permitted Variance under the DIP Facility Agreement with respect to certain disbursements set out in the DIP Budget (as defined in the DIP Facility Agreement), which would have resulted in an event of default under the DIP Facility Agreement. The Monitor understands that the DIP Lenders have waived such event of default pursuant to the DIP Facility Agreement and that the Applicants are expected to return to compliance with the Permitted Variance under the DIP Facility Agreement.

4.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE

4.1 Since the Filing Date, the primary activities of the Monitor have included the following:

- (i) engaging in discussions with the MAV Group and their legal counsel regarding the CCAA Proceedings;
- (ii) assisting the MAV Group with communications to employees, suppliers, customers and other parties;
- (iii) corresponding and communicating with the Lenders' advisors;
- (iv) assisting the MAV Group in implementing an appropriate accounting cut-off to ensure proper determination of pre- and post-filing obligations and liabilities;
- (v) reviewing receipts and disbursements by the MAV Group since the Filing Date;
- (vi) activating the Case Website and coordinating the uploading of Court-filed documents;

- (vii) completing and coordinating the notice requirements pursuant to paragraph 45 of the Initial Order, including:
 - (a) arranging for notice of these CCAA Proceedings, in the prescribed form, to be published in *The Globe and Mail (National Edition)* on November 17, 2023 and November 24, 2023;
 - (b) posting the Initial Order to the Case Website on November 14, 2023;
 - (c) arranging for notices of the CCAA Proceedings to all known creditors having a claim against the Applicants of more than CAD\$1,000; and
 - (d) preparing and posting to the Case Website on November 17, 2023, a listing of the names and addresses of all known creditors having a claim against the Applicants for more than \$1,000 (other than the claims, names and addresses of any individual persons);
- (viii) activating the Monitor's hotline and email account for the CCAA Proceedings, and responding to creditor inquiries received through those contact points;
- (ix) completing the statutory filings pursuant to section 23 of the CCAA, including filing the requisite forms (Form 1 and Form 2) with the Office of the Superintendent of Bankruptcy (Canada);
- (x) opening a trust account in respect of these CCAA Proceedings, and receiving and holding the Buyer Deposit pursuant to the Escrow Agreement (as defined in the Asset Purchase Agreement);

- (xi) reviewing the Applicants' materials in respect of the relief to be sought at the comeback hearing in respect of the Initial Order scheduled for November 24, 2023 (the "**Comeback Hearing**"); and
- (xii) preparing this First Report.

5.0 SECURITY REVIEW

- 5.1 On July 10, 2018, concurrent with the initial public offering of MAV Brands' common shares, MAV Brands, as issuer, and MAV Cosmetics and MAC Holdings, as borrowers (collectively, the "**Borrowers**"), entered into a credit agreement (as amended from time to time, the "**Credit Agreement**") with, among others, a syndicate of lenders, as lenders (the "**Lenders**") and RBC, as the administrative agent and collateral agent (in such capacity, the "**Agent**").
- 5.2 Prior to the commencement of these CCAA Proceedings, A&M, in its capacity as the then proposed Monitor, instructed Goodmans LLP ("**Goodmans**"), as its independent counsel, to review the Canadian loan and security documentation relating to the Credit Agreement. Goodmans has provided an Ontario law security review (the "**Canadian Security Review**") to the Monitor which concludes that, subject to customary assumptions and qualifications, the Canadian security documentation relating to the Credit Agreement creates validly perfected security interests in favour of RBC, in its capacity as the Agent under the Credit Agreement, in all of the present and after-acquired personal property of MAV Brands and MAV Cosmetics to which the *Personal Property Security Act* (Ontario) applies and which is charged under the Canadian security documentation.

- 5.3 On behalf of A&M, in its capacity as the then proposed Monitor, Goodmans engaged United States counsel to provide a separate review in respect of any security granted by the Applicants pursuant to the United States loan and security documentation relating to the Credit Agreement. Hodgson Russ LLP (“**Hodgson Russ**”) has provided a summary of security created under New York law (the “**US Security Review**”) to the Monitor and concluded that, subject to customary assumptions and qualifications, the United States security documentation creates valid security interests in favour of RBC, in its capacity as the Agent under the Credit Agreement, in all of the personal property collateral subject to the Uniform Commercial Code of the State of New York and in which the Applicants purport to grant security interests in favour of RBC, in its capacity as the Agent under the Credit Agreement, pursuant to the United States security documentation. Based on the Uniform Commercial Code searches conducted with respect to the Applicants incorporated in the United States, Hodgson Russ found that the security interests created in favour of RBC, in its capacity as the Agent under the Credit Agreement, under the United States security documentation are also validly perfected under the Uniform Commercial Code of the State of New York and the Uniform Commercial Code of the State of Delaware, to the extent they may be perfected by filing a Uniform Commercial Code financing statement.
- 5.4 Other than the registrations held by RBC under the *Personal Property Security Act* in Ontario and British Columbia and under the Uniform Commercial Code, one registration was identified under the *Personal Property Security Act* in Ontario held by Xerox Financial Services Canada Ltd. (“**Xerox**”), and no other registrations were noted in the searches conducted by Goodmans and Hodgson Russ. The Monitor understands that the Xerox registration relates to a commercial printer previously located in the Head Office that has

been fully paid for by the Applicants, and that the related lease was terminated on or about May 13, 2021.

6.0 STRATEGIC REVIEW PROCESS

Initiation of Strategic Review Process

- 6.1 As discussed in the Pre-Filing Report, despite the MAV Group's efforts to improve operations, the Applicants' liquidity position has continued to deteriorate in the face of declining operating performance, high interest costs and tightening vendor payment terms.
- 6.2 Given the Applicants' financial and liquidity issues and an impending Credit Agreement maturity date, in Q1 of 2023, the MAV Group initiated a strategic review process to identify, review and evaluate potential strategic alternatives that may be available to the Applicants, including, without limitation, the sale of all or substantially all of the MAV Group's securities and/or assets, or the raising of additional debt or equity capital (the "**Strategic Review Process**"). The Genereux Affidavit provides a detailed summary of the Strategic Review Process. This section of the First Report should be read in conjunction with the Genereux Affidavit.
- 6.3 On January 23, 2023, MAV Brands engaged Piper Sandler as its financial advisor to assist with, among other things, identifying and advancing potential strategic alternatives. As described in the Genereux Affidavit, Piper Sandler is a leading investment bank with more than 125 years' experience providing comprehensive advisory and capital markets services to companies worldwide across various industries, including the beauty and personal care industry.

- 6.4 Between January 2023 and March 2023, Piper Sandler assisted the Applicants with, among other things, negotiating with the Lenders in connection with the Sixth Amendment of the Credit Agreement, which, among other things, extended the maturity date under the Credit Agreement to July 10, 2024. Additional information regarding amendments to the Credit Agreement is set forth in the First MacKay-Lee Affidavit.
- 6.5 On March 31, 2023, the MAV Group, in consultation with the Lenders, publicly announced the Strategic Review Process.
- 6.6 On April 10, 2023, MAV Brands formed a special committee comprised of certain of its independent directors (the “**Special Committee**”) to oversee the Strategic Review Process and the negotiation of any amendments, extensions, forbearances or waivers with respect to the Credit Agreement, as and if required, and to consider all matters related to the foregoing.
- 6.7 On June 19, 2023, MAV Brands engaged Alvarez & Marsal Canada ULC (“**A&M Canada**”), an affiliate of A&M, to provide consulting services in connection with the Applicants’ efforts to improve the MAV Group’s financial and operating performance and to assist with the Strategic Review Process, as and if required.
- 6.8 As described in the Genereux Affidavit, while the Applicants explored various potential options and alternatives as part of the Strategic Review Process, due to the Applicants’ declining financial performance, capital structure and leverage profile, the Applicants were unable to obtain a refinancing or a longer-term amendment and maturity extension of the Applicants’ existing debt.

Pre-Filing Sale Process

- 6.9 As part of the Strategic Review Process, the MAV Group, with the assistance of Piper Sandler, undertook an extensive pre-filing marketing and solicitation process.
- 6.10 A summary of steps taken by Piper Sandler to assist the Applicants as part of the Strategic Review Process (and related outcomes) are discussed in further detail in the Genereux Affidavit and include:
- (i) in consultation with the Applicants and the Lenders, compiled a list of qualified, potentially interested parties comprised of strategic buyers and private equity firms, some of which have existing investments in this industry (the “**Potential Bidders**”);
 - (ii) contacted a total of 97 Potential Bidders during the Strategic Review Process, 85 of which were contacted by May 3, 2023;
 - (iii) of the 97 Potential Bidders contacted, 25 Potential Bidders signed non-disclosure agreements (each an “**NDA**”)¹ and were granted access to a virtual data room (“**VDR**”) in order to review and assess the opportunity and conduct due diligence;
 - (iv) facilitated management presentation meetings between the Applicants and six Potential Bidders, held either virtually or in person;

¹ By June 15, 2023, 24 Potential Bidders had executed similar form NDAs, and one Potential Bidder executed an NDA on July 10, 2023.

- (v) participated in numerous diligence sessions with the Applicants’ management team and certain Potential Bidders;
 - (vi) uploaded additional relevant documents to the VDR for access by all Potential Bidders that executed an NDA, as appropriate; and
 - (vii) provided regular updates on activities being undertaken with respect to the Strategic Review Process to the Lenders’ advisors by way of weekly and other periodic update calls.
- 6.11 Piper Sandler prepared a process letter outlining, among other things, the process for submitting an LOI and the requirements and considerations for each LOI submitted (the “**Process Letter**”). The Process Letter was developed in consultation with the Applicants and was shared with the Lenders’ financial advisor.
- 6.12 On June 26, 2023, the Process Letter was sent to the three interested Potential Bidders that had continued to engage in the sale process. Subsequently, one additional Potential Bidder who re-engaged in the sale process was sent the Process Letter on July 10, 2023.
- 6.13 The Process Letter included, among other things, the following requirements and considerations:

Process Letter – LOI Requirements and Considerations	
Bid Deadline	<ul style="list-style-type: none">July 12, 2023, at 5:00 PM (Eastern Time) (the “Bid Deadline”).
Evaluation	<ul style="list-style-type: none">MAV Brands reserved the right, in its sole and absolute discretion, to evaluate the terms and conditions of all LOIs and to reject any or all proposals and to terminate discussions with any or all parties.

	<ul style="list-style-type: none"> MAV Brands further reserved the right to amend, modify, or waive the procedures and guidelines set out in the Process Letter at any time in its sole discretion.
Each LOI submitted was required to:	
Offer	<ul style="list-style-type: none"> Describe the offer, including the total aggregate consideration in USD the prospective purchaser would be willing to pay, in cash at closing, to purchase the MAV Group on a debt-free, cash-free basis. Express the proposed valuation as a specific number, rather than a range, and include an explanation of the valuation methodology. Specify any conditions or qualifications related to the indication of value and any material assumptions made.
Sources and Structure of Financing	<ul style="list-style-type: none"> Describe the expected sources, forms and amounts of equity and debt for the transaction, and an indication of the timing and steps required to secure such financing. Confirm that no financing contingency is required.
Due Diligence	<ul style="list-style-type: none"> List any remaining confirmatory due diligence issues or contingencies to be resolved and additional information required in order to make a final, binding proposal for the MAV Group.
Required Approvals	<ul style="list-style-type: none"> Provide detail on the level of review and approval that the LOI has received within the Potential Bidder's organization, as well as any corporate, shareholder, regulatory, or other known approvals required to complete the transaction, and the estimated timing to obtain such approvals.
Transaction Rationale	<ul style="list-style-type: none"> Provide additional detail on the strategic rationale for the transaction and plans for the go-forward operations of the business.
Management and Employees	<ul style="list-style-type: none"> Describe contemplated plans for the MAV Group's management and employees, including ongoing management involvement.
Other Considerations	<ul style="list-style-type: none"> Describe any other material conditions or contingencies that must be resolved in order to consummate the transaction in a timely fashion.

6.14 Three LOIs were received (one of which was submitted by Nexus) by the Bid Deadline.

- 6.15 Piper Sandler, the Applicants, A&M Canada and the Special Committee met on July 14, 2023, to review the LOIs and noted, among other things, that the indicative transaction price contemplated in each LOI was significantly below the principal balance of the Applicants' existing secured debt.
- 6.16 In August, after the Bid Deadline had passed, two additional LOIs were submitted by Potential Bidders who, earlier in the process, had advised they would not be continuing in the Strategic Review Process.
- 6.17 Four of five LOIs received contemplated an acquisition of all or substantially all of the business and property of the MAV Group by way of an asset sale transaction. The remaining LOI contemplated the purchase of the assets and operations of one of the MAV Group's brands.
- 6.18 None of the LOIs submitted were acceptable to the Lenders. As described in the Genereux Affidavit, over the course of the following months, Piper Sandler and the Applicants continued to engage in extensive negotiations with each of the Potential Bidders who submitted an LOI for the entire business² (each a "**Bidder**" and together, the "**Bidders**") in an effort to reach an agreement that may be acceptable to the Applicants and the Lenders.
- 6.19 During the negotiation period, Piper Sandler held numerous discussions with the Bidders to respond to due diligence inquiries and to encourage them to improve upon their initial bids. Two Bidders submitted revised LOIs to reflect amended economic terms.

² It was determined that the LOI submitted by the Bidder for only one of the MAV Group's brands would not be pursued.

- 6.20 The Lenders and their advisors were consulted extensively throughout the process. As outlined in the Genereux Affidavit, the Lenders' financial advisor participated in several calls with the Bidders to discuss their LOIs.
- 6.21 The Special Committee and the Lenders through their respective advisors also engaged on and developed a potential standalone transaction which contemplated the Lenders credit bidding a significant amount of secured debt.
- 6.22 Ultimately, at the end of the negotiation period, Nexus' final proposal submitted on October 7, 2023, was accepted by the MAV Group and supported by the Lenders. On October 13, 2023, MAV Brands entered into a 30-day exclusivity arrangement in order to provide time for Nexus to complete diligence, and for the Applicants and Nexus to negotiate definitive terms of the Asset Purchase Agreement.
- 6.23 Following the completion of the Strategic Review Process, the Applicants' Board of Directors determined that entering into the Asset Purchase Agreement and commencing the CCAA Proceedings to implement the proposed Transaction are in the best interests of the Applicants and represents the best alternative available to the Applicants.
- 6.24 To assist the Court, Piper Sandler and the Monitor, together, have prepared a Bid Summary of all the LOIs that were submitted to the Applicants as part of the Strategic Review Process, which is attached as Confidential Appendix "2" to this First Report. The Applicants are requesting that the Bid Summary be sealed subject to further Order of the Court. The Monitor is supportive of this request, as disclosure of this commercially sensitive information, including the identities of the other Bidders and the terms of their respective bids, could negatively affect any future transactions if the proposed Transaction

does not close, which could potentially impair further efforts to maximize the value of the Applicants' assets.

Proposed Transaction

- 6.25 The Strategic Review Process resulted in the Sellers entering into an Asset Purchase Agreement with the US Purchaser on November 13, 2023, pursuant to which the US Purchaser (and one or more of its designees, including the Canadian Purchaser) is to acquire substantially all of the MAV Group's assets and business.
- 6.26 A copy of the unredacted Asset Purchase Agreement is attached as Confidential Appendix "1" to this First Report and a redacted copy of the Asset Purchase Agreement is attached as Exhibit "C" to the Second MacKay-Lee Affidavit.
- 6.27 The Applicants are requesting that the unredacted Asset Purchase Agreement be sealed pending completion of the Transaction. The Monitor is supportive of this request, as disclosure of the redacted commercial terms, including the purchase price, could negatively affect any future transactions if the proposed Transaction does not close, which could potentially impair further efforts to maximize the value of the Applicants' assets.
- 6.28 Certain key terms of the Asset Purchase Agreement are summarized in the table below. Reference should be made to the Asset Purchase Agreement for the complete terms.

Summary of Certain Key Terms of the Transaction	
(Capitalized terms not otherwise defined herein have the meaning ascribed thereto in the Asset Purchase Agreement)	
Purchasers	<ul style="list-style-type: none">• The purchaser under the Asset Purchase Agreement is MAV USA, LLC (referred to in this summary as the "Purchaser").• The Purchaser has provided an equity commitment letter from

	Nexus Special Situations III, L.P. confirming its commitment to provide the Purchaser with equity financing in connection with the Transaction in the amount set forth therein, subject to the terms and conditions thereof.
Purchase Price	<ul style="list-style-type: none"> The aggregate purchase price payable for the Purchased Assets (the “Purchase Price”) is the aggregate sum of (a) \$(REDACTED) <u>plus</u> (b) any Working Capital Overage (the amount, if any, by which the Closing Working Capital exceeds the sum of (i) the Working Capital Target Amount of \$(REDACTED) plus (ii) the Working Capital Collar Amount of \$(REDACTED)), <u>minus</u> (c) any Working Capital Underage (the amount, if any, by which (i) (x) the Working Capital Target Amount of \$(REDACTED) minus (y) the Working Capital Collar Amount of \$(REDACTED) exceeds (ii) the Closing Working Capital), <u>minus</u> (d) the dollar value of the Cure Costs, <u>plus</u> (e) \$(REDACTED), representing the Purchaser’s economic contribution to the Accrued Vacation Payout. The Purchase Price is subject to post-closing adjustments, which shall be based on the difference between the Final Purchase Price and the Estimated Purchase Price in accordance with the terms of the Asset Purchase Agreement.
Deposit	<ul style="list-style-type: none"> \$(REDACTED) (the “Purchaser Deposit”), paid by the Purchaser to the Monitor in Escrow, and to be applied, used or returned, as the case may be, in accordance with or as otherwise contemplated by the terms of the Asset Purchase Agreement and the Escrow Agreement.
Escrow Amount	<ul style="list-style-type: none"> \$(REDACTED) (the “Escrow Amount”), to be held by the Monitor in Escrow to satisfy any post-closing adjustments to the Purchase Price. The release by the Monitor of the Escrow Amount to the Sellers and/or the Purchaser, as applicable, shall depend on the difference between the Final Purchase Price and the Estimated Purchase Price, to be determined in accordance with the terms of the Asset Purchase Agreement. In connection with the Escrow Amount, the Monitor has entered into the Escrow Agreement with the Sellers and the Purchaser.
Purchased Assets	<ul style="list-style-type: none"> The Purchased Assets include all of the Sellers’ respective right, title and interest in and to the following assets and property (free and clear of all Encumbrances other than the Permitted Encumbrances), but excluding the Excluded Assets: <ul style="list-style-type: none"> a) the Purchased Equipment; b) the Assumed Contracts; c) the Assumed Real Property Leases;

	<ul style="list-style-type: none"> d) the Inventory and Supplies; e) the Purchased Intellectual Property; f) the Specified Insurance Proceeds; g) all Receivables; h) the Prepaid Expenses; i) the Books and Records; j) the goodwill and intangibles of the Business; k) all Permits and pending applications therefor to the extent assignable; l) all IT Systems and the E-Commerce Platform; m) all Claims and Proceedings of any Seller relating to the Purchased Assets or Business as of the Closing, and each Seller's rights of indemnity, warranty rights, rights of contribution, rights of setoff or recoupment, rights to refunds, rights of reimbursement and other rights of recovery; n) all rights (but not obligations) under non-disclosure or confidentiality, non-compete, or non-solicitation agreements relating to the Business or any Purchased Asset; o) all warranty rights against manufacturers, suppliers or contractors relating to any of the Purchased Assets, to the extent transferable; p) all prospective customer and customer data and information derived from customer purchase files and branded loyalty promotion programs and other similar information related to customer purchases, and prospective customers' activities, to the extent owned, transferable under Applicable Law and used by the Sellers in the conduct of the Business; q) the telephone and fax numbers for the Business, and all Sellers' email addresses under the domain names included in the Intellectual Property; and r) all chattel paper, notes receivable and negotiable instruments owned or held by any Seller. <ul style="list-style-type: none"> • The Purchaser shall have the right to (i) remove any asset from the Purchased Assets at any time up to the Closing, (ii) add any executory Contract or lease to the Assumed Contracts or Assumed Real Property Leases, as applicable, and (iii) add any non-material asset that is not a Contract or lease to the Purchased Assets at any time up to the Closing, with the consent of the Sellers and the Monitor; provided that any such modification pursuant to items (i), (ii) or (iii) shall not decrease the Purchase Price.
Excluded Assets	<ul style="list-style-type: none"> • The Purchased Assets shall not include any of the following: <ul style="list-style-type: none"> a) all rights and interests in and to the Employee Plans and any related assets or insurance policies;

	<ul style="list-style-type: none"> b) the Excluded Contracts, being any Contracts that are not Assumed Contracts; c) any leases of real property that are not Assumed Real Property Leases; d) all cash (other than Specified Insurance Proceeds and Prepaid Expenses) and other cash equivalents as set forth in the Asset Purchase Agreement; e) all Excluded Records; f) all of the Sellers' rights and benefits under the Asset Purchase Agreement and the Transaction; g) all insurance policies, proceeds and claims (excluding the Prepaid Expenses and, if assignable and assigned under the Asset Purchase Agreement, the Specified Insurance Proceeds); h) any inventory otherwise forming part of the Purchased Assets that is disposed of in the Ordinary Course during the Interim Period; i) all Claims and Proceedings of any Seller, other than are set forth as Purchased Assets (see above); and j) any securities of any Person owned or held by a Seller or any of its affiliates.
Assumed Liabilities	<ul style="list-style-type: none"> • The Purchaser shall assume only the following Assumed Liabilities: <ul style="list-style-type: none"> a) all Liabilities and obligations in respect of the Assumed Contracts first arising after the Closing Date; b) any Liabilities and obligations first arising from the ownership of the Purchased Assets after the Closing Date; c) all Liabilities and obligations in respect of accounts payable of the Business, but only to the extent such obligations and liabilities are included as Current Liabilities in the Closing Working Capital; d) all Cure Costs, but only to the extent they are deducted from the Purchase Price; e) the Specified Bonus Liabilities; and f) all liabilities and obligations specifically assumed by the Purchaser relating to certain employee matters as set forth in the Asset Purchase Agreement.
Excluded Liabilities	<ul style="list-style-type: none"> • The Purchaser shall not assume any of the following Excluded Liabilities: <ul style="list-style-type: none"> a) all Liabilities and Claims of any kind relating to the Excluded Assets; b) all Liabilities and obligations in respect of accounts payable of the Business (unless expressly assumed as an Assumed Liability); c) all Liabilities and obligations under the Credit Facility or

	<p>otherwise for Indebtedness;</p> <p>d) all Liabilities and obligations secured by the charges granted in the CCAA Proceedings;</p> <p>e) all Liabilities and obligations for any Retained Taxes;</p> <p>f) all Liabilities and obligations with respect to Employee Plans (except to the extent any payment by the Purchaser to the Sellers is required under the Transition Services Agreement);</p> <p>g) all Liabilities and obligations of the Sellers in respect of any Proceeding arising out of, or relating to, any occurrence or event happening prior to the Closing;</p> <p>h) any Liability to distribute to the Sellers' equityholders or creditors or otherwise apply all or part of the consideration under the Asset Purchase Agreement;</p> <p>i) any Liability to indemnify, reimburse or advance amounts to any shareholder, officer, director, employee or agent of the Sellers arising out of or relating to any occurrence or event occurring before the Closing;</p> <p>j) any Liability of the Sellers under the Asset Purchase Agreement or any other Transaction Document arising out of, or relating to, any occurrence or event occurring prior to the Closing;</p> <p>k) any Liabilities relating to the failure to comply with any bulk sales Applicable Law relating to the transactions contemplated by the Asset Purchase Agreement arising out of, or relating to, any occurrence or event occurring prior to the Closing;</p> <p>l) any Liabilities of the Sellers resulting from the CCAA Proceedings not incurred in the Ordinary Course;</p> <p>m) any Liabilities not expressly assumed arising in respect of or relating to the Sellers Employees;</p> <p>n) any accident, loss, injury, act or occurrence that occurred prior to the Closing, including any Claims or Proceedings against the Sellers and including matters that are not known until after the Closing;</p> <p>o) any Liabilities for Transaction Expenses; and</p> <p>p) all Claims and Liabilities of the Sellers or their affiliates that are unrelated to the Purchased Assets or the Assumed Liabilities.</p>
Employees	<ul style="list-style-type: none"> Not later than ten (10) Business Days prior to the Closing Date, the Purchaser shall provide a list to Seller of those Sellers Employees who will be offered employment by the Purchaser or a subsidiary of the Purchaser effective as of the Closing Date (the "Transferred Employee List"), provided such Transferred Employee List includes all of the current Sellers Employees other than up to ten (10) Sellers Employees.

	<ul style="list-style-type: none"> • Prior to the Closing, the Purchaser or one of its subsidiaries shall provide an offer of employment to the Sellers Employees on the Transferred Employee List, which offer shall recognize the Sellers Employee's years of service and on terms that are, viewed as a whole on an aggregate basis, substantially as favourable to such Sellers Employee as the terms such Sellers Employee was subject to prior to the date of the Asset Purchase Agreement. Each Sellers Employee who accepts the offer of employment and commences active employment with the Purchaser or one of its subsidiaries shall be a "Transferred Employee." • The Purchaser will assume and be responsible for, among other things: (i) all compensation and benefits relating to the employment of the Transferred Employees solely from and after the Closing Date; (ii) all payments and costs in respect of the termination by the Purchaser of the employment of any Transferred Employee on or after the Closing Date; (iii) all liabilities for claims for injury, disability, death or workers' compensation solely arising from or related to employment of the Transferred Employees by the Purchaser from and after the Closing Date; (iv) severance payments to certain of the Sellers Employees as set forth in the Disclosure Letter; and (v) all employment-related claims, penalties, contributions, premiums and assessments in respect of the Business solely arising out of matters which occur from and after the Closing Date. • At the Closing, the Sellers shall make payment of the retention bonuses, and as soon as reasonably practicable following the execution of this Agreement, the Sellers shall make payment of the deferred bonuses, in each case, to the employees entitled thereto, and in each case as set out in the Disclosure Letter. • All vacation pay and paid time off of the Transferred Employees accrued as of the Closing Date or the date on which such Transferred Employee becomes an employee of the Purchaser, shall be paid by the Sellers on the last payroll prior to such employees becoming Transferred Employees.
Certain Key Closing Conditions	<ul style="list-style-type: none"> • No Material Adverse Effect on the Purchased Assets since the date of the Asset Purchase Agreement. • Receipt by the Sellers of (i) the Approval and Vesting Order within 15 days following the execution of the Asset Purchase Agreement and (ii) the CCAA Assignment Order in accordance with the terms and conditions of the Asset Purchase Agreement. None of the foregoing Court Approvals shall have been stayed or varied, amended, modified, reversed, waived, dismissed or appealed in a manner prejudicial to the Purchaser, or vacated, appealed or subject to an application for leave to appeal or stay

	<p>pending appeal.</p> <ul style="list-style-type: none"> • Delivery of documents contemplated in the Asset Purchase Agreement, including the Transition Services Agreement and the IP Assignment Agreement. • No provision of any Applicable Laws and no judgment, injunction, order or decree that prohibits the consummation of the Transaction pursuant to and in accordance with the Asset Purchase Agreement shall be in effect.
Closing and Outside Date	<ul style="list-style-type: none"> • Closing – anticipated December 8, 2023. • Outside Date – December 22, 2023.
Termination Rights	<ul style="list-style-type: none"> • The Asset Purchase Agreement may be terminated at any time prior to Closing as follows: <ul style="list-style-type: none"> a) by mutual written consent of the Sellers and the Purchaser; b) by any Seller or the Purchaser if the Closing has not occurred on or before the Outside Date; c) by any Seller or the Purchaser if there shall be in effect a final non-appealable decree of a Governmental Authority of competent jurisdiction prohibiting the consummation of the Transactions; d) by any Seller, if there has been a material violation or breach by the Purchaser of any covenant, representation or warranty which would prevent the satisfaction of certain conditions by the Outside Date, and such violation or breach has not been waived by the Sellers or cured within the later of (i) the Outside Date, and (ii) 15 days after written notice thereof; e) by the Purchaser, if there has been a material violation or breach by the Sellers of any covenant, representation or warranty which would prevent the satisfaction of certain conditions by the Outside Date, and such violation or breach has not been waived by the Purchaser or cured within the later of (i) the Outside Date, and (ii) 15 days after written notice thereof; and f) by the Purchaser, if the condition requiring that the Sellers shall have received the Approval and Vesting Order has not been satisfied within 15 days following the execution of the Asset Purchase Agreement.
Effect of Termination	<ul style="list-style-type: none"> • If (i) the Asset Purchase Agreement is terminated in the manner described in items (e) or (f) in the description of Termination Rights above, and (ii) within six months following such termination one or more of the Sellers enters into a definitive agreement for an Alternative Transaction, the Sellers shall pay to the Purchaser from the proceeds of such Alternative Transaction, at the closing of such Alternative Transaction, an amount equal to the reasonable and documented out-of-pocket costs and

	expenses incurred by the Purchaser and its affiliates in connection with the evaluation and negotiation of the Transaction, including fees and expenses of counsel, accountants and other advisors, up to a maximum of \$1 million.
Transition Services	<ul style="list-style-type: none">• Upon Closing, the Purchaser and the Sellers shall enter into the Transition Services Agreement to facilitate an orderly transition of the Business to the Purchaser.• During the Term of the Transition Services Agreement, which shall in no case be longer than 120 days following the Closing, the Sellers will provide Transition Services to the Purchaser, which include, among other things, certain services relating to payroll, employee plans, and bank accounts.• The Sellers will provide the Transition Services to the Purchaser in exchange for the amounts set out in the Transition Services Agreement, and any other reasonable and documented costs incurred by the Sellers in providing such Transition Services.

6.29 Pursuant to the proposed AVO, the Applicants are seeking the approval of the proposed Transaction and the vesting of the Sellers' right, title and interest in and to the Purchased Assets in the Purchasers, free and clear of all interests, liens, charges, and encumbrances, other than certain permitted encumbrances, with such vesting being effective upon the delivery of the Monitor's Certificate (as defined in the AVO) to the Purchasers

Monitor's Recommendation

6.30 The Monitor respectfully recommends that the Court approve the Asset Purchase Agreement and the proposed Transaction contemplated thereby for the following reasons:

- (i) with assistance from Piper Sandler, the Applicants considered a broad range of strategic alternatives, including the raising of additional debt or equity capital, and including a potential standalone transaction which contemplated the Lenders credit bidding a significant amount of their secured debt;

- (ii) as a result of the Applicants' recent and projected financial performance, capital structure and leverage profile, the Applicants were unable to obtain or negotiate certain potential alternatives, including a refinancing or a longer-term amendment and maturity extension of the Applicants' existing debt;
- (iii) the proposed Transaction is the product of a thorough and robust canvassing of the market and a competitive process over a lengthy period of approximately seven months to identify potential purchasers of or investors in the MAV Group's business;
- (iv) following thorough due diligence and extensive arms-length negotiations, the Purchase Price and other consideration set out in the Asset Purchase Agreement is the best indication of the market value of the MAV Group's business and operations and is reflective of current market conditions;
- (v) once engaged by the MAV Group, A&M Canada reviewed the steps taken to design and implement the Strategic Review Process, and was involved in the Strategic Review Process going forward;
- (vi) the Monitor is of view that the Strategic Review Process was extensive, included the consideration of various potential options and alternatives that may be available to the Applicants, provided significant information and time for Potential Bidders to perform due diligence, and was structured in a manner consistent with how a Court-appointed monitor might conduct or oversee a sale process within a formal Court proceeding;

- (vii) the Lenders and their advisors were consulted throughout the Strategic Review Process;
- (viii) the Purchasers have provided the Buyer Deposit to be held in trust by the Monitor pursuant to the Escrow Agreement;
- (ix) the approval of the proposed Transaction by November 24, 2023, is a condition of the DIP Facility. As outlined in the Pre-Filing Report, the Applicants require financing during these CCAA Proceedings to provide the liquidity necessary to maintain their business as a going concern and preserve the value of their assets, while they work to implement the proposed Transaction;
- (x) the Applicants do not have access to funding to support the costs associated with a prolonged process, and given the steps already conducted in the Strategic Review Process, any further process is unlikely to result in a superior transaction; and
- (xi) the proposed Transaction will provide for the continuation of the Applicants' business as a going concern, preserve employment for nearly all employees, and allow for ongoing business with the Applicants' customers and suppliers. The likely alternative to the proposed Transaction is an orderly wind-down or liquidation of the Applicants' business, and the Monitor is of view that the proposed Transaction is better for stakeholders than any result that would likely be achieved in a liquidation proceeding under the *Bankruptcy and Insolvency Act*.

Assignment Order

- 6.31 In connection with and as a condition to the proposed Transaction, the Applicants are seeking approval of the proposed Assignment Order which, among other things, orders that all of the rights and obligations of the Applicants under the contracts listed on Schedule “A” to the Assignment Order (the “**Assigned Contracts**”) shall be assigned, conveyed, transferred and assumed by the Purchasers, notwithstanding any restriction or prohibition contained in any such Assigned Contract relating to the assignment thereof.
- 6.32 The Assigned Contracts include approximately 40 Assumed Contracts (as defined in the Asset Purchase Agreement) for which a consent, approval or waiver that is necessary for the assignment of such Assumed Contract has to date not been obtained. The Monitor understands that the Assumed Real Property Lease (as defined in the Asset Purchase Agreement) also requires consent for assignment and that the Applicants intend to add such lease to the schedule of Assigned Contracts under the Assignment Order if such consent is not obtained. The Monitor also understands that to the extent a consent for any proposed Assigned Contract is obtained prior to the date of the hearing in respect of the Assignment Order, such Assigned Contract(s) shall be removed from Schedule “A” to the Assignment Order.
- 6.33 The proposed Assignment Order requires that amounts owing in respect of monetary defaults under any Assigned Contract, other than those arising by reason only of the Sellers’ insolvency, the commencement of these CCAA Proceedings, or the Sellers’ failure to perform a non-monetary obligation (collectively, “**Cure Costs**”), be paid by the Sellers in order for such Assigned Contract to be assigned to the Canadian Purchaser or the US Purchaser, as applicable, pursuant to the Assignment Order. The Monitor understands that

the Sellers believe that there are no applicable Cure Costs that will be payable in respect of the Assigned Contracts.

- 6.34 As described in the affidavit of Kayla Dean Obia, Vice President at Nexus, sworn on November 16, 2023 (the “**Obia Affidavit**”), Nexus is a private equity firm founded in 2013 which invests in a range of industries including internet & e-commerce, consumer and chemicals. As at December 31, 2022, Nexus managed in excess of US\$2.44 billion of advisory assets of which all were on a discretionary basis. The founding partners have over 20 years of investment experience. Nexus has experience working with businesses in positions similar to that of the Sellers.
- 6.35 As also discussed in the Obia Affidavit, Nexus invests in businesses through funds, including Nexus Special Situations III, L.P., which has committed to provide the Purchasers with funding (up to a fixed amount) that is intended to be adequate to satisfy obligations under the Asset Purchase Agreement and allow the Purchasers to be capitalized sufficiently to satisfy their ongoing working capital needs, including performing under the Assigned Contracts on a go-forward basis, after the closing of the Transaction.
- 6.36 As set out in the Obia Affidavit, the Assigned Contracts are necessary for the Purchasers to operate the business of the Sellers post-closing, and the Purchasers intend to perform under the Assigned Contracts on a go-forward basis after the closing of the Transaction.
- 6.37 As noted above, the assignment of the Assigned Contracts and the granting of the Assignment Order is a condition under the Asset Purchase Agreement, and it is also a condition under the DIP Facility Agreement.

6.38 For the reasons discussed above, the Monitor supports the Applicants' request for the Assignment Order.

7.0 PIPER SANDLER ENGAGEMENT AND TRANSACTION FEE CHARGE

7.1 Pursuant to the proposed ARIQ, the Applicants seek approval of the engagement of Piper Sandler pursuant to the Piper Sandler Engagement Letter, a copy of which is attached to the Second MacKay-Lee Affidavit as Exhibit "D", and the granting of the Transaction Fee Charge in favour of Piper Sandler to secure that Applicants' obligations under the Piper Sandler Engagement Letter up to a maximum amount of \$1.9 million.

7.2 The Piper Sandler Engagement Letter sets out the following fees:

- (i) an initial fee of \$125,000 for services provided through to March 31, 2023;
- (ii) commencing as of April 1, 2023, a monthly advisory fee of \$125,000, half of which, commencing in respect of monthly fees as of May 1, 2023, will be credited towards the first of an Amendment Fee, Transaction Fee or M&A Fee (each as described below);
- (iii) an amendment fee of \$750,000 upon the consummation of an amendment to the Credit Agreement (the "**Amendment Fee**"), provided that no Amendment Fee shall be payable if a Transaction Fee or M&A Fee is paid or becomes payable;
- (iv) a transaction fee (the "**Transaction Fee**") of:
 - (a) \$1.15 million payable upon the consummation of any transaction which results in extending the maturity date under the Credit Agreement by at least

18 months (but less than 24 months), or a refinanced or restructured indebtedness with a maturity date that is at least 18 months (but less than 24 months) later than the maturity date under the Credit Agreement; or

(b) \$2.25 million payable upon the consummation of any transaction which results in extending the maturity date under the Credit Agreement by at least 24 months or a refinanced or restructured indebtedness with a maturity date that is at least 24 months later than the maturity date under the Credit Agreement;

(v) an M&A fee (the “**M&A Fee**”) that is to be negotiated in good faith between MAV Brands and Piper Sandler in advance of Piper Sandler commencing any services related to an M&A transaction (which the Monitor understands had been subsequently agreed to among the Applicants and Piper Sandler); and

(vi) a New Capital Fee (as defined in the Piper Sandler Engagement Letter).

7.3 The Monitor understands that the Applicants, Piper Sandler and the Lenders are discussing the quantum of the fees that would be payable to Piper Sandler on closing of the Transaction. The Monitor will provide further information to the Court in that regard at or prior to the Comeback Hearing.

8.0 EMPLOYEE RETENTION BONUSES

8.1 Pursuant to the proposed ARIIO, the Applicants are requesting the authority to pay all outstanding and future wages, salaries, commissions, bonuses, employee expenses, employee and pension benefits, vacation pay and expenses payable on or after the Filing

Date, including, without limitation, the authority to pay the employee retention bonuses (the “**Employee Retention Bonuses**”) that will become payable to certain of the Applicants’ senior management and other key employees on the earlier of (a) April 30, 2024; or (b) closing of the proposed Transaction, provided that any eligible employee who does not complete the required service period, will not be eligible to receive their employee retention bonus.

8.2 The Employee Retention Bonuses were approved by the Special Committee in May 2023 in connection with the Applicants’ Strategic Review Process. The Monitor understands that the eligible employees were considered to be critical to the Strategic Review Process and the implementation of a potential transaction.

8.3 The aggregate amount of the Employee Retention Bonuses is approximately \$1.2 million and, subject to the granting of the Applicants’ requested relief, will be paid from the proceeds of the proposed Transaction. The Monitor understands that the Lenders are supportive of the payment of the Employee Retention Bonuses.

8.4 The Monitor is of the view that the Employee Retention Bonuses are reasonable and appropriate in the circumstance and supports the payment of the Employee Retention Bonuses from the proceeds of the proposed Transaction.

9.0 PROPOSED DISTRIBUTIONS

9.1 Pursuant to the proposed AVO, the Applicants seek approval of the following distributions to be made by the Sellers to the Agent, on behalf of the Lenders (collectively, the “**Distributions**”), after payment of the Employee Retention Bonuses:

- (i) all proceeds paid to the Sellers by the Purchasers pursuant to the Asset Purchase Agreement on the Closing Date (as defined in the Asset Purchase Agreement), less an amount to be agreed by the Applicants, the Monitor and the Lenders and reserved to wind-down these CCAA Proceedings (the “**Wind-Down Reserve**”);
- (ii) all cash and cash equivalents in possession of the Applicants on the Closing Date;
- (iii) all additional proceeds received by the Sellers from the Purchasers pursuant to the Asset Purchase Agreement or otherwise from time to time; and
- (iv) any portion of the Wind-Down Reserve remaining as at the termination date of these CCAA Proceedings.

9.2 The Wind-Down Reserve will be used to pay the following costs (the “**Wind-Down Costs**”):

- (i) the reasonable and documented fees and expenses of the Monitor and its professional advisors;
- (ii) the reasonable and documented fees and expenses of the legal advisors of the Applicants for services performed after the closing of the Transaction with respect to the wind-down, dissolution and/or bankruptcy of the Applicants;
- (iii) amounts secured by the Administration Charge and the D&O Charge;
- (iv) any amounts that rank in priority to the obligations under the Credit Agreement, including, for certainty, the Transaction Fee Charge to the extent it is not satisfied from the Transaction proceeds on closing of the Transaction; and

(v) other expenses incurred by the Applicants after the Filing Date.

- 9.3 An overview of the Credit Agreement was provided in the Pre-Filing Report and the First MacKay-Lee Affidavit. As of the date of this First Report, the total indebtedness outstanding under the Credit Agreement is approximately \$121.67 million, excluding accrued and unpaid interest, expenses and fees.
- 9.4 As described above in Section 5.0 hereof, the Monitor has been provided with the Canadian Security Review and the US Security Review in respect of the security granted in favour of the Agent, which are described above.
- 9.5 The Monitor has also considered the types of claims and potential claims that, in certain circumstances, would rank or could rank in priority to the Agent's security, or are required to be paid by section 36(7) of the CCAA.
- 9.6 It is the Monitor's understanding that as at the Filing Date, the Applicants are current in respect of their employee obligations. All accrued vacation pay owing prior to the Closing Date for Transferred Employees (as defined in the Asset Purchase Agreement) is to be paid by the Sellers on the last payroll prior to such employees becoming Transferred Employees as a requirement under the Asset Purchase Agreement, and the Sellers intend to also pay any accrued vacation pay to the extent owing to any non-Transferred Employees.
- 9.7 The Monitor also understands that there are accrued sale tax amounts that are not yet due but will be paid in the normal course from the Wind-Down Reserve.
- 9.8 As part of determining the aggregate amount of the Wind-Down Reserve to be held back from the above Distributions, which amount is to be agreed by the Applicants, the Lenders

and the Monitor, the Monitor will work with the Applicants to estimate the anticipated Wind-Down Costs, including, without limitation, determining any amounts that may rank in priority to the obligations under the Credit Agreement.

10.0 INCREASES TO COURT-ORDERED CHARGES

10.1 The Initial Order granted the Administration Charge, D&O Charge and DIP Lenders Charge (together with the Transaction Fee Charge, the “**Charges**”) over the Property. The initial amounts of the Administration Charge, D&O Charge and DIP Lenders Charge approved under the Initial Order were determined based on what was reasonably necessary for the initial 10-day stay period. Pursuant to the ARIO, the Applicants are seeking to amend the Administration Charge, D&O Charge and DIP Lenders Charge, as described further below.

Administration Charge

10.2 The Initial Order provides for the Administration Charge over the Property in an amount not to exceed \$450,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicants. The Applicants are seeking to increase the Administration Charge to \$700,000.

10.3 The Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that the increased amount of the charge is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, the anticipated professional costs to be incurred during these CCAA Proceedings and the size of charges approved in similar CCAA proceedings.

D&O Charge

- 10.4 The Initial Order provides that the MAV Group will indemnify its directors and officers against obligations and liabilities that they may incur in their capacity as directors and officers of the Applicants from the commencement of the CCAA Proceedings, except to the extent that any obligation or liability was incurred as a result of gross negligence or wilful misconduct. The Initial Order provides for the D&O Charge over the Property in the amount of \$600,000, in favour of the Applicants' directors and officers to secure such indemnity.
- 10.5 The Applicants' directors and officers will only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under the MAV Group's directors' and officers' insurance policy or to the extent that such coverage is insufficient to pay an indemnified amount.
- 10.6 The Applicants are seeking to increase the D&O Charge to \$725,000. The amount of the D&O Charge was estimated by the Applicants, in consultation with the Monitor, taking into consideration the Applicants' payroll, vacation pay, statutory employee obligations and sales tax liabilities during these CCAA Proceedings.
- 10.7 The Monitor is of the view that the increased amount of the D&O Charge is appropriate and reasonable in the circumstances.

DIP Lenders Charge

- 10.8 The Initial Order provides for the DIP Lenders Charge over the Property in favour of the DIP Lenders as security for outstanding obligations of the Applicants under the DIP Facility. Pursuant to the DIP Facility Agreement, during these CCAA Proceedings, the

borrowings under the DIP Facility Agreement cannot exceed \$3.9 million unless permitted by further Order of the Court.

- 10.9 The Monitor is of the view that the amount of the DIP Facility and the corresponding DIP Lenders Charge is reasonable and appropriate in the circumstances and will provide the Applicants with sufficient liquidity to operate the business as it works to implement the proposed Transaction, as set forth in the Applicants' Cash Flow Forecast.

Priority of Charges

- 10.10 The priorities of the Charges are proposed to be as follows:

- (i) First – Administration Charge (to the maximum amount of \$700,000);
- (ii) Second – D&O Charge (to the maximum amount of \$725,000);
- (iii) Fourth – DIP Lenders Charge; and
- (iv) Fifth – Transaction Fee Charge (up to a maximum amount of \$1.9 million).

- 10.11 For the reasons set out above, the Monitor believes that the Charges are reasonable in the circumstances, provided that, as discussed in Section 7.3 above, the Monitor understands that the Applicants, Piper Sandler and the Lenders are discussing the quantum of the fees that would be payable to Piper Sandler on closing of the Transaction.

11.0 INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS

- 11.1 The Monitor understands that, subject to obtaining the proposed ARIQ, AVO and Assignment Order, the Applicants intend to continue to operate the MAV Group's business in the normal course and to work to implement the proposed Transaction.

- 11.2 Following the implementation of the Transaction, the Sellers will provide transition services pursuant to the Transition Services Agreement as discussed above, and work with the Purchasers with regards to post-closing adjustment matters (including the Final Closing Statement (as defined in the Asset Purchase Agreement)) pursuant to the Asset Purchase Agreement.
- 11.3 As discussed above, following the closing of the Transaction, the Monitor will hold the Escrow Amount pursuant to the terms of the Escrow Agreement, which Escrow Amount will be released pursuant to the terms of the Escrow Agreement following the determination of the Final Purchase Price (as defined in the Asset Purchase Agreement)) pursuant to the Asset Purchase Agreement.
- 11.4 At this time, the foregoing matters are anticipated to take approximately 120 days from the closing of the Transaction.

12.0 EXTENSION OF THE STAY PERIOD

- 12.1 Pursuant to the Initial Order, the Stay Period is set to expire on November 24, 2023. The Applicants are seeking an extension of the Stay Period until and including December 21, 2023.
- 12.2 The Monitor supports the Applicants' motion to extend the Stay Period for the following reasons:
- (i) it will provide the MAV Group with the stability necessary to implement the proposed Transaction, if approved;


- (ii) the Applicants are projected to have sufficient liquidity to fund their operations, as reflected in the Cash Flow Forecast, through to the end of the proposed extended Stay Period;
- (iii) the Monitor does not believe that any creditor will be prejudiced if the extension is granted; and
- (iv) the Applicants continue to act in good faith and with due diligence.

13.0 CONCLUSIONS AND RECOMMENDATIONS


- 13.1 For the reasons set out in this First Report, the Monitor respectfully recommends that the Court grant the ARIO, AVO and Assignment Order containing the relief requested by the Applicants.

All of which is respectfully submitted to the Court this 20th day of November, 2023.

Alvarez & Marsal Canada Inc., in its capacity as Monitor of MAV Beauty Brands Inc., Marc Anthony Cosmetics Ltd., Marc Anthony US Holdings, Inc., Marc Anthony Cosmetics USA, Inc., MAC Pure Holdings, Inc., MAV Midco Holdings, LLC, Renpure, LLC, Onesta Hair Care, LLC, and The Mane Choice Hair Solution LLC

Per: 

Stephen Ferguson
Senior Vice-President

Per: 

Greg Karpel
Senior Vice-President

APPENDIX “A”
PRE-FILING REPORT

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAV
BEAUTY BRANDS INC., MARC ANTHONY COSMETICS LTD., MARC ANTHONY US
HOLDINGS, INC., MARC ANTHONY COSMETICS USA, INC., MAC PURE HOLDINGS,
INC., MAV MIDCO HOLDINGS, LLC, RENPURE, LLC, ONESTA HAIR CARE, LLC,
AND THE MANE CHOICE HAIR SOLUTION LLC**

**PRE-FILING REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.**

NOVEMBER 13, 2023

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1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that MAV Beauty Brands Inc. (“**MAV Brands**”), Marc Anthony Cosmetics Ltd. (“**MAV Cosmetics**”), Marc Anthony US Holdings, Inc. (“**MAV US Holdings**”), Marc Anthony Cosmetics USA, Inc. (“**MAV Cosmetics USA**”), MAC Pure Holdings, Inc. (“**MAC Holdings**”), MAV Midco Holdings, LLC (“**MAV Midco**”), Renpure, LLC (“**Renpure**”), Onesta Hair Care, LLC (“**Onesta**”), and The Mane Choice Hair Solution LLC (“**Mane Choice**”) (collectively, the “**Applicants**” or the “**MAV Group**”) intend to make an application to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order (the “**Initial Order**”) granting, among other things, a stay of proceedings pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing A&M as the Court-appointed Monitor (the “**Monitor**”). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 The MAV Group’s business is the marketing and distribution of hair care and personal care products to retailers globally, with a portfolio of four independent brands: “Marc Anthony”, “Cake Beauty”, “Renpure” and “The Mane Choice” (collectively, the “**Brands**”).
- 1.3 MAV Brands is a non-operating holding company that wholly owns, either directly or indirectly, all of the other Applicants. MAV Brands was amalgamated under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) and is a publicly traded company whose common shares are listed on the Toronto Stock Exchange (TSX:MAV).

- 1.4 MAV Cosmetics, amalgamated under the BCBCA, is the Applicants' primary operating company focused on selling "Marc Anthony" and "Cake Beauty" branded products and acts as the effective cost centre for the majority of shared services between the Applicants.
- 1.5 Renpure is an operating company focused on selling "Renpure" branded hair and body care products to retailers. Renpure was incorporated under the laws of the State of Delaware as a limited liability company.
- 1.6 Mane Choice is an operating company focused on selling "The Mane Choice" branded hair and body care products to retailers. Mane Choice was incorporated under the laws of the State of Delaware as a limited liability company.
- 1.7 The remaining Applicants are all non-operating companies incorporated under the laws of the State of Delaware. A corporate chart setting out the legal structure of the MAV Group is attached as Exhibit "A" of the MacKay-Lee Affidavit (as defined below).
- 1.8 The principal purpose of these CCAA Proceedings is to stabilize and maintain the MAV Group's business, obtain additional required liquidity for the business, and implement a sale of the MAV Group's assets and business (the "**Proposed Transaction**") to MAV USA, LLC and/or one or more of its designees (collectively, the "**Purchaser**"), an affiliate of Nexus Capital Management LP. The Proposed Transaction is further discussed in section 6.0 hereof.
- 1.9 This pre-filing report (the "**Report**") should be read in conjunction with the affidavit of Laurel MacKay-Lee, the Chief Financial Officer of each of the Applicants, sworn November 13, 2023 (the "**MacKay-Lee Affidavit**"), and filed in support of the MAV

Group's application for relief under the CCAA. The MacKay-Lee Affidavit, which among other things, provides a detailed summary of the Applicants' background, including the events leading up to, and reasons for, the commencement of these CCAA Proceedings.

2.0 PURPOSE OF THIS PRE-FILING REPORT

2.1 The purpose of this Report is to provide the Court with information and, where applicable, the Proposed Monitor's views on:

- (i) A&M's qualifications to act as Monitor (if appointed);
- (ii) background information in respect of the Applicants;
- (iii) the Applicants' cash flow projection for the period November 4, 2023, through to December 22, 2023 (the "**Cash Flow Forecast**");
- (iv) the relief sought by the Applicants as part of the proposed Initial Order, including:
 - (a) approval of the proposed interim debtor-in-possession financing facility (the "**DIP Facility**") and the Interim Financing Term Sheet (the "**DIP Facility Agreement**") entered into on November 13, 2023 among MAV Cosmetics and MAC Holdings, as borrowers, MAV Cosmetics, MAC Holdings, MAV Brands, MAV US Holdings, MAV Cosmetics USA, MAV Midco, Renpure, Onesta and Mane Choice, as guarantors, Royal Bank of Canada ("**RBC**"), as administrative agent (in such capacity, the "**DIP Agent**") and certain of the lenders party to the Credit Agreement (as defined below), as interim lenders (in such capacity, the "**DIP Lenders**");

- (b) subject to the DIP Facility Agreement and the consent of the Monitor (if appointed), authorizing the Applicants to make certain pre-filing payments on account of goods or services provided to the Applicants;
- (c) authorizing the Applicants to continue to utilize their Cash Management System (as defined herein);
- (d) granting the proposed Court-ordered Charges (as defined herein) over the Applicants' current and future assets, property and undertakings (collectively, the "**Property**");
- (v) the intended next steps in the CCAA Proceedings; and
- (vi) the Proposed Monitor's conclusions and recommendations in connection with the foregoing.

2.2 If the Initial Order is granted, the Applicants intend to return to Court on or before November 24, 2023, for a hearing (the "**Comeback Hearing**") to seek the Court's approval of an Amended and Restated Initial Order (the "**ARIO**") which, among other things, would:

- (i) extend the stay of proceedings;
- (ii) increase the amounts of the Administration Charge, D&O Charge and DIP Charge (as defined herein);

- (iii) approve the engagement of the Applicants' financial advisor, Piper Sandler & Co. ("**Piper Sandler**"), and grant a charge on the Property in favour of Piper Sandler for transaction fees payable by the Applicants pursuant to such engagement; and
- (iv) approve a key employee retention plan ("**KERP**") and grant a charge on the Property in favour of the KERP participants.

2.3 The Proposed Monitor also understands that at the Comeback Hearing, the Applicants intend to seek relief in respect of the Proposed Transaction, including, among other things, a sale approval, vesting and distribution order (the "**AVO**") and a contract assignment order (the "**Assignment Order**"). If appointed, the Monitor intends to serve a first report of the Monitor (the "**First Report**") in respect of the relief that will be sought at the Comeback Hearing.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with, and has relied upon, unaudited financial information and the books and records prepared by the Applicants, and has had discussions with management of the Applicants, their legal counsel and Piper Sandler (collectively, the "**Information**"). Except as otherwise described in this Report, in respect of the Applicants' Cash Flow Forecast:

- (i) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered*

Professional Accountants Canada Handbook (the “**CPA Handbook**”), and accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

- (ii) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.2 Future oriented financial information referred to in this Report was prepared based on the Applicants’ management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars (“**USD**”).

4.0 A&M’S QUALIFICATIONS TO ACT AS MONITOR

4.1 Alvarez & Marsal Canada ULC (“**A&M Canada**”), an affiliate of the Proposed Monitor, was engaged to act as a consultant to the Applicants on June 19, 2023, and as such, the Proposed Monitor is familiar with the business and operations of the Applicants, its personnel, and the key issues and stakeholders in these proposed CCAA Proceedings. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, and is not subject to any of the restrictions on who may be appointed as monitor set out in subsection 11.7(2) of the CCAA.

- 4.2 A&M is related to Alvarez & Marsal Holdings, LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. The senior A&M personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees, and who have previously acted in CCAA matters of a similar nature.
- 4.3 The Proposed Monitor has retained Goodmans LLP (“**Goodmans**”) to act as its independent legal counsel.
- 4.4 A&M has consented to act as Monitor of the Applicants should the Court grant the Applicants’ request to commence CCAA Proceedings pursuant to the Initial Order.

5.0 BACKGROUND INFORMATION

Overview

- 5.1 The MacKay-Lee Affidavit provides an extensive description of the MAV Group’s business and background. Certain key details are summarized below.
- 5.2 The MAV Group maintains its head office from leased premises located in Vaughan, Ontario (the “**Head Office**”). The Applicants do not own any real property.
- 5.3 The MAV Group supplies a variety of brick-and-mortar chains and e-commerce retailers, including, among others, Walmart, Shoppers Drug Mart, Target, Costco, Walgreens and Amazon.
- 5.4 Each of the MAV Group’s Brands target a distinct consumer base with limited competitive overlap. The Brands are registered trademarks in Canada with the Canadian Intellectual

Property Office, in the United States with the Patent and Trademarks Office, and in various other jurisdictions where the Applicants sell their product.

5.5 The MAV Group does not own or operate any manufacturing facilities. The MAV Group's operating companies contract and maintain direct relationships with a diversified network of independent third-party suppliers and manufacturers located primarily in North America to produce and test their products.

5.6 The MAV Group's products are shipped from their third-party manufacturers to their third-party distribution centres. These third-party distributors are responsible for the warehousing of products prior to sale and the management of outbound freight to fulfill orders placed by the MAV Groups' retail and distribution partners.

Senior Secured Credit Facility

5.7 On July 10, 2018, concurrent with the initial public offering of MAV Brands' common shares, MAV Brands, as issuer, and MAV Cosmetics and MAC Holdings, as borrowers (collectively, the "**Borrowers**"), entered into a credit agreement (as amended from time to time, the "**Credit Agreement**") with, among others, a syndicate of lenders, as lenders (the "**Lenders**") and RBC as the administrative agent and collateral agent (in such capacity, the "**Agent**").

5.8 Key terms and components of the Credit Agreement include the following:

- (i) the Borrowers' obligations under the Credit Agreement are guaranteed by each of the Applicants;

- (ii) the credit facilities currently provided under the Credit Agreement include a revolving credit facility limited to \$5 million (the “**Revolving Facility**”) and a non-revolving term loan credit facility in the aggregate principal amount of up to \$138.5 million (together with the Revolving Facility, the “**Credit Facility**”);
- (ii) the interest rate for outstanding borrowings is the Secured Overnight Financing Rate plus 5.1% per annum, including 1.6% per annum of incremental interest payable-in-kind and added to the principal amount;
- (iii) the Credit Facility provides for mandatory pre-payments of the Revolving Facility with certain excess liquidity; and
- (iv) certain financial covenants, including the requirement to maintain weekly minimum liquidity levels.

5.9 As of the date of this Report, the principal amount outstanding under the Credit Agreement totals approximately \$122.7 million.

5.10 The Proposed Monitor requested that its counsel, Goodmans, conduct an independent review of the security granted by the Applicants in respect of the Credit Facility, and if appointed, will report on same in the First Report.

Other Secured Obligations

5.11 Pursuant to recent searches obtained by the Applicants of registrations under the *Personal Property Security Act* (the “**PPSA**”) in Ontario and British Columbia, aside from registrations by the Agent for obligations under the Credit Agreement, Xerox Financial

Services Canada Ltd. holds a registered security interest against a commercial printer located in the Head Office. Summaries of the PPSA search results are attached as Exhibit “T” to the MacKay-Lee Affidavit.

Employees

- 5.12 The Applicants currently employ approximately 72 individuals, comprised of 67 Canadian residents and 4 residents of the United States. Canadian employees are employed by MAV Cosmetics, and United States employees are employed by MAV Cosmetics USA. In addition, the Applicants engage one contractor residing in Mexico.
- 5.13 The Applicants’ payroll is processed by Ceridian HCM in Canada and PayChex in the United States, both third-party payroll processors, and is paid utilizing the MAV Group’s Cash Management System (as described below in section 10.0).
- 5.14 The Applicants’ employees are entitled to participate in a Canadian Group Retirement Savings Plan and a 401K plan in the United States, both of which are funded solely by employee contributions. The Applicants also sponsor employee benefits plans, which provide medical, dental, vision and other benefits for eligible employees. The Applicants do not have any pension plans.
- 5.15 The Applicants maintain a performance-based bonus plan for certain employees. As of the date of this Report, approximately \$290,000 is owed to certain executives for the six-month period ending June 30, 2023, which becomes due and payable upon execution of the Asset Purchase Agreement (as defined herein). The Proposed Monitor understands that the Lenders are supportive of the Applicants making such payments.

5.16 As of October 31, 2023, the Applicants' books and records reflect accrued vacation pay of approximately \$75,000.

5.17 The Proposed Monitor understands that the Applicants remain current in all of their payments in respect of payroll and the remittance of other employee source deductions, and that during the CCAA Proceedings, the Applicants intend to continue funding the benefit plans and all other employee related costs and benefits in the normal course.

Unsecured Obligations

5.18 Based on the Applicants' consolidated books and records, as at September 30, 2023, amounts owed to unsecured trade creditors total approximately \$6.7 million, inclusive of a \$4.0 million payable balance and a \$2.7 million accrued balance. Amounts are owing primarily to third-party suppliers of inventory, product components, logistics, marketing services and other general goods and services located in the United States and Canada.

5.19 Other accrued liabilities of the Applicants include approximately \$230,000 claimed by the Canada Revenue Agency in respect of disputed withholding taxes.

5.20 MAV Cosmetics and MAV Brands are party to one Canadian lease agreement in respect of the Head Office. The Proposed Monitor understands that all lease obligations are current.

5.21 One or more of the Applicants have received notices of being named as defendants or are named as defendants in certain litigation matters. In the aggregate, the amounts claimed against the Applicants are approximately \$1.79 million, however, due to the nature of such claims, limited amounts have been accrued on the Applicants' financial statements.

6.0 EVENTS LEADING TO THE CCAA PROCEEDINGS

6.1 As detailed in the MacKay-Lee Affidavit, the MAV Group has faced a number of challenges as a result of, among other things, increased financing costs in light of rapidly accelerating interest rates, increased competition in the personal care industry, and disruption to retail sales following brick-and-mortar store closures and shifts in end-consumer purchasing preferences toward e-commerce and online platforms during the COVID-19 pandemic.

6.2 The following table provides a summary of the Applicants' income statement for the fiscal years 2020, 2021, and 2022 and the nine months ended September 30, 2023, highlighting the negative trend in the business and the material impact resulting from the aforementioned factors:

\$'000s	YTD Sept 23	FY 2022	FY 2021	FY2020
Consolidated Revenue	\$81,403	\$90,692	\$107,156	\$114,906
Adjusted EBITDA ¹	\$6,610	\$12,433	\$16,506	\$28,470
Impairment Charge	Nil	(\$145,479)	(\$129,033)	Nil
Net Loss	\$(9,333)	\$(155,839)	\$(97,636)	\$6,506

6.3 As reflected above, the Applicants have incurred losses of approximately \$262.8 million since the beginning of 2021.

6.4 During fiscal years 2021 and 2022, the Applicants determined that there was a material impairment to the carrying value of the MAV Group's intangible assets due to: (i) a sharp decline in MAV Brands' share price; (ii) a lower than forecast revenue outlook; (iii) higher

¹ Represents EBITDA net of impairment expenses and restructuring related expenses.

than forecast supply chain input costs; and (iv) higher than forecast interest costs. As a result, the Applicants recorded impairment charges totaling \$274 million during fiscal years 2021 and 2022.

6.5 The Applicants' statement of cash flow for the fiscal years 2020, 2021, and 2022 and the nine months ending September 30, 2023 are summarized below:

\$'000s	YTD Sept 23	FY 2022	FY 2021	FY2020
Cash flow from operating activities	\$3,661	\$8,090	\$6,406	\$14,781
Cash flow from financing activities	(\$5,935)	(\$8,490)	(\$10,352)	\$4,500
Cash flow from investing activities	(\$216)	(\$1,099)	(\$3,146)	(\$5,879)
Increase (Decrease) in Cash	(\$2,490)	(\$1,499)	(\$7,092)	\$13,402

6.6 As reflected above, the Applicants' overall cash position has declined by approximately \$11.1 million since the beginning of 2021.

6.7 While the Applicants' cash flow from operations has remained positive over the past few years, they have not been able to generate sufficient cash flow to continue to service ongoing debt obligations.

6.8 To address the significant operational and financial challenges encountered by the Applicants, the MAV Group undertook significant measures attempting to improve its operations and liquidity position, including but not limited to:

- (i) product engineering improvements to reduce production costs;
- (ii) select product price increases;

- (iii) significant reduction of customer penalties through a comprehensive root-cause analysis;
- (iv) negotiated reduction of logistic and warehousing costs with vendors;
- (v) reduction of non-restructuring related professional fee expenditures;
- (vi) reduction of bonus payments; and
- (vii) a headcount reduction from over 100 employees to approximately 72 employees in under two years.

6.9 Despite the efforts described above, the Applicants' liquidity position continues to deteriorate in the face of declining operating performance, high interest costs and tightening vendor payment terms as a result of supplier concerns over the Applicants' financial position.

6.10 Considering the magnitude of the Applicants' financial and liquidity issues, in Q1 of 2023, the MAV Group initiated a strategic review process to identify, review and evaluate potential strategic alternatives that may be available to the Applicants, including, without limitation, the sale of all or substantially all of the MAV Group's securities and/or assets, or the raising of additional debt or equity capital (the "**Strategic Review Process**").

6.11 As part of the Strategic Review Process, the Applicants took the following steps:

- (i) on January 23, 2023, MAV Brands engaged Piper Sandler as its financial advisor to assist with, among other things, the Strategic Review Process;

- (ii) on March 31, 2023, MAV Brands issued a press release announcing that it had initiated a Strategic Review Process. A copy of the press release is attached to the MacKay-Lee Affidavit as Exhibit “J”;
- (iii) on April 10, 2023, the MAV Group formed a special committee comprised of certain independent directors of MAV Brands to oversee the Strategic Review Process and the negotiation of any amendments, extensions, forbearances or waivers to the Applicants’ debt facilities, as and if required, and to consider all matters related to the Strategic Review Process;
- (iv) on June 19, 2023, MAV Brands engaged A&M Canada to provide consulting services in connection with the Applicants’ efforts to improve financial and operating performance, assess strategic alternatives, and assist with the Strategic Review Process, if and as required; and
- (v) between January 2023 and March 2023, negotiated with the Lenders and their advisors in relation to the Sixth Amendment of the Credit Agreement, which among other things, extended the Credit Agreement to July 10, 2024.

6.12 While the Applicants explored various potential options and alternatives as part of the Strategic Review Process, due to the Applicants’ declining financial performance and unsustainable levels of leverage, the Applicants were unable to achieve a refinancing or amendment of the Applicants’ existing debt. As part of the Strategic Review Process, Piper Sandler worked on assisting the Applicants with a sale process in respect of the MAV Group.

- 6.13 Piper Sandler, in consultation with the Applicants, broadly canvassed the market for potential bidders and ultimately five parties submitted non-binding letters of intent or expressions of interest during the Strategic Review Process. The Lenders and their advisors were consulted in connection with the Strategic Review Process and the bids received.
- 6.14 Ultimately, the Strategic Review Process resulted in MAV Brands, along with certain of its subsidiaries, entering into an Asset Purchase Agreement with the Purchaser on November 13, 2023 (the “**Asset Purchase Agreement**”), pursuant to which the Purchaser is to acquire substantially all of the MAV Brands assets and business.
- 6.15 Following the completion of the Strategic Review Process, the Boards of Directors of the Applicants determined that entering into the Asset Purchase Agreement and commencing the CCAA Proceedings to implement the Proposed Transaction are in the best interests of the Applicants, taking into consideration all available alternatives and the Applicants’ declining liquidity position.
- 6.16 The Proposed Monitor understands that the Applicants are not seeking any specific relief in the proposed Initial Order in respect of the Proposed Transaction and the Asset Purchase Agreement but intend to do so at the Comeback Hearing.
- 6.17 If the Initial Order is granted by the Court, the Monitor (if appointed) will file a subsequent report to the Court in respect of the Strategic Review Process, the Proposed Transaction and the Asset Purchase Agreement.

7.0 DIP FACILITY

- 7.1 As described in the MacKay-Lee Affidavit, the MAV Group requires financing during these CCAA Proceedings to provide the liquidity necessary to maintain their business as a going concern, preserve the value of their assets for their stakeholders, and implement the Proposed Transaction.
- 7.2 In order to obtain access to such liquidity, the MAV Group negotiated the terms of the DIP Facility with the DIP Lenders. The DIP Facility and the process undertaken by the MAV Group to secure the DIP Facility are described in greater detail in the MacKay-Lee Affidavit.
- 7.3 Pursuant to the Initial Order, the Applicants are seeking approval to borrow up to \$250,000 under the DIP Facility during the initial 10-day period until the Comeback Hearing.
- 7.4 A summary of certain of the key terms and components of the DIP Facility is set out in the table below. Reference should be made to the DIP Facility Agreement for the full detailed terms and conditions of the DIP Facility.

DIP Facility (Capitalized terms not otherwise defined herein have the meaning ascribed thereto in the DIP Facility Agreement)	
Parties	<ul style="list-style-type: none">• Borrowers: MAV Cosmetics and MAC Holdings• Guarantors: MAV Cosmetics, MAC Holdings, MAV Brands, MAV US Holdings, MAV Cosmetics USA, MAV Midco, Renpure, Onesta and Mane Choice• Interim Agent: RBC, as administrative agent• Interim Lenders: certain of the lenders party to the Credit Agreement

Maximum Availability	<ul style="list-style-type: none"> • Non-revolving loan up to the maximum principal amount of \$3.9 million
Advances	<ul style="list-style-type: none"> • The DIP Facility shall be available in multiple advances, as follows: <ul style="list-style-type: none"> (i) an initial advance in the amount of \$250,000; and (ii) subsequent advances to be drawn based on the funding needs of the Applicants as set forth in the DIP Budget and as agreed among the Applicants and the DIP Lenders. Each subsequent advance shall be in a principal amount of not less than \$250,000.
Interest	<ul style="list-style-type: none"> • Interest is payable on each advance at Adjusted Term SOFR for the SOFR Interest Period in effect for such advance plus 5.1% Accrued Interest on each advance.
Fees	<ul style="list-style-type: none"> • \$100,000 exit fee on the Maturity Date.
Costs and Expenses	<ul style="list-style-type: none"> • Reimbursement for the Interim Agent and the Interim Lenders expenses in connection with the negotiation, development, and implementation of the Interim Facility (including the administration of the Interim Facility) and in connection with the Restructuring Proceedings. The Interim Lender Expenses shall form part of the Interim Financing Obligations secured by the Interim Agent's Charge.
Use of Funds	<ul style="list-style-type: none"> • The Loan Parties shall use proceeds of the Interim Facility solely for the following purposes and subject to the DIP Budget and the Court Orders: <ul style="list-style-type: none"> (i) to pay the reasonable and documented legal and financial advisory fees and expenses of (i) the Loan Parties, (ii) the Monitor, and (iii) the Interim Agent and the Interim Lenders; (ii) to pay the interest, fees and other amounts owing to the Interim Agent and the Interim Lenders, and for greater certainty, the Borrowers shall not pay the interest or fees owing on the Existing Credit Agreement; (iii) to fund, in accordance with the DIP Budget, the Loan Parties' operating and capital expenditures; and (iv) to fund operating costs, expenses and ordinary course liabilities (including, without limitation, wages, vacation pay,

	active employee benefits and ongoing director remuneration) of the Loan Parties.
Maturity	<ul style="list-style-type: none"> • The Interim Facility and the Interim Financing Obligations shall be due and repayable in full on the earlier of: (a) the occurrence of any Event of Default which is continuing and has not been cured within the time permitted under the DIP Facility Agreement, (b) the completion of a Restructuring Transaction, and (c) the Outside Date (the earliest of such dates being the “Maturity Date”). • “Outside Date” means December 22, 2023, or such later date agreed to by both the Loan Parties and the Interim Lenders in writing, in consultation with the Monitor.
Certain Key Conditions Precedent to Initial Availability	<ul style="list-style-type: none"> • The Court shall have issued the Initial Order in form and substance acceptable to the Interim Lender Majority, in their reasonable discretion, which, among other things, (i) approves of the DIP Facility Agreement; (ii) authorizes the Borrowers to borrow up to \$250,000 under the Interim Facility; and (iii) grants the Interim Agent’s Charge on the CCAA Applicants’ Collateral as security for all Interim Financing Obligations, which Interim Agent’s Charge shall have priority over all Liens on the CCAA Applicants’ Collateral other than the Permitted Priority Liens. • The Loan Parties shall reimburse the Interim Agent and the Interim Lenders for all reasonable and documented fees and expenses incurred in relation to pre-filing expenses and restructuring costs.
Certain Key Conditions Precedent to Subsequent Availability	<ul style="list-style-type: none"> • The Court shall have issued the ARIO, the AVO and the Assignment Order, which ARIO, AVO and Assignment Order shall each be in form and substance acceptable to the Interim Lender Majority, in their reasonable discretion. • There shall be no Liens ranking in priority to or <i>pari passu</i> with the Interim Agent’s Charge over the CCAA Applicants’ Collateral other than the Permitted Priority Liens. • No Default or Event of Default shall have occurred or will occur as a result of the requested Advance. • Payment of all Interim Lender Expenses incurred to the date of Advance.

DIP Budget and Variance Reporting	<ul style="list-style-type: none"> • Every two weeks beginning November 23, 2023, and also upon a material change reasonably anticipated by the Borrowers to result in the DIP Facility amount to be insufficient, the Borrowers shall propose an Updated DIP Budget to the Interim Lenders for acceptance. • On or before 5:00 p.m. Eastern Time on the Wednesday of every week, the Borrowers shall deliver to the Monitor and the Interim Agent and their legal and financial advisors a Variance Report.
Events of Default	<p>Certain key Events of Default include, among others:</p> <ul style="list-style-type: none"> • Failure of the Borrowers to pay principal, interest or other amounts when due. • Failure of any Loan Party to perform or comply with any term, condition, covenant or obligation pursuant to the DIP Facility Agreement or any other Credit Document and such failure remains unremedied for more than three (3) Business Days at receipt of written notice by the Loan Parties. • A Variance Report or Updated DIP Budget is not delivered when due, or, in respect of any Testing Period, there shall exist a variance in excess of the Permitted Variance. • Except as stayed by order of the Court or consented to by the Interim Lender Majority, a default under, revocation or cancellation of, any Material Contract. • Failure of any Loan Party to meet any of the following milestones: <ul style="list-style-type: none"> ○ The Loan Parties shall have obtained the Initial Order on or prior to November 14, 2023; ○ The Loan Parties shall have obtained the ARIQ and AVO on or prior to November 24, 2023; and ○ Closing by the Outside Date (December 22, 2023).
Permitted Restructuring Transaction	<ul style="list-style-type: none"> • “Permitted Restructuring Transaction” means such Restructuring Transaction that is acceptable to the Interim Lenders in their sole discretion. <ul style="list-style-type: none"> ○ “Restructuring Transaction” means any restructuring, financing, refinancing, recapitalization, sale, liquidation, workout, plan of arrangement or other material transaction of, or in respect of, all or any of the Loan Parties or their respective assets and liabilities.

Proposed Monitor's Views on the DIP Facility

7.5 The Proposed Monitor respectfully recommends that the Court approve the DIP Facility for the following reasons:

- (i) the DIP Facility being provided by the DIP Lenders is the result of extensive negotiations as between the Applicants, the DIP Lenders and their respective advisors, and represents the best that the Applicants could negotiate in the circumstances in seeking a going concern outcome for its business;
- (ii) Piper Sandler has advised the Proposed Monitor that the terms contemplated by the DIP Facility Agreement are, in their opinion, fair and in line with market standards for facilities of a similar nature. In addition, the Proposed Monitor has reviewed comparable DIP transactions and is satisfied that the terms of the DIP Facility, including the interest rate and fees charged, are reasonable and within market parameters;
- (iii) the results of the Strategic Review Process demonstrate that there is insufficient value in respect of the Applicants' assets and business to repay the Lenders in full, and the Lenders are the fulcrum creditors in these circumstances;
- (iv) the Proposed Monitor is of the view that there is no material prejudice to other creditors as a result of the Applicants' obtaining the DIP Facility; and
- (v) as discussed in section 8.0 hereof, the DIP Facility, together with cash generated from ongoing operations, is forecast to provide the Applicants with sufficient

liquidity during these CCAA Proceedings to allow the MAV Group to continue to operate in the normal course and implement the Proposed Transaction.

8.0 CASH FLOW FORECAST

8.1 As part of these CCAA Proceedings, and as required by the DIP Facility, the Applicants have prepared the Cash Flow Forecast for the 7-week² period from November 4, 2023, through to December 22, 2023 (the “**Cash Flow Period**”). A copy of the Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) and management’s report on the cash-flow statement required by subsection 10(2)(b) of the CCAA, are attached hereto as **Appendices “A” and “B”**, respectively.

8.2 The following table provides a summary of the Cash Flow Forecast segregated by: (i) the three-week period up to the anticipated Comeback Hearing³, being November 4, 2023 to November 24, 2023 (the “**Initial Period**”); and (ii) the four-week period subsequent to the Initial Period:

² The Cash Flow Period utilized reflects the Outside Date contemplated in the Proposed Transaction

³ The Comeback Hearing is anticipated to be heard on or before November 24, 2023.

Cash Flow Forecast		USD \$'000s		
	3-Week Period	4-Week Period	7-Week Total	
	<i>11/24/2023</i>	<i>12/22/2023</i>	<i>12/22/2023</i>	
Receipts				
AR collections	3,546	5,120	8,666	
Sales tax & other receipts	-	-	-	
Total Receipts	3,546	5,120	8,666	
Operating Disbursements				
Inventory purchases	(4,353)	(3,742)	(8,095)	
Freight / warehousing	(913)	(916)	(1,829)	
Other SG&A	(1,296)	(1,860)	(3,156)	
Payroll & benefits	(942)	(875)	(1,817)	
Total Operating Disbursements	(7,504)	(7,394)	(14,898)	
Operating Net Cash Flow	(3,958)	(2,274)	(6,232)	
Non-Operating Disbursements				
Professional fees	(1,905)	(1,336)	(3,240)	
DIP interest	-	(1)	(1)	
Total Non-Operating Disbursements	(1,905)	(1,336)	(3,241)	
Net Cash Flow	(5,863)	(3,610)	(9,473)	
Opening Cash	5,629	16	5,629	
Net cash flow	(5,863)	(3,610)	(9,473)	
DIP advance / (paydown)	250	3,625	3,875	
Closing Cash	16	31	31	

8.3 The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

- (i) during the Initial Period, net cash flows of negative \$5.9 million are forecast to be funded by the Applicants' cash-on-hand, the collection of accounts receivable and an initial advance under the DIP Facility totalling \$250,000;
- (ii) during the Cash Flow Period, total net cash flows are forecast to be approximately negative \$9.5 million, which are expected to be funded by the Company's cash on hand, accounts receivable receipts and advances under the DIP Facility totalling approximately \$3.9 million; and

- (iii) forecast disbursements include payments to operate the Applicants' business in the normal course, and include an estimate for certain pre-filing payments in respect of goods and services provided to the Applicants and payment of the Deferred H1 Bonuses as described in section 5.15 herein.

8.4 The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor by subsection 23(1)(b) of the CCAA. Subsection 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of management. The Proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

8.5 Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that:

- (i) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;
- (ii) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or

(iii) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

8.6 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.

9.0 CERTAIN PRE-FILING PAYMENTS

9.1 As part of the proposed Initial Order, the Applicants are seeking authorization to pay certain pre-filing arrears to vendors and suppliers whose products and/or services are important to the Applicants' ongoing operations and/or to the implementation of the Proposed Transaction.

9.2 The proposed Initial Order provides that any such payments are subject to both the DIP budget and the consent of the Monitor. The Asset Purchase Agreement in respect of the Proposed Transaction requires the Applicants to satisfy such payments in accordance with the DIP budget.

10.0 CASH MANAGEMENT SYSTEM

10.1 As described in the MacKay-Lee Affidavit, the Applicants' cash management system is operated through various accounts with RBC, RBC Bank (Georgia), Regions Bank, and Choice Bank (together, the "**Cash Management System**"). The Cash Management System is administered by the Applicants' finance department at the Head Office.

10.2 The MAV Group utilizes thirteen bank accounts, of which nine are held at RBC, two are held at RBC Bank (Georgia) and one is held at each of Regions Bank and Choice Bank (collectively, the "**Bank Accounts**"). The Bank Accounts are denominated in CAD and USD.

10.3 The Applicants intend to continue using their existing Cash Management System in substantially the same manner as before the commencement of the CCAA Proceedings and are seeking approval of the Court to do so. Given the scale and nature of the Applicants' operations and the volume of transactions that are processed daily within the Cash Management System, the Proposed Monitor is of the view that the continued use of the existing Cash Management System is required and appropriate during these CCAA Proceedings.

10.4 As part of its monitoring procedures, the Proposed Monitor will:

- (i) review receipts and disbursements processed through the Bank Accounts;
- (ii) review weekly receipts and disbursements summaries, compare the summaries to the corresponding cash flow forecasts and review variances with management;
- (iii) review disbursements, as reasonably appropriate, for compliance with provisions of the proposed Initial Order; and
- (iv) review and track the ordinary intercompany cash transfers that occur among the Bank Accounts.

11.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

11.1 The proposed Initial Order seeks the granting of the Administration Charge, the DIP Charge and the D&O Charge (each as defined below) over the Property (collectively, the “**Charges**”), and provides that the Charges are to rank ahead of all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise (collectively, the “**Encumbrances**”) against the Property, provided that the

Charges shall rank behind Encumbrances in favour of any Persons that have not been served with notice of the application for the Initial Order.

Administration Charge

11.2 The proposed Initial Order provides for a charge in an initial amount not to exceed \$450,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicants (the “**Administration Charge**”).

11.3 The Proposed Monitor assisted the Applicants with the calculation of the Administration Charge and is of the view that the amount of the charge for the initial 10-day stay period is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, the anticipated professional costs to be incurred during the initial 10-day stay period, and the size of charges approved in similar CCAA proceedings.

D&O Charge

11.4 The proposed Initial Order provides that the Applicants will indemnify their directors and officers against obligations and liabilities that they may incur in their capacity as directors or officers of the Applicants from the commencement of the CCAA Proceedings, except to the extent that any such obligation or liability was incurred as a result of gross negligence or wilful misconduct, and provides for a charge on the Property in the initial amount of \$600,000 in favour of the Applicants’ directors and officers as security for such indemnity (the “**D&O Charge**”).

11.5 The Proposed Monitor understands that the MAV Group holds a directors’ and officers’ insurance policy that provides coverage for certain obligations. However, this policy contains certain exceptions, exclusions and carve-outs, and as a result, the policy may not

provide adequate coverage to the MAV Group's directors and officers during the CCAA Proceedings.

11.6 The Applicants' directors and officers will only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under the MAV Group's directors' and officers' insurance policy or to the extent that such coverage is insufficient to pay an indemnified amount.

11.7 The amount of the D&O Charge was estimated by the Applicants, in consultation with the Proposed Monitor, taking into consideration the Applicants' payroll, vacation pay, statutory employee obligations and sales tax liabilities, during the 10-day period prior to the Comeback Hearing.

DIP Charge

11.8 The proposed Initial Order provides for a charge on the Property in favour of the DIP Lenders as security for outstanding obligations of the Applicants under the DIP Facility (the "**DIP Charge**"). As noted above, pursuant to the Initial Order, the borrowings under the DIP Facility Agreement cannot exceed \$250,000, unless permitted by further Order of the Court.

11.9 It is a condition of the DIP Facility Agreement that the DIP Charge be granted by the Court. The Proposed Monitor's observations with respect to the DIP Facility are set out in section 7.0 above. The Proposed Monitor is of the view that the DIP Charge is reasonable and appropriate in the circumstances and will provide the Applicants with sufficient liquidity to operate the business until the Comeback Hearing.

Priority of Charges

11.10 The priorities of the Charges are proposed to be as follows:

- (i) First – Administration Charge (to the maximum amount of \$450,000);
- (ii) Second – D&O Charge (to the maximum amount of \$600,000); and
- (iii) Third – DIP Charge.

11.11 As set out above, the Proposed Monitor believes that the Charges are reasonable in the circumstances. The Proposed Monitor understands that the Applicants will seek to increase the Charges at the Comeback Hearing.

12.0 INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS

12.1 The Proposed Monitor understands that, subject to obtaining the proposed Initial Order, the Applicants intend to: (i) continue to operate the MAV Group's business in the normal course; and (ii) return to Court at the Comeback Hearing to seek the ARIO, the AVO and the Assignment Order, as described in sections 2.2 and 2.3 hereof.

13.0 STAY OF PROCEEDINGS

13.1 The proposed Initial Order contemplates the granting of an initial 10-day stay of proceedings in respect of the Applicants, their business and the Property, as well as in respect of the Applicants' directors and officers.


13.2 The proposed stay of proceedings will provide the Applicants with stability for their business and enable them to operate in the normal course and to work to implement the Proposed Transaction, which is intended to maximize value for stakeholders.

14.0 CONCLUSIONS AND RECOMMENDATIONS

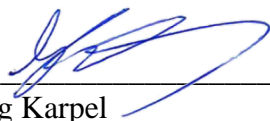
- 14.1 For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Applicants in the proposed Initial Order is reasonable, appropriate and necessary, having regard to the current circumstances of the Applicants. As such, the Proposed Monitor supports the Applicants' application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicants.

All of which is respectfully submitted to the Court this 13th day of November, 2023.

**Alvarez & Marsal Canada Inc., in its capacity as
Proposed Monitor of MAV Beauty Brands Inc., Marc Anthony Cosmetics Ltd., Marc
Anthony US Holdings, Inc., Marc Anthony Cosmetics USA, Inc., MAC Pure Holdings, Inc.,
MAV Midco Holdings, LLC, Renpure, LLC, Onesta Hair Care, LLC, and The Mane Choice
Hair Solution LLC**

Per: 

Stephen Ferguson
Senior Vice-President

Per: 

Greg Karpel
Senior Vice-President

APPENDIX “A”

7-WEEK CASH FLOW FORECAST

Appendix A

MAV Group
7-Week Cash Flow Forecast ending December 22, 2023
\$USD '000's

Cash Flow Week:			Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	7-Week
Week Ending:		Notes	10-Nov-23	17-Nov-23	24-Nov-23	1-Dec-23	8-Dec-23	15-Dec-23	22-Dec-23	Total
Receipts										
AR collections	1		1,788	806	951	986	1,037	1,611	1,486	8,666
Sales tax & other receipts			-	-	-	-	-	-	-	-
Total Receipts			1,788	806	951	986	1,037	1,611	1,486	8,666
Operating Disbursements										
Inventory purchases	2		(1,604)	(2,040)	(709)	(600)	(247)	(1,912)	(982)	(8,095)
Freight / warehousing	3		(288)	(389)	(236)	(250)	(230)	(229)	(207)	(1,829)
Other SG&A	4		(581)	(435)	(281)	(466)	(554)	(484)	(357)	(3,156)
Payroll & benefits	5		(300)	(292)	(350)	-	(525)	-	(350)	(1,817)
Total Operating Disbursements			(2,772)	(3,155)	(1,577)	(1,316)	(1,556)	(2,626)	(1,895)	(14,898)
Operating Net Cash Flow			(984)	(2,349)	(625)	(330)	(519)	(1,015)	(410)	(6,232)
Non-Operating Disbursements										
Professional fees	6		(1,606)	-	(298)	(82)	(510)	-	(744)	(3,240)
DIP interest	7		-	-	-	(1)	-	-	-	(1)
Total Non-Operating Disbursements			(1,606)	-	(298)	(82)	(510)	-	(744)	(3,241)
Net Cash Flow			(2,590)	(2,349)	(923)	(413)	(1,029)	(1,015)	(1,154)	(9,473)
Opening Cash			5,629	3,039	689	16	28	49	35	5,629
Net cash flow			(2,590)	(2,349)	(923)	(413)	(1,029)	(1,015)	(1,154)	(9,473)
DIP advance / (paydown)	8		-	-	250	425	1,050	1,000	1,150	3,875
Closing Cash			3,039	689	16	28	49	35	31	31

Appendix A

MAV Group 7-Week Cash Flow Forecast ending December 22, 2023 Notes

Disclaimer

*In preparing this illustrative cash flow forecast (the “**Forecast**”), MAV Group has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast reflects assumptions including those discussed below with respect to the requirements and impact of a potential filing in Canada under the Companies’ Creditors Arrangement Act (“**CCAA**”). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.*

The Forecast is presented in thousands of U.S. dollars.

Notes

Note 1 AR collections

AR collections are forecast based on the Company’s accounts receivable ledger as of November 3, 2023. Collection on forecast new sales are based on historical customer collection terms.

Note 2 Inventory purchases

Inventory payments are forecast based the Company’s accounts payable ledger as of November 3, 2023. New purchases are based on the MAV Group’s open orders, purchase requirements, and expected vendor payment terms.

Note 3 Freight / warehousing

Freight / warehousing disbursements are forecast based on current run-rates.

Note 4 Other SG&A

Other SG&A disbursements include: insurance, marketing, broker fees, rent, taxes and other general and admin expenses.

Note 5 Payroll & benefits

Payroll & benefits include salaries, wages, remittances and employee benefits for salaried employees in Canada and the U.S. Payroll & benefits also include approximately \$290,000 owed to certain executives for the six-month period ending June 30, 2023, which becomes due and payable upon execution of the Asset Purchase Agreement.

Note 6 Professional fees

Professional fees disbursements include fees paid to the Applicant’s legal counsel and financial advisor; the Monitor and its legal counsel; the Lender’s/DIP Lender’s counsel and financial advisor; and fees related to the Special Committee.

Note 7 DIP interest

DIP interest disbursements are in accordance to the terms of the DIP Facility.

Note 8 DIP advance / (paydown)

Represents draw on the DIP Facility based on the anticipated cash requirements of the Applicant.

APPENDIX “B”

**MANAGEMENT’S REPRESENTATION LETTER
REGARDING THE CASH FLOW FORECAST**



Alvarez & Marsal Canada Inc.
200 Bay Street, Suite 2900
Toronto ON M5J 2J1

Attention: Mr. Stephen Ferguson and Mr. Greg Karpel

November 12, 2023

Dear Sirs:

Re: MAV Beauty Brands Inc., Marc Anthony Cosmetics Ltd., Marc Anthony US Holdings, Inc., Marc Anthony Cosmetics USA Inc., MAC Pure Holdings, Inc., MAV Midco Holdings, LLC, Renpure LLC, Onesta Hair Care, LLC, The Mane Choice Hair Solution LLC (collectively, the “Applicants” or the “MAV Group”) – CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast

In connection with the application by MAV Group for the commencement of proceedings under the *Companies’ Creditors Arrangement Act*, the management of MAV Group have prepared the attached 7-week projected cash flow statement for the period November 4, 2023 to December 22, 2023 (the “**Cash Flow Forecast**”) and the list of assumptions on which the Cash Flow Forecast is based. The purpose of the Cash Flow Forecast is to determine the liquidity requirements of the MAV Group during the CCAA proceedings.

MAV Group confirms that the hypothetical assumptions on which the Cash Flow Forecast is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of the MAV Group and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Cash Flow Forecast (the “**Notes**”).

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

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

Yours truly,

A handwritten signature in black ink that reads 'Laurel MacKay-Lee'.

Per: _____
Name: Laurel MacKay-Lee
Title: Chief Financial Officer

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

Court File No.: CV-23-00709610-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAV
BEAUTY BRANDS INC., MARC ANTHONY COSMETICS LTD., MARC ANTHONY US
HOLDINGS, INC., MARC ANTHONY COSMETICS USA, INC., MAC PURE HOLDINGS,
INC., MAV MIDCO HOLDINGS, LLC, RENPURE, LLC, ONESTA HAIR CARE, LLC, and
THE MANE CHOICE HAIR SOLUTIONS LLC**

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

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

GOODMANS LLP
Barristers & Solicitors
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Fax: 416.979.1234

Lawyers for Alvarez & Marsal Canada Inc.
as Proposed CCAA Monitor of the Applicants

**CONFIDENTIAL APPENDIX “1”
ASSET PURCHASE AGREEMENT (UNREDACTED)**

[Redacted]

CONFIDENTIAL APPENDIX “2”
BID SUMMARY

[Redacted]

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

Court File No.: CV-23-00709610-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAV
BEAUTY BRANDS INC., MARC ANTHONY COSMETICS LTD., MARC ANTHONY US
HOLDINGS, INC., MARC ANTHONY COSMETICS USA, INC., MAC PURE HOLDINGS,
INC., MAV MIDCO HOLDINGS, LLC, RENPURE, LLC, ONESTA HAIR CARE, LLC, and
THE MANE CHOICE HAIR SOLUTIONS LLC**

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

FIRST REPORT OF THE MONITOR

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333 Bay Street, Suite 3400
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Fax: 416.979.1234

Lawyers for Alvarez & Marsal Canada Inc.
as Monitor of the Applicants