

C A N A D A

PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

N° : 500-11-057570-190

**SUPERIOR COURT**  
(Commercial Division)

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

**9348069 CANADA INC.**

-and-

**4295862 CANADA INC.**

-and-

**3441890 CANADA INC. (FORMERLY MOTOVAN  
CORPORATION)**

-and-

**MONCY HOLDING COMPANY INC.**

-and-

**MONCY FINANCIAL SERVICES COMPANY INC.**

-and-

**NICHOLS MOTORCYCLE SUPPLY INC.**

-and-

**MONCY LLC**

-and-

**MOTORCYCLE TIRES & ACCESSORIES LLC (“MTA”)**

*CCAA Parties*

- and-

**KPMG INC.**

*Monitor*

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## **SIXTH REPORT OF THE MONITOR**

*(Companies' Creditors Arrangement Act, R.S.C. 1985, C. C-36, As Amended)*

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JANUARY 26, 2021

**CONTENTS**

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A. Introduction and Purpose of the Monitor’s Sixth Report.....3

B. Restrictions and Scope Limitations.....5

C. Monitor’s Activities since the Fifth Monitor’s Report.....6

D. CCAA Parties’ Restructuring Efforts since the Fifth Monitor’s Report .....6

E. Cash Flow Results relative to Forecasts.....7

F. Motovan Cash Flow .....8

G. Monitor’s Assessment of the Motovan Cash Flow .....9

H. Request for an Extension of the Stay Period.....9

I. The Monitor’s Recommendations.....10

**APPENDICES**

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None

## **A. INTRODUCTION AND PURPOSE OF THE MONITOR'S SIXTH REPORT**

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1. On November 28, 2019, 9348069 Canada inc., 4295862 Canada inc. and 3441890 Canada inc. (formerly Motovan Corporation) (collectively "**Motovan**", or the "**CCAA Parties**") filed an application before the Quebec Superior Court, Commercial Division (the "**Court**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").
2. On November 28, 2019, KPMG Inc., in its then capacity as proposed monitor, provided the Court with a pre-filing report dated November 29, 2019 (the "**Pre-Filing Report**") in connection with the CCAA Parties' application seeking, *inter alia*, the issuance of an Initial Order granting the CCAA Parties protection under the CCAA and the granting of certain priority charges, namely an administration charge and a directors and officers' charge (the "**Proposed Initial Order**").
3. On December 2<sup>nd</sup>, 2019, the Court granted an initial order which provides for, among other things, the appointment of KPMG Inc. as monitor of the CCAA Parties (in such capacity, the "**Monitor**") in these CCAA proceedings (the "**CCAA Proceedings**") and a stay of proceedings until December 12, 2019, or such later date as the Court may order against the CCAA Parties (the "**Initial Order**").
4. On December 9, 2019, the CCAA Parties filed a motion (I) for an order extending the stay period, (II) to amend the initial order and (III) for the approval of a sale and investment solicitation process (the "**SISP**").
5. On December 12, 2019, the Court granted the Amended and Restated Initial Order (the "**Amended and Restated Initial Order**") and the Order approving the SISP and extending the stay period up to January 31, 2020 (the "**First Extension/SISP Order**").
6. On December 20, 2019, the Monitor, in its capacity as foreign representative, obtained provisional relief, and on January 23, 2020, obtained final relief under Chapter 15 of the Bankruptcy Code for recognition of the CCAA Proceedings by the United States Bankruptcy Court for the District of Delaware (the "**US Court**").
7. On January 29, 2020, the CCAA Parties filed a motion seeking an extension of the stay period (the "**Second Extension Motion**").
8. On January 31, 2020, the Court granted an order extending the stay period up to May 15, 2020 (the "**Second Extension Order**").
9. On February 12, 2020, the CCAA Parties filed a Motion seeking approval of the GCBI Revised Offer (as defined hereinafter) and the issuance of an Approval and Vesting Order (the "**AVO Motion**").
10. On February 19, 2020, the Court granted the AVO Motion and issued an approval and vesting order (the "**Approval and Vesting Order**").

11. Motovan and Gestion Claude Bigras Inc. (“**GCBI**”), which is now operating under Motovan Inc. (the “**Purchaser**”), executed the assets purchase agreement (the “**APA**”) on February 28, 2020, and on the same day, the Monitor signed the Monitor’s certificate which was filed with the Court on the following business day March 2<sup>nd</sup>, 2020, the whole in accordance with the Approval and Vesting Order.
12. On May 11, 2020, the CCAA Parties filed a motion (I) for an order extending the stay period (the “**Third Extending Order**”), (II) to amend the initial order (the “**Re-Amended and Restated Initial Order**”) and (III) for the issuance of a distribution order (the “**Distribution Order**”).
13. On May 15, 2020, the Court granted the Extending, Amending and Distribution Motion and issued the Extending Order, the Re-Amended and Restated Initial Order and the Distribution Order.
14. On November 11, 2020, the CCAA Parties filed a motion (I) for an order extending the stay period (the “**Fourth Extending Order**”), (II) to amend the Re-Amended and Restated Initial Order (the “**Second Re-Amended and Restated Initial Order**”) and (III) for the issuance of a distribution order (the “**Second Distribution Order**”).
15. On November 16, 2020, the Court granted the Fourth Extending Order, the Second Re-Amending and Restated Initial Order and the Second Distribution Order.
16. On January 26, 2021, the CCAA Parties filed a motion (the “**Motion**”) (I) for an order extending the stay period (the “**Fifth Extending Order**”).
17. The purpose of this report (the “**Report**”) is to provide the following information to this Court:
  - a) The terms and reference and disclaimer for the Report (section **B**);
  - b) The Monitor’s activities since the Fifth Monitor’s Report (section **C**);
  - c) The CCAA Parties’ restructuring efforts since the Fifth Monitor’s Report (section **D**)
  - d) Motovan and actual receipts and disbursements for the 12-week period that ended January 24, 2021, as compared to the corresponding period reflected in the cash flow projections of Motovan (the “**Motovan Cash Flow Forecast**”) previously filed as part of the Fifth Report of the Monitor (section **E**);
  - e) Overview of cash flow projections for Motovan (the “**Motovan Cash Flow**”) for the 4-month and 1-week period from January 25, 2021, to May 31<sup>st</sup>, 2021 (the “**Cash Flow Period**”) (section **F**);
  - f) The Monitor’s assessment of the Motovan Cash Flow (section **G**);
  - g) Extension of the Stay Period (section **H**); and
  - h) The Monitor’s observations regarding the Motion (section **I**).
18. This Report of the Monitor should be read in conjunction with the Pre-filing Report of the Monitor and all previous reports of the Monitor, which include additional information which has not been duplicated herein.

## **B. RESTRICTIONS AND SCOPE LIMITATIONS**

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19. In preparing this Report, the Monitor has relied upon unaudited financial information, books, records and discussions that were prepared and provided by certain senior management of the CCAA Parties ("**Senior Management**") and by other parties, including the Purchaser, (the "**Information**") initially and throughout this file. The remaining assets are being administered by the Monitor in accordance with the Second Re-Amended and Restated Initial Order. That being said, the Information is still being relied upon by the Monitor to the extent necessary. As such, except as further described in this Report:
- a) The Information on which the Monitor may rely upon has been reviewed by the Monitor 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* and accordingly, the 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.
20. Future oriented financial information referred to in this Report was prepared based on the Information provided by the Senior Management and the Monitor's best 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.
21. The information contained in this Report is not intended to be relied upon by any purchaser or investor in any previous transaction with the CCAA Parties.
22. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars, which is the CCAA Parties' common Reporting currency.
23. This Report of the Monitor does not consider all future impacts of the COVID-19 pandemic on the CCAA Parties' projections and future-oriented financial information and action plans either taken or considered by the CCAA Parties as a result of the evolving circumstances caused by the COVID-19 pandemic. Any reference made to the impact of the pandemic on the CCAA Parties in this Report of the Monitor is based entirely on preliminary discussions and are not to be interpreted as an exhaustive and/or accurate assessment of the full impact of the COVID-19 pandemic. The full potential impact of the COVID-19 pandemic on the CCAA Parties' stakeholders is unknown, cannot be quantified at this time and is continuing to evolve.

## **C. MONITOR'S ACTIVITIES SINCE THE FIFTH MONITOR'S REPORT**

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24. Since the issuance of the Fifth Monitor's Report, the Monitor has, *inter alia*:

### **General**

- a) Posted on the Monitor's websites [www.kpmg.com/ca/motovan](http://www.kpmg.com/ca/motovan) and [www.kpmg.com/ca/motovan-fr](http://www.kpmg.com/ca/motovan-fr) (the "**Website**"):
  - i. The motion (I) for an order extending the stay period, (II) to amend the Re-Amended and Restated Initial Order and (III) for the issuance of a distribution order;
  - ii. The following orders: Fourth Extending Order; Second Re-Amended and Restated Initial Order; and Second Distribution Order.
  - iii. The Fifth Report of the Monitor; and
- b) Responded to telephone calls, emails and inquiries and addressed concerns from creditors and other stakeholders and their financial and legal advisors regarding the effect of the CCAA Proceedings;
- c) Prepared and provided to BMO and Richter updates, as requested by them; and
- d) In accordance with the Second Distribution Order and the distribution table in the Fifth Report of the Monitor, made the distribution to BMO in the amount of \$385,500 and executed payments to ALB Group, Motovan Inc. and to the professionals in accordance with the Cash Flow Forecast.

### **Status of the refunds of customs duties**

- e) In accordance with the powers granted to the Monitor in the Second Re-Amended and Restated Initial Order, managed, with the assistance of ALB Group ("**ALB**"), a company that specialize in customs duty reduction and recovery services, the claims and the collection process with regards to potentials refunds of overpaid customs duties (the "**Duties Refunds**"):
  - i. The Monitor has claimed for refunds over \$291,000 to the Canada Border Services Agency ("**CBSA**") and is expected to receive the refund during the Cash Flow Period; and
  - ii. The Monitor is awaiting approval from the CBSA for an additional amount of approximately \$49,000 which payment should also be received during the Cash Flow Period.

## **D. CCAA PARTIES' RESTRUCTURING EFFORTS SINCE THE FIFTH MONITOR'S REPORT**

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### **Motovan**

25. Motovan has no more employees and assets, with the exception of the customs duties refunds which process is under the power of the Monitor, in accordance with the Second Re-Amended and Restated Initial Order.

**MTA**

26. MTA is no longer in operation as it has no more employees and assets.

**E. CASH FLOW RESULTS RELATIVE TO FORECASTS**

**Motovan**

27. The following table summarizes the cash receipts and disbursements for the 12-week ended January 24, 2021, as compared to the Motovan Cash Flow Forecast:

3441890 Canada Inc. (formerly Motovan Corporation) Cash flow Forecast - Extension period For the period November 2nd, 2020 to January 24, 2021		Actual	Forecast	Variance	
				\$	%
<b>(in CAD \$)</b>					
<b>RECEIPTS</b>					
Collections from recovery of custom duties	-	343 508	(343 508)	-100%	
Other collections	8 307	-	8 307		
<b>Total receipts</b>	<b>8 307</b>	<b>343 508</b>	<b>(335 201)</b>	<b>-98%</b>	
<b>DISBURSEMENTS</b>					
<b>Operating Disbursements</b>					
Consulting fee - Custom duties (incl Tax)	(241 429)	(362 000)	120 571	-33%	
Motovan Inc. - Assistance in custom duties recovery (incl Tax)	(28 744)	(29 000)	256	-1%	
Insurance (D&O)	(9 069)	(10 000)	931	-9%	
Contingency	(75)	(10 000)	9 925	-99%	
<b>Total Operating Disbursements</b>	<b>(279 316)</b>	<b>(411 000)</b>	<b>131 684</b>	<b>-32%</b>	
<b>Professional Fee Disbursements</b>					
Professional Fees - Monitor (incl Tax)	(30 710)	(40 000)	9 290	-23%	
Professional Fees - Other professionals (incl Tax)	(124 092)	(125 000)	908	-1%	
<b>Total Professional Fee Disbursements</b>	<b>(154 802)</b>	<b>(165 000)</b>	<b>10 198</b>	<b>-6%</b>	
<b>Total Disbursements</b>	<b>(434 118)</b>	<b>(576 000)</b>	<b>141 882</b>	<b>-25%</b>	
<b>Net cash flow</b>	<b>(425 812)</b>	<b>(232 492)</b>	<b>(193 320)</b>	<b>83%</b>	
<b>Opening net bank indebtedness</b>	<b>(5 032 752)</b>	<b>(5 032 752)</b>	<b>-</b>	<b>0%</b>	
Net cash flow	(425 812)	(232 492)	(193 320)	83%	
<b>Ending net bank indebtedness</b>	<b>(5 458 564)</b>	<b>(5 265 244)</b>	<b>(193 320)</b>	<b>4%</b>	

28. As at January 24, 2021, Motovan's net closing bank indebtedness was approximately of \$5,459,000, which represents an unfavorable difference of \$193,000 compared to the Motovan Cash Flow Forecast.

29. The negative net cash flow during the period was approximately \$193,000 higher than projected. The primary reasons for the favorable net cash flow variance are summarized below:

- a) Total cash receipts during the period were approximately \$335,000 lower than forecasted. The Monitor is of the view that this difference is due to timing as the Monitor is expecting to collect Duties Refunds of \$342,000 during the Cash Flow Period; and
- b) Total cash disbursements during the period were approximately \$142,000 lower than forecasted mainly due to timing difference, especially with regards to the payment of fees of the agent in charge of filing the claims with regards to the Duties Refunds.

**MTA**

30. As reported to the Court in the Fifth Report of the Monitor, MTA is no longer in operation and didn't have cash inflows and cash outflows. No cash flow projection was prepared.

**F. MOTOVAN CASH FLOW**

**Motovan**

31. The following table summarizes the Motovan Cash Flow which covers the Cash Flow Period:

3441890 Canada Inc. (formerly Motovan Corporation) Cash flow Forecast - Extension period For the period January 10, 2021 to May 31, 2021						TOTAL
Month	January	February	March	April	May	
Starting	2021-01-25	2021-02-01	2021-03-01	2021-04-01	2021-05-01	
Ending	2021-01-31	2021-02-28	2021-03-31	2021-04-30	2021-05-31	
(in CAD \$)						
<b>RECEIPTS</b>						
Collections from recovery of custom duties	-	-	291 724	-	50 000	341 724
Other collections	7 000	-	-	-	-	7 000
<b>Total receipts</b>	<b>7 000</b>	<b>-</b>	<b>291 724</b>	<b>-</b>	<b>50 000</b>	<b>348 724</b>
<b>DISBURSEMENTS</b>						
<b>Operating Disbursements</b>						
Consulting fee - Custom duties (incl Tax)	-	-	(101 000)	-	(17 000)	(118 000)
Insurance (D&O)	-	(15 000)	-	-	-	(15 000)
Contingency	(2 000)	(2 000)	(2 000)	(2 000)	(2 000)	(10 000)
<b>Total Operating Disbursements</b>	<b>(2 000)</b>	<b>(17 000)</b>	<b>(103 000)</b>	<b>(2 000)</b>	<b>(19 000)</b>	<b>(143 000)</b>
<b>Professional Fee Disbursements</b>						
Professional Fees - Monitor (incl Tax)	-	(15 000)	(5 000)	(5 000)	(15 000)	(40 000)
Professional Fees - Other professionals (incl Tax)	(6 000)	(37 500)	(2 500)	(2 500)	(37 500)	(86 000)
<b>Total Professional Fee Disbursements</b>	<b>(6 000)</b>	<b>(52 500)</b>	<b>(7 500)</b>	<b>(7 500)</b>	<b>(52 500)</b>	<b>(126 000)</b>
<b>Total Disbursements</b>	<b>(8 000)</b>	<b>(69 500)</b>	<b>(110 500)</b>	<b>(9 500)</b>	<b>(71 500)</b>	<b>(269 000)</b>
<b>Net cash flow</b>	<b>(1 000)</b>	<b>(69 500)</b>	<b>181 224</b>	<b>(9 500)</b>	<b>(21 500)</b>	<b>79 724</b>
<b>Opening net bank indebtedness</b>	<b>(5 458 508)</b>	<b>(5 459 508)</b>	<b>(5 529 008)</b>	<b>(5 347 784)</b>	<b>(5 357 284)</b>	<b>(5 458 508)</b>
Net cash flow	(1 000)	(69 500)	181 224	(9 500)	(21 500)	79 724
<b>Ending net bank indebtedness</b>	<b>(5 459 508)</b>	<b>(5 529 008)</b>	<b>(5 347 784)</b>	<b>(5 357 284)</b>	<b>(5 378 784)</b>	<b>(5 378 784)</b>

32. With respect to the Motovan Cash Flow:

- a) Motovan had an opening net bank indebtedness balance of \$5,459,000 at the beginning of the Cash Flow Period.
- b) During the Cash Flow Period, Motovan forecasts to generate aggregate cash inflows of approximately \$349,000, consisting mostly of cash receipts from Duties Refunds;
- c) During the Cash Flow Period, Motovan forecasts to incur cash outflows of approximately \$269,000, which mainly includes the followings:
  - i. Commission to ALB of \$118,000, (incl. GST/QST) to be paid on the receipt of the Duties Refunds; and
  - ii. Payment to professionals that amounts to \$126,000, (incl. GST/QST).
- d) At the end of the Cash Flow, Motovan projects a net bank indebtedness balance of \$5,379,000.



33. Subject to the continued support of their operating lenders, BMO as agent and the lenders, the Motovan Cash Flow reflect that Motovan is projected to have sufficient cash flow to operate in the normal course during the extended Stay Period. BMO has confirmed to the Monitor that it does not have any objections to the Motovan Cash Flow.

#### **MTA**

34. MTA is no longer in operation and should not have or should only have a very limited cash inflows and/or cash outflows. Therefore, no cash flow projection was prepared.

### **G. MONITOR'S ASSESSMENT OF THE MOTOVAN CASH FLOW**

35. The Monitor has prepared the Motovan Cash Flow based on its inquiries and analytical procedures of the current financial position of the CCAA Parties, which may also be partly based on Information previously provided. The Monitor's procedures with respect to the assumptions considered in the Motovan Cash Flow (the "**Cash Flow Assumptions**") were limited, when based on Information, to evaluating whether they were consistent with the purpose of the Motovan Cash Flow.
36. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in any material respect that:
- a) The Cash Flow Assumptions are not consistent with the purpose of the Motovan Cash Flow;
  - b) As at the date of this Report, the Cash Flow Assumptions are not suitably supported or do not provide a reasonable basis for the Motovan Cash Flow given the Cash Flow Assumptions; or that
  - c) The Motovan Cash Flow does not reflect the Cash Flow Assumptions.

### **H. REQUEST FOR AN EXTENSION OF THE STAY PERIOD**

37. The stay period pursuant to the Fourth Extension Order expires on February 1<sup>st</sup>, 2021. The CCAA Parties are seeking an extension of the Stay Period until June 1<sup>st</sup>, 2021.
38. The Monitor supports the CCAA Parties' Motion to extend the Stay Period to **June 1<sup>st</sup>, 2021**, for the following reasons:
- a) The Monitor requires additional time to collect potentially approximately \$340,000 in Duties Refunds. Per ALB, this process should take up to end of May 2021; and
  - b) With the support of their operational lender, BMO, Motovan has sufficient liquidity to continue their current operations on a going concern basis during the extended Stay Period.

## **I. THE MONITOR'S RECOMMENDATIONS**

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39. The Monitor respectfully submits that the orders sought pursuant to the Motion should be granted as such orders are necessary to maximize the realization of Motovan's remaining assets and bring the present CCAA Proceedings to completion.

40. The Monitor confirms that:

- a) The CCAA Parties have acted and are continuing to act in good faith with due diligence; and,
- b) If the Extension of the Stay Period as sought by CCAA Parties is granted by the Court, the present CCAA proceedings will be continued with a view to finalize the efforts to maximise the realization of the assets of Motovan and to bring the present matter to completion .

All of which is respectively submitted to this Honourable Court this 26<sup>th</sup> day of January 2021.

### **KPMG INC.**

in its capacity as the Monitor of  
9348069 Canada Inc.;  
4295862 Canada Inc.;  
3441890 Canada inc. (Formerly Motovan Corporation);  
Moncy Holding Company Inc.;  
Moncy Financial Services Company Inc.;  
Nichols Motorcycle Supply Inc.;  
Moncy LLC &  
Motorcycle Tires and Accessories LLC.



Per: Maxime Codere, CPA, CA, CIRP, LIT  
Partner