

**QUEBEC
SUPERIOR COURT
(COMMERCIAL DIVISION)**

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

**AND IN THE MATTER OF THE PLAN OF COMPROMISE, ARRANGEMENT AND
REORGANIZATION OF ALLIANCE HANGER INC. ON THE APPLICATION OF ERA
GROUP INC.**

**PRE-FILING REPORT OF THE PROPOSED MONITOR
KPMG INC.**

FEBRUARY 14, 2017

TABLE OF CONTENTS

A.	Introduction	2
B.	Restrictions and scope limitations	3
C.	KPMG’s qualifications to act as monitor	4
D.	Background information	4
E.	The Debtor’s creditors	6
F.	The state of the Debtor’s business and financial affairs and the cause of its financial difficulties	7
G.	Proposed restructuring process	7
H.	Cash flow for the period ending March 17, 2017	8
I.	Court ordered charges sought in the Proposed Initial Order	11
J.	Publication Requirements	12
K.	Claims Procedure	13
L.	Conclusion	13

APPENDIXES

Appendix A	Corporate Organizational Chart
Appendix B	Cash Flow for the Period Ending March 17, 2017
Appendix C	Management’s Representation Letter on the Cash Flow

A. INTRODUCTION

1. KPMG Inc. (“**KPMG**” or the “**Proposed Monitor**”) understands that ERA Group Inc. (the “**Applicant**”), a creditor of Alliance Hanger Inc. (the “**Debtor**”), intends to bring an application (the “**Application**”) before the Court seeking an initial order (the “**Proposed Initial Order**”) with regards to the Debtor under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) granting, *inter alia*, a stay of proceedings until March 17, 2017 and appointing KPMG as monitor. The proceedings to be commenced by the Applicant under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. This report (the “**Report**”) has been prepared by the Proposed Monitor prior to and in contemplation of its appointment as monitor in the CCAA Proceedings to provide information to the Court for its consideration of the Application.
3. The purpose of this pre-filing report is to provide this Honorable Court with information regarding the following:
 - (a) KPMG's qualifications to act as monitor and an overview of KPMG's involvement in this matter to date;
 - (b) Background information in respect of the Applicant, the Debtor and the proposed CCAA Proceedings;
 - (c) The proposed restructuring plan of the Applicant and the Debtor;
 - (d) An overview of the Debtor's weekly cash flow for the period ending March 17, 2017 (the “**Cash Flow**”);
 - (e) The proposed DIP Loan financing of the CCAA Proceedings; and
 - (f) The court-ordered Administration Charge and DIP Lender Charge sought by the Applicant in the Proposed Initial Order.

B. RESTRICTIONS AND SCOPE LIMITATIONS

4. In preparing this Report, the Proposed Monitor has been provided with and has relied upon, unaudited financial information, books and records prepared by senior management of the Debtor (“**Senior Management**”), and discussions with Senior Management (collectively, the “**Information**”). In addition to the details provided in Section H of this Report relating to the Debtor’s Cash Flow, the Proposed Monitor’s report thereon:
 - (a) The Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* and accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
 - (b) Some of the information referred to in this Report consists of financial forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
5. Future oriented financial information referred to in this Report was prepared based on Senior Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections. Even if the assumptions materialize, the variations could be significant.
6. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars, which is the Debtor’s common reporting currency.

C. KPMG'S QUALIFICATIONS TO ACT AS MONITOR

7. KPMG is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act (Canada)*. Neither KPMG nor any of its representatives have been at any time in the two preceding years a director, officer or employee of the Applicant and of the Debtor or otherwise related to the Applicant, the Debtor or to any of their directors or officers or trustees (or related to any such trustee) under a trust indenture issued by them or any person related to the Applicant and the Debtor.
8. KPMG is a wholly-owned subsidiary of KPMG LLP, a Canadian professional services firm providing, among other things, audit, tax and advisory services. KPMG LLP is the Canadian member firm of KPMG International Cooperative, a Swiss entity. The senior KPMG professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners, including Chartered Accountants, Chartered Insolvency and Restructuring Professionals and/or licensed Trustees in Bankruptcy (Canada), who have acted in restructurings and CCAA matters of a similar nature and scale in Ontario, Quebec and in other provinces in Canada.
9. The Proposed Monitor had several discussions with the Applicant in weeks preceding the filing of the Application to provide assistance in connection with the CCAA Proceedings. Given KPMG's qualifications and background knowledge of the Debtor's business and financial status, KPMG was requested to act as monitor.
10. The Proposed Monitor has retained the services of independent legal counsel to assist it in relation to the CCAA Proceedings.
11. KPMG has consented to act as monitor of the Debtor should this Honorable Court grant the Applicant's request to commence the CCAA Proceedings in relation to the Debtor's affairs.

D. BACKGROUND INFORMATION

12. This Report should be read in conjunction with the Applicant's affidavit and Application, which provides background and other information regarding the Applicant, the Debtor and the CCAA Proceedings. Capitalized terms not defined in this Report are used as defined in the Application.

General

13. The Debtor is a private corporation having its registered office and place of business within the district of Montreal, which was incorporated in 2013 following the combination of the Applicant and Polinex Plastics Inc. (“**Polinex**”). A corporate organizational chart of the Debtor and its related entities is attached to this Report at **Appendix A**.
14. The Debtor currently employs approximately 100 employees at its 116,000 square foot manufacturing plant and offices, and manufactures and distributes plastic hangers which it sells in North America and Europe.
15. The Debtor is a “debtor company” as defined in the CCAA, being insolvent and unable to meet its obligations as they become due and having total claims against it of more than \$5 million.

Formation of the Debtor

16. As described in more detail in the Application, on November 6, 2013, the shareholders of the Debtor entered into a shareholders’ agreement (the “**Shareholders’ Agreement**”) providing for the incorporation of the Debtor as an entity that would acquire their respecting plastic hanger businesses and be managed by shareholder groups known as “Group ERA” and “Group Polinex”.
17. In accordance with the Shareholders’ Agreement, Jean-Luc Lavergne (“**Lavergne**”), designated by Group ERA and Edward Reichman, designated by Group Polinex, were appointed as the sole directors of the Debtor.
18. The Shareholders Agreement stipulates that certain matters and decisions in respect of the Debtor be agreed to by both Group ERA and Group Polinex.
19. On January 1, 2014, the Debtor entered into an asset purchase agreement with each of the Applicant and Polinex, in each case to purchase certain assets for a price consisting of a combination of cash, the issuance of 1,350,000 Preferred Shares and an unpaid balance of purchase price of \$950,000.
20. As a result of the asset purchase agreement executed between the Debtor and the Applicant, the Debtor still owes the Applicant the unpaid balance of purchase price of \$950,000, in addition to other advances made to the Debtor by the Applicant or other entities since 2014.

E. THE DEBTOR'S CREDITORS

Unaffected Creditors

21. The Orders sought by the Applicant are not directed at, and do not seek to stay or in any manner affect Unaffected Creditors, defined in the Application as including:
- (a) The Toronto Dominion Bank (“**TD Bank**”), the Debtor’s primary operating lender which, at the date of this Report, is owed approximately \$4.8 million under a revolving facility (the “**TD Facility**”), secured by hypothecs ranking first over the Debtor’s accounts receivable and inventory, and second against all of the Debtor’s remaining property;
 - (b) Roynat Inc. (“**Roynat**”) and the Business Development Bank of Canada (“**BDC**”), which each granted term loans to the Debtor, herein referred to as the “**Roynat Facility**” and “**BDC Facility**”. The current outstanding Roynat Facility balance of approximately \$1.65 million and BDC Facility balance of approximately \$1.9 million are both secured by hypothecs ranking first (*pari passu* as between Roynat and BDC) over all of the Debtor’s property other than accounts receivable and inventory; and
 - (c) Save for the Affected Creditors described below, the Debtor’s ordinary creditors (i.e., trade creditors and other payables), to which it owes approximately \$1 million.

Affected Creditors

22. The creditors listed below (the “**Affected Creditors**”) are due the following:

Affected Creditors	Amount Outstanding	Controlling Shareholders
Shapiro General Partnership	\$1,550,000	Gerry Shapiro and Mark Schneiderman
ERA Group Inc.	\$1,050,000	Jean-Luc Lavergne, Mark Schneiderman, Gerry Shapiro
Polinex Plastics Inc.	\$950,000	Edward Reichman, Raymond Chabot Inc. (Trustee)
4511531 Canada Inc.	\$250,000	Jean-Luc Lavergne
3903460 Canada Inc.	\$100,000	Jean-Luc Lavergne
Total	\$3,900,000	

23. These balances totaling \$3.9 million are defined in the Application as “**Affected Claims**”.
24. The Proposed Initial Order and the Plan contemplated by the Applicant seek to stay and compromise only the Affected Claims asserted by the Affected Creditors.
25. The Affected Claims are not secured by hypothecs on the Debtor’s assets.

26. Any claims by the Debtor's shareholders would also be stayed by the Proposed Initial Order.

**F. THE STATE OF THE DEBTOR'S BUSINESS AND FINANCIAL AFFAIRS
AND THE CAUSE OF ITS FINANCIAL DIFFICULTIES**

27. As at December 31, 2016, the Debtor had total assets with a book value of approximately \$15.5 million, including advances receivable from related parties of \$392,000, against approximately \$14.1 million of liabilities, excluding the anticipated liabilities under the DIP Loan (as defined below).
28. Decreases in sales during the fiscal year ended November 30, 2016, primarily due to reduced purchases from one major customer, resulted in losses of \$1.1 million for the Debtor. As a result of a loss of sales and other issues, the Debtor's inventories of approximately \$6 million are currently significantly overstated, requiring a significant write-down, thus resulting in further losses.
29. The aforementioned losses have adversely affected the Debtor's borrowing ability under the TD Facility. TD Bank requires a significant immediate liquidity injection, without which the TD Facility will no longer be made available to the Debtor, which will jeopardize the Roynat Facility and BDC Facility.
30. In addition, the TD Facility is currently under margined by approximately \$1.1 million and the TD Bank has required that such margin deficit be cured in order to continue financing the Debtor.
31. Without an immediate \$3.5 to \$4 million cash injection (the "**Equity Investment**"), the Debtor will most likely be forced to cease operating, entailing the liquidation of its assets, the closing of its 116,000 square feet premises, the loss of approximately 100 jobs and virtually no recovery for its ordinary creditors.

G. PROPOSED RESTRUCTURING PROCESS

32. The Applicant has advised the Proposed Monitor that it is seeking the issuance of an initial order pursuant to the provisions of the CCAA in order to facilitate the reorganization of the Debtor's affairs.

33. The Equity Investment is urgently required, as the Debtor is insolvent and the mere passage of time would render the Debtor bankrupt, as appears from the cash flow described in Section H hereof as well as to the Proposed Monitor's comment thereon.
34. However, as a result of the composition of the Debtor's board of directors and the provisions of the Shareholders' Agreement, the Debtor is unable to reach an agreement and consensus with its directors and shareholders relating to the urgently required Equity Investment.
35. It is for that reason that the Applicant, and not the Debtor, is making the Application.
36. The Applicant seeks to submit a "Plan of Compromise, Arrangement and Reorganization" (a "**Plan**") in order to reorganize the Debtor's share capital and compromise and arrange the Debtor's Affected Claims, the whole to make possible the Equity Investment and therefore prevent the liquidation of the Debtor.
37. The Applicant has advised the Proposed Monitor that the Equity Investment will be impossible to achieve prior to any Plan being approved by the Affected Creditors and sanctioned by the Court, such that interim financing would be required.
38. 9170-9402 Québec Inc. (the proposed "**DIP Lender**") is one of the holders of the Debtor's Common Shares. The DIP Lender is prepared to lend up to \$5 million to the Debtor on a revolving basis, free of any interest and fees (the "**DIP Loan**"), in order to fund the ongoing operations during the CCAA Proceedings, until the Plan has been presented to and accepted by the Affected Creditors, sanctioned by this Court and the Equity Investment completed pursuant to a "DIP Loan Term Sheet" dated February 10, 2017 (the "**DIP Loan Term Sheet**").
39. It is currently contemplated that the Equity Investment would be used to repay the DIP Loan.
40. The Debtor and the Applicant have obtained the support of TD Bank, Roynat and BDC (the "**Secured Creditors**") to maintain the current financing arrangements under similar terms or terms to be renegotiated on the basis of the implementation of the DIP Loan.

H. CASH FLOW FOR THE PERIOD ENDING MARCH 17, 2017

41. Representatives of the Debtor, with the assistance of the Proposed Monitor, have prepared the cash flow (the "**Cash Flow**") for the period ending March 17, 2017 (the "**Cash Flow Period**"). A copy of the Cash Flow is attached to this Report as **Appendix B**.

42. The Cash Flow is presented on a weekly basis during the Cash Flow Period and represents Senior Management estimates of the projected cash inflows and outflows during the Cash Flow Period. The Cash Flow has been prepared by Senior Management using probable and hypothetical assumptions set out in the notes to the Cash Flow (the “**Cash Flow Assumptions**”).
43. The Proposed Monitor has assessed the reasonableness of the Cash Flow as required by Section 23(1)(b) of the CCAA. Pursuant to this standard, the Proposed Monitor’s assessment of the Cash Flow consisted of inquiries, analytical procedures and discussion related to information supplied to it by certain key members of Senior Management and employees of the Debtor. The Proposed Monitor’s procedures with respect to the Cash Flow Assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow. The Proposed Monitor also reviewed the support provided by Senior Management for the Cash Flow Assumptions and the preparation and presentation of the Cash Flow.
44. Based on the Proposed Monitor’s review, nothing has come to its attention that causes it to doubt, in all material respects that:
 - (a) the Cash Flow Assumptions are consistent with the purpose of the Cash Flow ;
 - (b) as at the date of this Report, the Cash Flow Assumptions are suitably supported and consistent with the proposed plans for the Debtor and provide a reasonable basis for the Cash Flow given the Cash Flow Assumptions; or
 - (c) the Cash Flow reflects the Cash Flow Assumptions.
45. Senior Management’s Representation Letter with respect to the Cash Flow is attached to this Report at **Appendix C**.

46. A summary of the Cash Flow is set out in the table below and presents cash inflows, outflows and costs related to the CCAA Proceedings:

Cintre Alliance Inc. / Alliance Hanger inc.	
Projected Summary Cash Flow	
For the period February 4, 2017 to March 17, 2017	
in CAD \$000's	
Projected Cash Receipts	970
Projected Cash Disbursements	
Supplier Payments	721
Payroll and Benefits	409
Occupancy Costs	163
Operating Costs	122
Professional and Restructuring Fees	124
Interest	46
Total Disbursements	1,585
Projected Net Cash Flow	(615)
Bank indebtedness	
Opening Bank Indebtedness	(4,989)
DIP Loan Injection	3,700
Projected Net Cash Flow	(615)
Projected Closing Bank Indebtedness	(1,904)

To be read in conjunction with the attached Summary of Notes and Assumptions

47. The Proposed Monitor notes the following with respect to the Cash Flow :
- As at February 4, 2017, the amount outstanding under the Debtor's operating line was approximately \$5 million.
 - The Cash Flow assumes that during the Cash Flow Period, the Debtor will have total receipts of approximately \$1 million and total disbursements of approximately \$1.6 million, resulting in a net negative cash flow of approximately \$0.6 million.
 - The DIP Loan in the maximum amount of \$5 million proposed to be advanced pursuant to the terms of the DIP Term Sheet will be sufficient, if obtained generally on the terms contemplated by the DIP Term Sheet, to satisfy the Debtor's cash flow requirements during the Cash Flow Period.
 - During the course of the CCAA Proceedings, it is expected that the Debtor would make payments for goods and services supplied pre- and post-filing, as the Stay of Proceedings under the CCAA will only affect claims by the Affected Creditors and the Debtor's shareholders.

I. COURT ORDERED CHARGES SOUGHT IN THE PROPOSED INITIAL ORDER

48. The Proposed Initial Order provides for two charges (together, the “Charges”).

Administration Charge

49. The Proposed Initial Order provides for a priority charge on the Debtor’s assets in favor of the legal counsel to the Applicant as well as the Proposed Monitor and its legal counsel, as security for their respective fees and disbursements relating to services rendered in respect of the Applicant up to \$300,000 (the “Administration Charge”).

50. The Proposed Monitor is of the view that the Administration Charge is reasonable and appropriate in the circumstances having regard to the complexity of the proceedings, the absence of consensus between the shareholders, the anticipated work levels of the applicable professional firms and the size of similar charges in comparable cases.

DIP Lender’s Charge

51. It is proposed that advances of the DIP Loan be secured by a Court-ordered charge on all of the assets of the Debtor (the “DIP Lender Charge”). The DIP Loan Term Sheet, as drafted, requires that the DIP Lender’s Charge be granted before any advances are made thereunder.

52. Notwithstanding the Debtor’s current liquidity issues, the DIP Loan would enable the Applicant and the DIP Lender to put forth a viable plan to restructure and maintain the Debtor’s ongoing business operations, which would benefit its creditors, employees and other stakeholders.

53. Absent of a DIP Loan, the Debtor will not be able to pursue any meaningful restructuring alternative, such that no creditor will be materially prejudiced by the DIP Loan and the DIP Lender Charge.

54. Based on the facts set out above, the Proposed Monitor is of the view that the DIP Loan is necessary for the Debtor to maintain liquidity during the Cash Flow Period and, given that the DIP Lender Charge is a condition of the DIP Loan being advanced, the Proposed Monitor is of the view that the DIP Lender’s Charge is reasonable and appropriate in the circumstances.

55. The DIP Loan is beneficial to the Debtor and its stakeholders as it will allow the Debtor to continue its operations as a going concern and preserve value to the benefit of its creditors, employees and other stakeholders.

56. No creditor will be materially prejudiced as a result of the DIP Loan and the DIP Lender Charge envisaged by the Order sought herein.
57. The Applicant and the Proposed Monitor believes that it is in the best interests of the Debtor as well as that of its stakeholders, that the Debtor accepts the DIP Loan.
58. Unless the DIP Loan is extended, it is expected that the Debtor will run out of liquidities and will not be able to pursue any meaningful restructuring alternative.

Priority of Charges

59. The Proposed Initial Order provides for the following priority of the Charges:
 - (a) First – the Administration Charge; and
 - (b) Second – the DIP Lender’s Charge;
60. Under the Proposed Initial Order, the Charges will grant a charge over all of the present and future assets, property or undertaking of the Debtor. The Charges will rank after all currently existing hypothecs and security interests over any or all of the Debtor’s property in favor of the Secured Creditors, as well as any other “secured creditor” as defined by the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3.

J. PUBLICATION REQUIREMENTS

61. The Proposed Initial Order provides that the Proposed Monitor shall be dispensed from the requirement to provide notice (in newspapers or otherwise) containing the prescribed information pursuant to the CCAA to parties other than the Affected Creditors.
62. The Proposed Monitor believes that it is appropriate in the circumstances to have only the Affected Creditors receive notice of the CCAA proceedings and to make the CCAA proceedings available on its website given:
 - (a) the limited number of persons affected by the CCAA proceedings;
 - (b) the negative effect public notice (in newspapers or otherwise) of the CCAA proceedings can have on the Debtor’s relations with its creditors other than the Affected Creditors.

K. CLAIMS PROCEDURE

63. Contemporaneously with the Applicant's presentation of the Application, it will be presenting an Application for a claims procedure order (the "**Claims Procedure Application**").
64. The claims procedure contemplated by the Claims Procedure Application seeks to implement a claims process which deems that Affected Creditors have filed a proof of claim in the amount of their respective "Affected Claim Amount", as defined in the draft claims procedure order, by the claims bar date of March 3, 2017 at 5:00 p.m. Montreal time.
65. Affected Creditors who wish to assert a claim for an amount in excess of the amount of their respective "Affected Claim Amount" are to file a proof of claim for such excess amount by the claims bar date.
66. Pursuant to the Claims Procedure Application, notice of the order contemplated thereby will be sent directly to the Affected Creditors and will be available on the Proposed Monitor's website.
67. The Proposed Monitor believes that the claims procedure proposed by the Claims Procedure Application is appropriate in the circumstances having regard to the number of persons affected by such application.

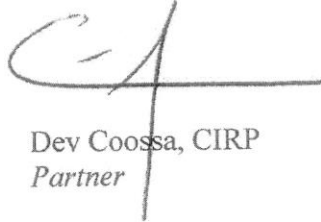
L. CONCLUSION

68. The Proposed Monitor believes that the Debtor qualifies for and should be granted the protection of the CCAA and supports the Application as being reasonable and appropriate in the circumstances.

*Pre-filing report of the proposed monitor
February 14, 2017*

All of which is respectively submitted to this Honorable Court this 14th day of February, 2017.

**KPMG Inc., in its capacity as the
Proposed Monitor of Alliance Hanger inc.**

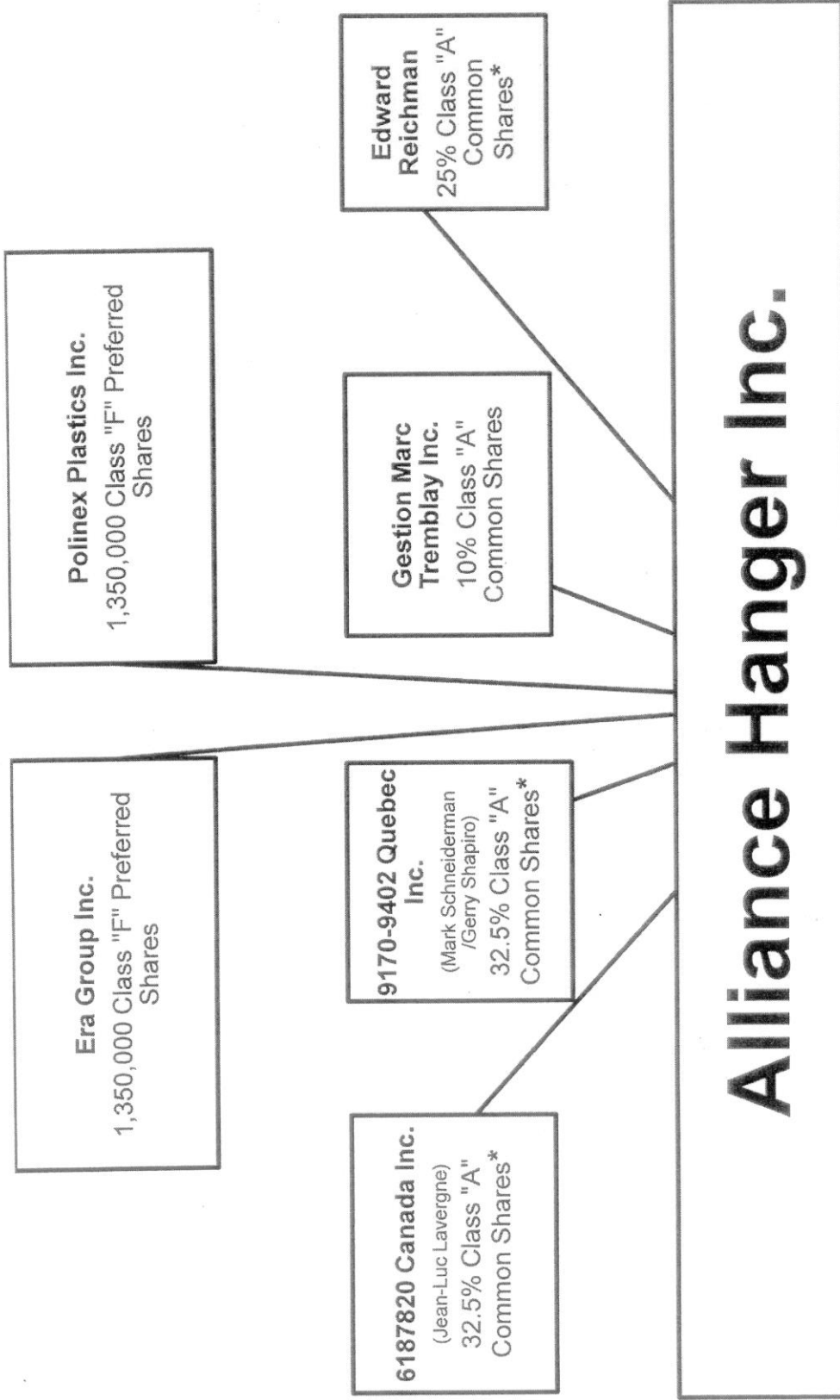
A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a vertical line that extends downwards and then curves back to the right, ending in a horizontal line.

Per: Dev Coossa, CIRP
Partner

Pre-filing report of the proposed monitor
February 14, 2017

APPENDIX A CORPORATE ORGANIZATIONAL CHART

ALLIANCE HANGER INC.
Organizational Chart



* 6187820 Canada Inc. and 9170-9402 Quebec Inc. contend that they own 40 Class "A" Common shares each and that Edward Reichman owns only 10 Class "A" Common shares. This contention is disputed by Edward Reichman.

*Pre-filing report of the proposed monitor
February 14, 2017*

APPENDIX B CASH FLOW FOR THE PERIOD ENDING MARCH 17, 2017

CANADA
 PROVINCE OF QUEBEC
 DISTRICT OF QUEBEC
 Division N°: 01 - Montréal
 Court N°: 500-11-052101-173
 Estate N°: 0000329-2017-QC

SUPERIOR COURT
 (Commercial Division)

IN THE MATTER OF THE PLAN OF COMPROMISE OR
 ARRANGEMENT OF:

CINTRE ALLIANCE INC./ALLIANCE HANGER INC., body
 politic and corporate, duly incorporated according to Law, and
 having its head office at 2500 Guénette Street, in the city of Saint-
 Laurent, province of Quebec H4R 2H2.

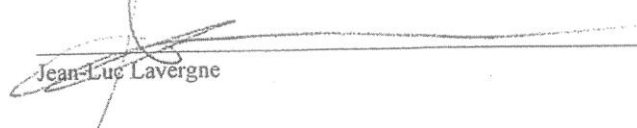
PROJECTED CASH FLOW STATEMENT

Cintre Alliance Inc. / Alliance Hanger inc. Projected Cash Flow for the period February 4, 2017 to March 17, 2017 in CAD \$000's							
Week Ending	1 10-Feb	2 17-Feb	3 24-Feb	4 3-Mar	5 10-Mar	6 17-Mar	Total 6 weeks
Projected Cash Receipts	166	166	166	166	166	139	970
Projected Cash Disbursements							
Supplier Payments	104	118	127	106	113	153	721
Payroll and Benefits	-	124	-	154	-	131	409
Occupancy Costs	81	-	36	46	-	-	163
Operating Costs	32	15	31	18	12	14	122
Professional and Restructuring Fees	25	20	23	20	18	19	124
Interest	-	8	7	22	-	8	46
Total Disbursements	241	284	225	366	143	325	1,585
Projected Net Cash Flow	(75)	(118)	(59)	(199)	23	(187)	(615)
Bank indebtedness							
Opening Bank Indebtedness	(4,989)	(1,364)	(1,482)	(1,540)	(1,740)	(1,717)	(4,989)
DIP Loan Injection	3,700	-	-	-	-	-	3,700
Projected Net Cash Flow	(75)	(118)	(59)	(199)	23	(187)	(615)
Projected Closing Bank Indebtedness	(1,364)	(1,482)	(1,540)	(1,740)	(1,717)	(1,904)	(1,904)

To be read in conjunction with the attached Summary of Notes and Assumptions

Dated at Montreal, this 10th day of February, 2017.

CINTRE ALLIANCE INC./ALLIANCE HANGER INC.


 Jean-Luc Lavergne

Cintre Alliance Inc./Alliance Hanger inc.
Projected Cash Flow
Summary of Notes and Assumptions

1. The Cash Flow Projections (the “Cash Flow”) assumes that Cintre Alliance Inc./Alliance Hanger inc. (the “Debtor”) will obtain protection under the CCAA pursuant to the Application notified/served by one of the Debtor’s Creditors (ERA Group inc.) on February 10, 2017. The Cash Flow has been prepared solely for the purpose of projecting cash receipts and disbursements of the Debtor during the CCAA proceedings. The Cash Flow is presented on a weekly basis for the period February 4, 2017 to March 17, 2017 (the “Cash Flow Period”).
2. The Cash Flow has been prepared primarily based on historical trends and Debtor’s management current forecast expectations. The actual timing and amount of receipts and disbursements may vary from the Cash Flow and the variances may be material.
3. The Cash Flow is presented in thousands of Canadian dollars.
4. As at February 4, 2017, the amount outstanding under the Debtor’s operating line of credit was \$4.78 million, net of outstanding cheques and wires of \$217 thousand.
5. The Debtor’s funding requirements will be supported by 9170-9402 Québec inc. under an interim financing facility.
6. Collections are based on historical and projected sales and are assumed to be collected in accordance with the Debtor’s existing terms, as well as past practice.
7. The payments to suppliers are based on projected purchases and are assumed to be paid in accordance with the Debtor’s existing terms, as well as past practice.
8. Payroll and Benefits relate to the Company’s sales and administrative employees and include the necessary remittances and fringe benefits.
9. Occupancy Costs include rent payments for the leased premises, as well as utility costs.
10. Operating Costs include insurance, supplies, office expenses, delivery, freight, advertising, and other miscellaneous operating expenses.
11. Restructuring fees include payments to the Company’s legal counsel and other advisors, the Monitor and its counsel.

Pre-filing report of the proposed monitor
February 14, 2017

**APPENDIX C MANAGEMENT'S REPRESENTATION LETTER ON THE
CASH FLOW**

QUEBEC
SUPERIOR COURT
(COMMERCIAL DIVISION)

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
CINTRE ALLIANCE INC./ALLIANCE HANGER INC. (THE "DEBTOR") on the
application of ERA GROUP INC. (THE "CREDITOR" OR THE "APPLICANT")

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT (paragraph 10(2)(b) of the
CCAA)

The Management of the Debtor have developed the assumptions and prepared the attached statement of projected cash flows as of the 10th day of February, 2017 for the period from February 4, 2017 to March 17, 2017 (the "Cash Flow").

The hypothetical assumptions are reasonable and consistent with the purpose of the projections described in the notes to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Debtor and provide a reasonable basis for the projections. All such assumptions are disclosed in in the notes to the Cash Flow.

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 in Note 1 using the probable and hypothetical assumptions set out in Notes 2 to 11. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Montreal this 10th day of February, 2017.


Name: Jean-Luc Lavergne

Title: Director

CINTRE ALLIANCE INC./ALLIANCE HANGER INC.