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 DEL EQUIPMENT INC. (THE "APPLICANT")

PRE-FILING REPORT OF THE PROPOSED MONITOR MNP LTD.

OCTOBER 21, 2019

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Exhibits

INTRODUCTION

1. MNP Ltd. ("**MNP**" or the "**Proposed Monitor**") understands that DEL Equipment Inc., ("**DEL**" or the "**Company**" or the "**Applicant**") intends to bring an application before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") seeking certain relief (the "**Initial Order**") under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**") granting, among other things, a stay of proceedings until November 21, 2019 and appointing MNP as Monitor. The proceedings to be commenced by the Company under the CCAA will be referred to herein as the "**CCAA Proceedings**".

2. This report (the "**Pre-Filing 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 on the Company's initial hearing seeking protection pursuant to the CCAA.

PURPOSE

3. The purpose of the Pre-Filing Report is to provide information to the Court regarding the following:

   (a) MNP's qualifications to act as Monitor (if appointed);

   (b) General background to the proposed CCAA Proceedings and the Company;

   (c) DEL's 13-week cash flow forecast;

   (d) The proposed Sale Process (defined below);

   (e) The proposed debtor-in-possession (the "**DIP Facility**") financing facility in the maximum principal amount of $1 million to be made available to the Company by Diesel Equipment Limited ("**Diesel**" or the "**DIP Lender**", as usage dictates), pursuant to a DIP term sheet to be executed on or about October 21, 2019 (the "**DIP Term Sheet**");

(f) The proposed Initial Order, including the proposed Court-ordered charges; and

(g) The Proposed Monitor's recommendations.

TERMS OF REFERENCE

4. In preparing this Pre-Filing Report, MNP has necessarily relied upon the Lucky Affidavit (defined below), the unaudited financial statements and other information supplied, and representations made, by certain management of the Company ("**Management**") and SRA (defined below). Although the Proposed Monitor has reviewed the information for reasonableness, MNP has not conducted an audit or otherwise attempted to verify the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook. Accordingly, MNP expresses no opinion and does not provide any other form of assurance on or relating to the accuracy of any information contained in this Pre-Filing Report, or otherwise used to prepare this Report.

5. MNP also bases its report on the Company's cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Cash Flow Statement) (the "**Professional Standards**"). Certain of the information referred to in this Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future oriented financial

information referred to in this Report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

6. Capitalized terms not defined in this Report are used as defined in the affidavit of Douglas Lucky sworn October 20, 2019 (the **"Lucky Affidavit"**) filed in support of the Applicant's' application for relief under the CCAA.

7. Unless otherwise stated, all monetary amounts contained in this Pre-Filing Report are expressed in Canadian dollars.

MNP'S QUALIFICATION TO ACT AS MONITOR

8. The proposed Initial Order contemplates that MNP will be appointed as Monitor of the Company in the CCAA Proceedings.

9. MNP is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) (the **"BIA"**). MNP is not the auditor of the Applicant. MNP is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

10. MNP first became involved with DEL in August 2019 and was engaged by the Company on October 7, 2019, to assist the Company to prepare for a potential CCAA filing. In preparation for its potential appointment as Monitor, MNP has spent time with Management reviewing and familiarizing itself with the Company's issues, its financial affairs and the concerns and interests of the Company's various stakeholders. MNP has reviewed certain of the Company's books and records, all of which appear to have been

made fully available to MNP, as necessary, in order to obtain a sufficient level of understanding of DEL's business, including its operations, assets and obligations for MNP to fulfill its mandate. This mandate also included consultation with the Company's legal advisors and MNP's independent legal advisors. MNP is, therefore, in a position to immediately assist the Company in their CCAA proceedings.

11. MNP is an independent national professional services firm providing among other things, bankruptcy, insolvency and restructuring services. The senior MNP professional 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 in Canada, all of whom have acted in CCAA or BIA matters of a similar nature, business type and scale in Canada.
12. MNP has consented to act as Monitor of the Applicant should the Court grant the Company's request to commence the CCAA Proceedings.
13. The Proposed Monitor has retained Goldman Sloan Nash & Haber LLP to act as its independent legal counsel.

GENERAL BACKGROUND TO THE PROPOSED CCAA PROCEEDINGS

14. This Pre-Filing report should be read in conjunction with the Lucky Affidavit.
15. As set out in the Lucky Affidavit, headquartered in Newmarket, Ontario, DEL is a private corporation incorporated under the laws of Ontario and is a Canadian truck body and equipment "up-fitter" that engineers, designs, manufactures and sells special truck bodies, attachments, equipment and work-ready vehicles through its nation-wide distribution network. It is an authorized "chassis-holder" for several original equipment manufacturer partners.

DEL's products serve the requirements of utility service providers, municipalities, construction companies and landscapers.

16. The shares of DEL are held by Diesel, a corporation controlled by Paul Martin, the current secretary and sole director of DEL. A corporate chart of the Company and related entities is attached hereto as Exhibit **"A"**.

17. DEL employs approximately 174 people, including hourly and salaried employees, located in Vancouver, Calgary, Edmonton, Newmarket, Montreal and Moncton. Five of the six operating facilities (the "**Real Property**") are owned by Diesel; the Newmarket location is subleased from Gin-Cor Industries Inc. ("**Gin-Cor**"). DEL's employees participate in one of two multi-employer defined contribution pension plans (one for salaried employees and the other for hourly employees) administered by Sun Life Financial Canada. None of DEL's employees are unionized.

18. In June 2017, DEL entered into an agreement (the "**Gin-Cor Transaction**") with Gin-Cor, a company that operates in the same industry sector as DEL, pursuant to which Gin-Cor would acquire a 40% equity interest in and management control of DEL. MNP understands that the purpose of the Gin-Cor Transaction was intended to:
    (a) enhance DEL's performance, largely through creating efficiencies through synergies; and
    (b) serve as a potential succession plan for the ownership group, with Gin-Cor eventually being able to earn 100% equity interest upon DEL achieving certain profitability related milestones.

19. DEL did not achieve the improvement in its performance arising from anticipated synergies. Conversely, DEL suffered declining financial results after entering into the Gin-Cor Transaction, as demonstrated by the following table:

Currency: CAD 000'	YTD19*	FY18	FY17	FY16	FY15	FY14
Revenue	23,465	39,970	52,294	41,276	45,003	43,013
Cost of Goods Sold	20,593	40,094	46,483	36,599	39,489	37,431
Gross Profit	2,872	(125)	5,811	4,677	5,514	5,581
Operating expense	4,167	6,230	7,836	7,052	5,397	8,132
EBITDA	(1,295)	(6,355)	(2,026)	(2,375)	118	(2,551)
Gross Profit %	**12%**	**0%**	**11%**	**11%**	**12%**	**13%**
EBITDA %	**-6%**	**-16%**	**-4%**	**-6%**	**0%**	**-6%**

* YTD19 represents 6 months ended June 2019. Financial year ends on December 31.

20. In July 2019, Gin-Cor and Diesel agreed to terminate the Gin-Cor Transaction, resulting in Diesel becoming again the sole shareholder and reassuming management of DEL's business.

21. Diesel is also DEL's senior secured creditor as a result of having taken an assignment of DEL's secured creditor facility from Bank of Montreal. Approximately $11.5 million is owing to Diesel under the Secured Credit Agreement. Should the Court appoint MNP as Monitor, a security opinion will be obtained regarding the above.

<u>Causes of DEL's Financial Difficulties and Insolvency</u>

22. As reported in the Lucky Affidavit, DEL is insolvent. DEL's financial difficulties and insolvency are attributable to:

(a) An increasing cost base that was too high for the size of DEL's business;

(b) Certain of DEL's branches were underperforming;

(c) Certain of DEL's product offering was unprofitable;

(d) Pressure on DEL's liquidity arising from:

i. suppliers requiring compressed payment terms; and

ii. The August 2019 misdirected payment by Mack Defense to Gin-Cor in the amount of $874,107, which payment was meant to be paid to DEL on account of a series of DEL invoices issued on or around June 6, 2019. The misdirected payment has given rise to a dispute among Mack Defense, Gin-Cor and DEL. This dispute, which is ongoing, has contributed to DEL's liquidity crunch. To date, MNP has not been directly involved in any matters or correspondence relating to this dispute.

The Proposed Monitor has not independently verified the causes of DEL's insolvency.

23. In August 2019, the Company and its advisors undertook a rapid business assessment and identified and, in certain instances, implemented changes that have addressed certain of the financial challenges. Nonetheless, the Company has been unable to resolve its financial and operations challenges.

24. As noted in the Lucky Affidavit, the primary purpose of the CCAA Proceedings is to provide DEL with an opportunity to undertake a sale and investment solicitation process (the "**Sale Process**") to identify and assess the strategic alternatives available to it to maximize the value of its business for its stakeholders. The stay of proceedings is necessary to maintain the stability and value of DEL's business while such actions are undertaken.

25. Additional information in respect of the Company, including its assets and liabilities, is set out in the Lucky Affidavit. MNP has not repeated such details in this Report.

Engagement of Chief Restructuring Officer and MNP

26. As discussed in the Lucky Affidavit, 2255987 Ontario Limited o/a Strategic Results Advisors ("**SRA**") was retained by DEL on July 23, 2019, to provide restructuring and turnaround advisory services to the Company. Douglas Lucky ("**Lucky**") is the principal of SRA and was previously employed as the Chief Executive Office and Chief Operating Officer of DEL Equipment Limited[1] from April 2013 to November 2017.

27. Soon after SRA's retention in July 2019, DEL completed a rapid business assessment and created a restructuring and recovery plan. Certain of the measures have been implemented, including the closure of DEL's Regina branch, a reduction in head office expenses and process improvements designed to improve profitability and liquidity. The restructuring and recovery plan has not been fully implemented.

28. On October 18, 2019, DEL entered into an engagement letter with SRA wherein SRA is to provide the services of Lucky to act as DEL's advisor and/or Chief Restructuring Officer (the "**CRO**") with full authority to oversee and exercise decision making authority in respect of all restructuring matters concerning DEL, subject to the approval of DEL's sole director where necessary. With the assistance of its advisors and given the ongoing financial challenges facing DEL and SRA's familiarity with DEL's business, DEL concluded that it was in the best interest of the Company and its stakeholders to commence the CCAA Proceedings with Lucky acting as its CRO.

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[1] On April 30, 2018, pursuant to an asset purchase agreement, DEL completed an acquisition of a business through the purchase of certain of the net assets of Del Equipment Limited, a related party.

29. The CRO's engagement letter contemplates payment of a monthly work fee of $25,000, reimbursement of reasonable expenses, and a $100,000 success fee payable upon completion of a restructuring transaction.

30. The Initial Order provides certain protection typically afforded to CRO's in CCAA proceedings with respect to liabilities or obligations incurred as a result of this engagement save and except for any gross negligence or willful misconduct on the part of the CRO.

31. Based on the forgoing, the Proposed Monitor considers the relief sought in the Initial Order relating to the CRO's remuneration and limitation of liability is reasonable and appropriate in the circumstances, and consistent with other CCAA proceedings.

SALE PROCESS

32. These proceedings contemplate that, subject to Court approval, DEL will carry out the Sale Process, under the supervision of the Monitor, to seek to identify a potential going-concern sale of the Company's assets and business or restructuring that would maximize the value of DEL's assets or business for the benefit of the Company and its stakeholders.

33. The terms of the Sale Process were developed with the assistance of the CRO and in consultation with the Proposed Monitor and the Company's legal and financial advisors, and is summarized below:

	Event	Expected Timing
1	Publish notice of the Sale Process in the National Edition of the *Globe & Mail* Newspaper, *Insolvency Insider*, if possible, and other industry trade journals, as DEL shall elect	By no later than November 5, 2019
2	Contact parties that were either previously contacted or identified as Interested Parties	By no later than November 5, 2019

3	Distribute Teaser document to those identified as Interested Parties	By no later than November 5, 2019
4	Confidentiality Agreement distributed to Interested Parties	Commencing by no later than November 5, 2019
5	Confidential Information Memorandum and data room access provided to Prospective Offerors after receipt of signed Confidentiality Agreement	Commencing November 5, 2019
6	Due diligence, site tours and access to management	Commencing November 6, 2019 to Non-Binding EOI Deadline
7	Deadline for Submissions of initial non-binding expressions of interest ("**EOI**")	December 6, 2019 ("**Non-Binding EOI Bid Deadline**")
8	Selection from parties that submitted an EOI by the Non-Binding EOI Bid Deadline those parties invited to enter into the second phase ("**Phase 2 Parties**") of the Sale Process	Mid-December 2019
8	Deadline for submission of bids ("**Binding Bid**") by Phase 2 Parties, with the Binding Bids to, *inter alia*, contain a blackline to the form of transaction	January 31, 2020 (5:00 PM Toronto time)

9	Negotiation/Selection	Following the Binding Bid Deadline, the Company may, in consultation with the Monitor, determine to continue negotiations with a selected number of bidders that have submitted Binding Bids with a view of selecting one or more non-overlapping Binding Bids as the successful Bids (the "**Successful Bids**"), and take such steps as necessary to finalize and consummate the Successful Bids.
10	Court motion to approve Successful Bid	As soon as reasonably possible following selection of Successful Bids
11	Complete transaction	As soon as reasonably possible following Court approval

34. The Proposed Monitor notes that the DIP Facility contemplates milestones of Court approval of a Successful Bid by February 29, 2020, and that any Successful Bid be closed by March 31, 2020.

35. The Sale Process also contemplates:

(a) Any amendments to the Sale Process by DEL require the written consent of the Monitor or by further order of the Court;

(b) The Sale Process shall also include the marketing of the Real Property, it being understood that: (i) any transaction involving the Real Property shall require the approval of Diesel; and (ii) bidders shall be permitted to submit and DEL shall be permitted to consider transaction proposals that do not include an acquisition of the Real Property; and

(c) that Diesel will be entitled to be consulted throughout the Sale Process on a strictly confidential basis, including obtaining access to information in respect of any EOI's Binding Bids and/or Successful Bid and any definitive agreement(s) in connection therewith.

36. The Proposed Monitor considers the Sale Process to be reasonable in the circumstances and supports the Company's application for approval of the Sales Process. The Proposed Monitor reached this conclusion on the basis that the Sale Process is consistent with insolvency industry practices in such proceedings and in like circumstances, is supported by Diesel and, if successful, could result in greater recoveries than in a liquidation, to the benefit of all stakeholders, including secured and unsecured creditors.

OTHER

37. Part of DEL's business involves the manufacturing of pneumatic control valves (the "**Hydraulic Lines**") for sale to DEL Hydraulics Inc ("**DHI**"). DHI is based in the State of New York and is an indirect subsidiary company to Diesel. As part of its restructuring and recovery plan, DEL plans to reorganize its manufacturing operations by exiting the Hydraulic Lines business, as this activity is not related to its core business.

38. The Initial Order contemplates that DEL would "have the right to permanently or temporarily cease, downsize or shut down any of its Business or operations, and to dispose of redundant or non-material assets not exceeding $650,000 in any one transaction or $1,000,000 in the aggregate" (the "**Initial Order Threshold**").

39. The transaction of the assets related to the Hydraulic Lines would be sold to DHI at net book value and will be completed at a sale price lower than the Initial Order Threshold. DEL advises that there are likely no other purchasers for this inventory, equipment and tooling other than DHI, as the Hydraulic Lines SKU's are DHI designs and DHI is its only buyer of this product.

40. The sale of the Hydraulic Lines to DHI will reduce DEL's working capital requirements and delay its need to access the DIP Facility.

CASH FLOW FORECAST FOR THE PERIOD ENDING JANUARY 13, 2020

41. The Company, with the assistance of its advisors and the CRO, have prepared the cash flow forecast for the Company (the **"Cash Flow Forecast"**) for the 13-week period ending January 13, 2020 (the **"Cash Flow Period"**). The Cash Flow Forecast has been prepared by Management using the probable and hypothetical assumptions set out in the notes.

42. A copy of the Cash Flow Forecast and the prescribed report of the Proposed Monitor is attached hereto as Exhibit **"B"**. A summary of the cash flow forecast is set out below:

Currency: CAD 000'	Notes	Total
Receipts	Note 1 Note 2	11,013
Disbursements		
Merchandise Vendors	Note 3	9,025
Non-Merchandise Vendors	Note 4	1,904
Payroll	Note 5	1,788
Tax		(2)
Total Disbursements		12,717
Operating Net Cash Flow		(1,704)
Administrative Fees		(732)
DEL Hydraulics Inc. Sale	Note 6	589
Net Cash Flow		(1,847)
Beginning Cash	Note 7	1,500
Net Cash Flow		(1,847)
Interim Financing/(repayment)		400
Ending Cash		53

Notes:

1) The purpose of the projection is to present a cash forecast of DEL for the period October 15, 2019 to January 13, 2020 in respect of its proceedings under the CCAA.
2) Receipts are forecast based on the Company's current sales forecast, inclusive of sales tax. Existing accounts receivable will be collected in approximately 60 days. Historically, the Company's DSO (days of sales outstanding) has been in the range of 34-42 days in 2017 and 2018 and it is 55 days as on September 30, 2019. Hence, the collection period of 60 days for the 13-week cash flows is in line with the past results.
3) Merchandise vendors include disbursements to both domestic and foreign third-party merchandise suppliers. Disbursements are based on the Company's current inventory receipts and cost of sales schedule with certain vendors forecast to be paid on COD terms. In addition, the Company has identified certain pre-CCAA Proceedings balances of $1.05 million pertaining to international vendors and have considered weekly payment of $ 80,769 for them in the 13-week cash flows. The Proposed Monitor notes that the Applicant has requested the authority, with the consent of the Monitor, to make pre-filing payments as necessary to maintain the operation of its business. The Proposed Monitor has reviewed these matters with the Applicant on a preliminary basis and intends to further review with the Applicant any such proposed payments and implement a process to review and, as appropriate, consent to any such payments.
4) Non-Merchandise vendors include disbursement to landlords, logistics, procurement, IT and ecommerce, marketing and facilities management. Disbursements are based on COD terms.

5) Disbursements include salaries, wages, remittances and employee benefits for salaried and hourly employees, including any outstanding wages and vacation pay.

6) As noted above, DEL expects to close an asset sale of limited assets to the Hydraulic Lines and cash proceeds are expected to be received in the week ended October 28, 2019.

7) The Beginning Cash Position is subject to further review and reconciliation, and may, accordingly, vary from the $1.5 million reflected herein.

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

(a) The Company's current cash resources are approximately $1.5 million;

(b) The Cash Flow Forecast reflects a draw on the DIP Facility (as defined below) for the amount of $400,000;

(c) Over the course of the Cash Flow Period, the Company forecasts cash receipts of $11.01 million relating to sale of truck bodies and truck equipment. Cash disbursements are forecast to total $12.72 million which relates to the expense proposed to be incurred to consummate the sale of their products; and

(d) In addition, the Company expects to pay Restructuring Professional fees of $732,000 pertaining to the Administrative Expenses.

44. Management's Representation Letter and the Proposed Monitor's report to the Court regarding the adequacy of the Cash Flow Forecast, are attached hereto as Exhibits **"C"** and **"D"**.

45. The Proposed Monitor has reviewed the Cash Flow Statement to the standard required of a Court-Appointed Monitor by section 23(1)(b) of the CCAA and in accordance with the Professional Standards. Based on the Professional Standards, the Proposed Monitor's review of the Cash Flow Forecast consisted of enquiries, analytical procedures and discussions related

to information supplied to us by Management. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the forecast.

46. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

    (a) The hypothetical assumptions are not consistent with the purpose of the forecast;

    (b) As at the date of the Pre-Filing Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the forecast, given the hypothetical assumptions; and

    (c) The Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

47. The Cash Flow Forecast is the DIP Budget contemplated by the DIP Facility.

Debtor-in-Possession Financing[2]

48. The terms of the DIP Facility are detailed in the DIP Term Sheet. A copy of the DIP Term Sheet is attached to the Lucky Affidavit. The significant terms of the DIP Facility are summarized below:

    (a) Borrower: DEL

    (b) Lender: Diesel

[2] Terms not defined in this section have the meaning provided to them in the DIP Term Sheet.

(c) Loan Amount: $1,000,000

(d) Maturity Date: The DIP Facility shall be repayable in full on the earlier of:

i. the occurrence of any Event of Default which is continuing and has not been cured and a demand for repayment in writing having been made by the DIP Lender to the Borrower with a copy to the Monitor (and each of their respective counsel);

ii. the implementation of a transaction pursuant to the Sales Process or a plan of compromise or arrangement under the CCAA, in which case the DIP Financing Obligations shall be treated in the manner contemplated thereunder; and

iii. April 15, 2020 (the earliest of such dates being the "**Maturity Date**").

The Maturity Date may be extended from time to time at the request of the Borrower and with the prior written consent of the DIP Lender for such period and on such terms and conditions as the Borrower and the DIP Lender may agree, provided that any material amendments to the terms and conditions shall be also be subject to the prior written consent of the Monitor.

(e) Interest Rate: 6.5 percent per annum compounded monthly and payable in full on the Maturity Date

(a) Fees and Expenses: there are no commitment or other fees included in the DIP Term Sheet other than the Company covering the DIP Lender's reasonable and documented out-of-pocket expenses, including all reasonable and documented legal expenses, incurred by the DIP Lender in connection with these proceedings.

(b) DIP Lender's Charge: all obligations of the Company under the DIP Facility are to be secured by a Court-ordered charge over the Company's property, assets and undertaking.

(c) Permitted Payments: The Borrower shall use proceeds of the DIP Facility solely for the following purposes, in each case in accordance with the Initial Order and the DIP Budget (as attached to the DIP Term Sheet) (subject to the Permitted Variance):

i. to pay (i) the reasonable and documented legal fees and expenses of the DIP Lender (ii) the reasonable and documented financial advisory fees and legal fees and expenses of the Borrower (including, without limitation, any fees and expenses SRA (including legal fees), including as relates to the services of Douglas Lucky to the extent appointed as chief restructuring officer of the Borrower) and (iii) the reasonable and documented fees and expenses of the Monitor and its legal counsel;

ii. to pay the fees and interest owing to the DIP Lender under the DIP Financing Term Sheet; and

iii. to fund the Borrower's general corporate and working capital needs, including funding the CCAA Proceedings and the pursuit of the Sales Process.

The Borrower may use the proceeds of the DIP Facility to pay pre-filing obligations, provided that such amounts are permitted to be paid pursuant to the Initial Order and the aggregate amount of all such pre-filing amounts shall not exceed the amount set out in the DIP Budget.

(d) Reporting: Within ten (10) days of the end of a month, the Borrower shall deliver to the DIP Lender's counsel, a variance calculation (the "**Variance Report**") setting forth (i) actual receipts and disbursements for the preceding month and (ii) actual receipts and disbursements on a cumulative basis since the beginning of the period covered by the then-current DIP Budget, in each case as against the then-current DIP Budget, and setting forth all the variances, on an aggregate basis in comparison to the amounts set forth in respect thereof in the DIP Budget; each such Variance Report to be promptly discussed with the DIP Lender and its advisors upon request.

(e) Conditions: Key conditions include:

i. The Borrower shall provide the DIP Lender and its advisors with reasonable access to the books, records, financial information and electronic data rooms of or maintained by the Borrower, and (ii) cause management, the financial advisor and legal counsel of the Borrower, to cooperate with reasonable requests for information by the DIP Lender and its advisors, in each case subject to solicitor-client privilege, all Court Orders and applicable privacy laws and the Borrower's confidentiality obligations to third parties, in connection with matters reasonably related to the DIP Facility or compliance of the Borrower with its obligations pursuant to this DIP Financing Term Sheet;

ii. Keep the DIP Lender apprised on a timely basis of all material developments with respect to the CCAA Proceedings, including all matters relating to the Sales Process;

iii. Promptly notify the DIP Lender of the occurrence of any Event of Default;

iv. Provide the DIP Lender's counsel with draft copies of all material motions, applications or proposed orders that the Borrower intends to file in the CCAA Proceedings as soon as is reasonably practicable in advance of the service of such materials to the service list in respect of the CCAA Proceedings; provided that all such filings by the Borrower shall be in form and substance reasonably acceptable to the DIP Lender and its counsel to the extent that any such filings materially affect the rights and interests of the DIP Lender or the Sales Process;

v. The Borrower shall achieve the following milestones (the "**Milestones**") by the dates set out below

1. The Sales Process Order shall have been entered on or before the date on which is five (5) days following the entry of the Initial Order;
2. a Court Order approving the Successful Bid pursuant to the Sales Process shall have been entered on or before February 29, 2020; and
3. the transaction contemplated by the Successful Bid shall be implemented on or before March 31, 2020.

(f) Events of Default:The following is a summary of the material Events of Default:

i. Failure by the Borrower to pay: (i) principal, interest or other amounts within three (3) Business Days of such amounts becoming due under the DIP Financing Term Sheet; or (ii) costs and expenses of the DIP Lender in accordance with Section 6, thereof within ten (10) Business Days of receiving an invoice therefor;

ii. Failure by the Borrower to:

1. meet any Milestone within three (3) Business Days;
2. delivery of any Variance Report within three (3) days; or
3. perform or comply with any of the other covenants set out in the DIP Term Sheet and such failure remains unremedied for ten

(10) Business Days following receipt of notice thereof from the DIP Lender.

iii. Issuance of a Court Order:

1. dismissing the CCAA Proceedings or lifting the stay in the CCAA Proceedings to permit the enforcement of any security against the Borrower or the Collateral, the appointment of a receiver, interim receiver or similar official, an assignment in bankruptcy, or the making of a bankruptcy order against or in respect of the Borrower;
2. granting any other Lien in respect of the Collateral that is in priority to or pari passu with the DIP Lender Charge; or
3. staying, reversing, vacating or otherwise modifying the DIP Term Sheet or the DIP Lender Charge.

iv. Unless consented to in writing by the DIP Lender, the expiry without further extension of the stay of proceedings provided for in the Initial Order.

v. As at the date of any Variance Report, there shall exist a net negative variance from the DIP Budget in excess of [**20%**] (the "**Permitted Variance**") on a cumulative basis since the beginning of the period covered by the then-current DIP Budget.

49. MNP has considered the factors set out in Section 11.2 of the CCAA with respect to the granting of a Court order for interim financing and recommends the Court approve the DIP Facility for the following reasons:

a) MNP understands that the DIP Lender is not willing to provide the required interim financing other than on the terms and conditions set out in the DIP Term Sheet;

b) DEL is of the view that the CCAA proceedings provide the best option for implementing the Sale Process and addressing the other issues within DEL's business including resolution of the Gin-Cor and Mack Defense payment dispute. MNP believes that approval of the DIP Facility is in the best interests of the Company's stakeholders and will enhance the prospects of maximizing value in the circumstances. The DIP Facility is projected to be sufficient to fund the normal course operations of the Company through the completion of the Sale Process;

c) DEL, with the assistance of SRA, approached other prospective lenders, all of whom were requiring a significantly higher rate of interest than is being charged by the DIP Lender and additional fees and expenses and other terms that are not being imposed by the DIP Lender;

d) without the DIP Facility, there is risk that the Company will be unable to fund its business and its continued operations including payroll, maintenance and other capital expenditures and general operating expenses. Accordingly, absent funding under the DIP Facility, the operations of the Company may be discontinued;

e) MNP compared the terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings commenced December 1, 2017 and September 23, 2019.[3] The comparison is attached as **Exhibit "E"**. Based on MNP's analysis, the cost of the proposed DIP Facility is lower than other recent DIP financings approved by this and other Canadian courts;

f) The Company is not proposing to prime certain other creditors that have floor plan financing facilities in priority to the Secured Credit Agreement – MNP believes it is

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[33] *Insolvency Insider*, Document Library, Approved Debtor-in-Possession Financing Facilities for Canadian Debtors Current as at September 23, 2019.

unlikely any other third-party lender would agree to provide DIP funding on such terms;

g) substantially all of the other DIP facilities approved by Canadian courts provide a corresponding super-priority DIP charge over all other creditors; and

h) MNP does not believe that creditors will be prejudiced from approval of the DIP Facility – to the contrary, they will benefit from it as it will allow the business to continue to operate, which will enhance value versus the alternative, which is the discontinuation of operations and the potential liquidation of its assets.

50. Based on the foregoing, MNP believes that the terms of the DIP Facility are reasonable in the circumstances.

PROPOSED INITIAL CCAA ORDER SOUGHT

51. The relief requested by the Company includes, *inter alia*:

(a) the granting of a stay of proceedings against the Company;

(b) the appointment of MNP as Monitor;

(c) the appointment of the CRO;

(d) the authorization of debtor-in-possession financing for the Company;

(e) authorization to make certain pre-filing payments to employees, customers and, with the consent of the Monitor, amounts owing for goods or services supplied to DEL prior to the CCAA Proceedings if, in the opinion of DEL and with the consent of the Monitor such payment is necessary maintain the operation of DEL's business; and

(f) the granting of various charges over the assets of the Company, including to secure the indemnity in favour of the directors and officers, the CRO (including in respect of its success fee) and the professional fees and disbursements necessary to undertake proceedings under the CCAA Proceedings.

Such relief will provide the Company with the time and protection they require to undertake a restructuring of their business for the benefit of their stakeholders.

52. MNP has reviewed the Initial Order and provides comments and observations on certain provisions below. It is noted that matters relating to the DIP Facility and the appointment of the CRO and MNP as referenced in the Initial Order are referred to in the previous section of the Report.

Proposed Court Ordered Charges Over DEL's Assets

Administration Charge

53. In order to protect the fees and expenses of the Administrative Professionals, DEL is proposing that the Monitor, counsel to the Monitor, DEL's counsel and financial advisor and the CRO (but only in respect of its monthly fee) (the "**Administrative Professionals**") be entitled to the benefit of a charge (the "**Administration Charge**") on the Property in the amount of $400,000 as security for their professional fees and disbursements incurred at the standard rates and charges of the Administrative Parties, both before and after the making of this Order in respect of these proceedings.

54. The Administration Charge is reasonable and appropriate in the circumstances having regard to, among other things:

    (a) Each of the professionals whose fees are to be secured by the Administration Charge has played and will continue to play a critical role in DEL's restructuring or the Sale Process;

(b) DEL intends to satisfy the fees and disbursements of the Administrative Professionals from cash flow during the CCAA Proceedings. The Administration Charge is sought to protect the Administrative Professionals in the event that the restructuring is not successful or a sale as a going concern is not completed;

(c) The complexity of these CCAA proceedings; and

(d) DEL's primary secured creditor (Diesel) has been notified of the Administration Charge sought. MNP notes that the Company has indicated it may seek to provide further notice to additional secured creditors in connection with the priority of the charges on the comeback date.

Directors' Charge

55. The Cash Flow Statement contemplates that post-CCAA obligations, including all statutorily required remittances will be paid in the ordinary course of business, subject to the Company obtaining interim financing. The directors and officers have requested protection from statutory claims and liabilities that may arise during the restructuring. Accordingly, DEL is proposing that the Company shall indemnify DEL's directors and officers against all obligations and liabilities that they may incur as directors and officers of the Company after the commencement of the within proceedings, except to the extent that the obligation or liability was incurred as a result of such director's or officer's gross negligence or willful misconduct. As security for this indemnity, it is proposed that DEL's directors and officers be entitled to the benefit of a charge not to exceed an aggregate amount of $1,200,000 (the "**Directors' Charge**"). The CRO will be appointed as an officer of the Company and will have the benefit of the Directors' Charge.

56. The Directors' Charge is proposed to rank behind the Administration Charge. On the basis of information provided to the Proposed Monitor by the Company, the Directors' Charge has been calculated with reference to exposure to potential unpaid wages, vacation pay, pension obligations, employee benefits and certain tax liabilities accruing during the CCAA Proceedings. The Initial Order provides that the availability of the Directors' Charge is only to the extent the existing insurance coverage does not apply or is insufficient to cover a liability. The Proposed Monitor understands that the Company (through its parent Diesel) recently renewed its umbrella director and officer policy for coverage of up to $3 million which policy.

57. The Proposed Monitor is of the view that the Directors' Charge is reasonable and appropriate in the circumstances.

DIP Lender's Charge

58. It is proposed that the Company be authorized to borrow up to $1 million from the DIP Lender in accordance with the terms of the DIP Facility. As security for the DIP financing, it is proposed that the DIP Lender be entitled to the benefit of a charge (the **"DIP Lender's Charge"**) on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made.

Priority of Charges Created by the Initial Order

59. The priorities of the Administration Charge, the CRO Charge and the DIP Lender's Charge (the "**Charges**") are proposed to be as follows:

    (a) First – Administration Charge (to the maximum amount of $400,000);

    (b) Second – Directors' Charge (to the maximum amount of $1,200,000);

    (c) Third – DIP Lender's Charge; and

(d) Fourth – Success Fee Charge (to the maximum amount of $100,000).

60. In summary, MNP in its capacity as Proposed Monitor has reviewed the calculations that support the Administration Charge, the Directors' Charge, the DIP Lender's Charge and the Success Fee Charge and believes that the amounts are reasonable in the circumstances. The Charges will have priority over all other debts and obligations of the Company (including under the Secured Credit Agreement) other than those parties who have not been notified of the Company's application. MNP understands that the Company may seek further priority over other such priorities in connection with the comeback motion other than the Company has advised it does not intend to seek priority over RBC or Ford as more specifically set out in the Lucky Affidavit. The Proposed Monitor notes that the quantum and priority ranking of all proposed charges is not objected to by Diesel.

PROPOSED MONITOR'S RECOMMENDATIONS

For the reasons set out above, the Proposed Monitor's recommendations are summarized below:

<u>CCAA Proceedings and Cash Flow Forecast</u>

61. The Proposed Monitor concurs with the Company's view that it is insolvent and is facing imminent liquidity issues which supports the need to commence the CCAA Proceedings.

62. The Cash Flow Forecast indicates that it is likely that DIP Financing will be necessary during the CCAA Proceedings.

<u>Necessity for the DIP Facility</u>

63. The Proposed Monitor has concluded that the DIP Facility is required in order for the Company to continue to operate on an uninterrupted basis through the projected restructuring

period, pay the Administrative Expenses, and carry out the Sale Process. While DEL approached other potential lenders, the Proposed Monitor believes that, in the circumstances, there is no reasonable prospect of obtaining interim financing on as favourable terms as being offered by the DIP Lender.

CCAA Relief Sought

64. DEL is insolvent, and the Proposed Monitor considers the relief sought in the Initial Order to be reasonable in the circumstances.

65. The proposed Sale Process is consistent with insolvency industry practices in such proceedings and in like circumstances and appears to be reasonable in the circumstances. The Sale Process is also consistent with the Company's purpose of commencing these proceedings.

66. The Proposed Monitor supports the amounts and rankings of the Court-ordered charges and the financial thresholds proposed in the draft Initial Order, namely:

    (a) First — Administration Charge (to the maximum amount of $400,000);

    (b) Second — the DIP Lenders' Charge;

    (c) Third — Directors' Charge (to the maximum amount of $1,200,000); and

    (d) Fourth — Success Fee Charge (to the maximum amount of $100,000)

All of which is respectfully submitted this 21st day of October 2019.

MNP Ltd., in its capacity
as Proposed Monitor of DEL Equipment Inc.

Per:

Sheldon Title, CPA, CA, CIRP, LIT
Senior Vice-President

Exhibit “A”

Del Equipment Group
Corporate Structure
As at October 21, 2019

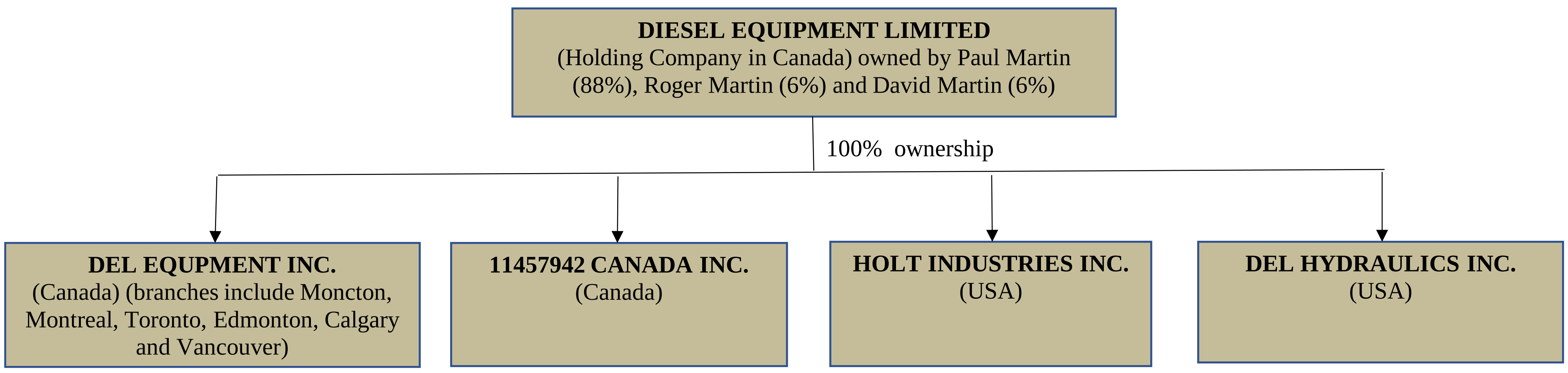

Exhibit “B”

DEL Equipment Inc.
Projected Statement of Cash Flow
For the period ending January 13, 2020
(Unaudited, in $'000s CAD)

		Week 1	*Week 2*	*Week 3*	*Week 4*	*Week 5*	*Week 6*	*Week 7*	*Week 8*	*Week 9*	*Week 10*	*Week 11*	*Week 12*	*Week 13*	
	Notes	**21-Oct-19**	**28-Oct-19**	**4-Nov-19**	**11-Nov-19**	**18-Nov-19**	**25-Nov-19**	**2-Dec-19**	**9-Dec-19**	**16-Dec-19**	**23-Dec-19**	**30-Dec-19**	**6-Jan-20**	**13-Jan-20**	**Total**
	1														
Receipts	2	1,028	1,028	772	772	772	772	812	812	812	812	812	903	903	11,013
Disbursements															
Merchandise Vendors	3	838	838	743	743	743	743	594	594	594	594	594	702	702	9,025
Non-Merchandise Vendors	4	146	146	146	145	145	145	145	146	146	146	146	153	153	1,904
Payroll	5	156	156	143	143	143	143	130	130	130	130	130	128	128	1,788
Tax		0	0	11	0	0	0	(60)	0	0	0	0	47	0	(2)
Total Disbursements		1,140	1,140	1,044	1,031	1,031	1,031	809	870	870	870	870	1,029	982	12,717
Operating Net Cash Flow		(112)	(112)	(271)	(258)	(258)	(258)	3	(58)	(58)	(58)	(58)	(126)	(80)	(1,704)
Administrative Fees		240	64	47	87	34	34	34	34	42	29	29	29	29	732
DEL Hydraulics Inc. Sale	6		589												589
Net Cash Flow		(352)	413	(318)	(345)	(292)	(292)	(31)	(92)	(100)	(87)	(87)	(155)	(109)	(1,847)
Opening cash balance	7	1,500	1,148	1,561	1,243	898	605	313	282	190	91	4	67	62	1,500
Net Cash Flow		(352)	413	(318)	(345)	(292)	(292)	(31)	(92)	(100)	(87)	(87)	(155)	(109)	(1,847)
Interim Financing/(repayment)		0	0	0	0	0	0	0	0	0	0	150	150	100	400
Closing cash balance		**1,148**	**1,561**	**1,243**	**898**	**605**	**313**	**282**	**190**	**91**	**4**	**67**	**62**	**53**	**53**

To be read in conjunction with the Notes to Projected Statement of Cash Flow

DEL Equipment Inc.
Notes to Projected Statement of Cash Flow
For the period ending January 13, 2020
(Unaudited, in $'000s CAD)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash forecast of DEL Equipment Inc. for the period October 15, 2019 to January 13, 2020 (the "**Period**") in respect of their proceedings under the *Companies' Creditors Arrangement Act.*

Hypothetical Assumptions

2. Receipts are forecast based on the Company's current sales forecast, inclusive of sales tax.

Most Probable Assumptions

2. Existing accounts receivable will be collected in approximately 60 days. Historically, the Company's DSO (days of sales outstanding) has been in the range of 34-42 days in 2017 and 2018 and it is 55 days as on September 30, 2019. Hence, the collection period of 60 days for the 13-week cash flows is in line with the past results.

3: Merchandise vendors include disbursements to both domestic and foreign third- party merchandise suppliers. Disbursements are based on the Company's current inventory receipts and cost of sales schedule with certain vendors forecast to be paid on COD terms. In addition, the Company has identified certain pre-CCAA Proceedings balances of $ 1.05 million pertaining to international vendors and have considered weekly payment of $ 80,769 for them in the 13-week cash flows.

4: Non-Merchandise vendors include disbursement to landlords, logistics, procurement, IT and ecommerce, marketing and facilities management. Disbursements are based on COD terms.

5: Disbursements include salaries, wages, remittances and employee benefits for salaried and hourly employees, including any outstanding wages and vacation pay.

6: As noted above, DEL expects to close an asset sale of limited assets to the Hydraulic Lines and cash proceeds are expected to be received in the week ended October 28, 2019.

7: The Beginning Cash Position is subject to further review and reconciliation, and may, accordingly, vary from $ 1.5 million reflected herein.

Exhibit "C"

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 DEL EQUIPMENT INC. (THE "APPLICANT")
MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

Del Equipment Inc. have developed the assumptions and prepared the attached Projected Statement of Cash Flow as of the 21st day of October 2019 for the period October 15, 2019 to January 13, 2020 ("**Cash Flow**"). All such assumptions are disclosed in the Notes to Projected Statement of Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow.
Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 21st day of October 2019.

Doug Lucky
Chief Restructuring Officer

Exhibit “D”

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 DEL EQUIPMENT INC. (THE "APPLICANT")

MONITOR'S REPORT ON CASH FLOW STATEMENT

(paragraph 23(1)(b) of the CCAA)

OCTOBER 21, 2019

The attached Projected Statement of Cash Flow of DEL Equipment Inc. as at the 21st day of October 2019, consisting of a weekly projected cash flow statement for the period October 15, 2019 to January 13, 2020 ("**Cash Flow**") has been prepared by the management of the Applicant for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the Notes to the Projected Statement of Cash Flow.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied by the management, employees and the representatives of the Applicant. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow. We have also reviewed the support provided by management of the Applicant for the probable assumptions, and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow.
b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on Assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other forms of assurance with respect to the accuracy of any financial information presented in this report or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, this 21st day of October 2019.

MNP LTD.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF DEL EQUIPMENT INC.

Per:

Sheldon Title, CPA, CA, CIRP, LIT
Senior Vice-President

Exhibit “E”

Approved Debtor-in-Possession Financing Facilities for Canadian Debtors
Current as at September 23, 2019

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment ($MM)	Fees	Interest Rate
Purcell Basin Minerals Inc. et al.	Braveheart Resources Inc.	CCAA	MNP	29-May-18	British Columbia	Mining	0.2	Professional costs of lender	12.0%
Purcell Basin Minerals Inc. et al.	MLM Pacific LLC	CCAA	MNP	29-May-18	British Columbia	Mining	0.6	Finance fee equal to 10% of each advance, professional costs of lender	7.0%
Bioamber Canada & Bioamber Sarnia Inc.	Maynbridge Capital	CCAA	PwC	24-May-18	Ontario	Manufacturing	3.5	3% commitment fee, 2% standby fee, 3% break fee, early repayment penalties, professional costs of lender	9.0%
Purewal Bluebery Farms Ltd.	Blueberry Holding (GP) Ltd.	NOI	FTI Consulting	30-Apr-18	British Columbia	Agriculture	0.5	$15.0M lending fee upon court acceptance	15.0%
Discovery Air Inc.	CEP IV Co-Investment Limited Partnership	CCAA	KSV	21-Mar-18	Ontario	Transportation	12.6	Professional costs of lender	10.0%
Société en commandite Tilly de Laval et Promotions Anne Delisle Inc.	La Financiere Transcapitale Inc.	CCAA	Lemieux Nolet Inc.	14-Feb-18	Quebec	Construction	0.8	Unknown	Unknown
Manitok Energy	SCCC Petroleum Corporation	NOI	FTI Consulting	10-Jan-18	Alberta	Oil and Gas	8.0	2% standby fee, $150.0M commitment fee, 2% prepayment fee, exit fee of $150.0M, professional costs of lender	8.0%
9333-9109 Quebec	Unknown	CCAA	André Allard & Associés Inc.	1-Dec-17	Quebec	Real Estate	Unknown	Unknown	Unknown

Approved Debtor-in-Possession Financing Facilities for Canadian Debtors
Current as at September 23, 2019

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment ($MM)	Fees	Interest Rate
Harvest Fraser Richmond Organics	Pillar Capital Corporation	CCAA	EY	12-Oct-18	British Columbia	Cleantech	1.0	Unknown	14.0%
Stantive Technologies Group Inc.	1968392 Ontario Inc. and 233073 Ontario Inc.	NOI	EY	14-Nov-18	Ontario	Technology	0.8	2% commitment fee.	12.0%
OpenHydro	OpenHydro Group Limited (In Liquidation	CCAA	Grant Thornton	7-Nov-18	Nova Scotia	Biotech	0.5	N/A	0.0%
Fluid Brands Inc.	CIBC	NOI	Richter	25-Oct-18	Ontario	Retail	25.3	$165.0M commitment fee; professional costs of lender.	In accordance with company's pre-filing credit agreement with lender.
Harvest Fraser Richmond Organics	Maynbridge Capital	CCAA	EY	12-Oct-18	British Columbia	Cleantech	1.0	4% commitment fee, 2% standby fee	10.0%
Le groupe S.M. Inc. et als	Integrated Asset Management	CCAA	Deloitte	24-Aug-18	Quebec	Construction	2.0	1% standby fee	9.0%
Aralez Pharmaceuticals Inc. and Aralez Pharmaceuticals Canada Inc.	Deerfield Management Company, L.P.	CCAA	Richter	10-Aug-18	Ontario	Pharmaceuticals	10.0	1% commitment fee, 1% extension fee	10.0%
Burry's Shipyard	BDC	NOI	Deloitte	10-Jul-18	Newfoundland	Manufacturing	0.3	Loan processing fee of $6.0M, monthly administration fee of $250, professional costs of lender.	BDC's Floating Base Rate + 6.45% (12.25% effective rate)
Ranch Energy Corporation et al.	Third Eye Capital Corporation	CCAA	EY	10-Jul-18	Alberta	Oil and Gas	1.4	Unknown	12.0%
Kolsy Homes	KV Capital Corporation	CCAA	Bowra Group	9-Jul-18	Alberta	Real Estate	0.6	Unknown	Unknown
TELEoIP Inc.	Adarsan Holdings Limited and Dicot Holdings Ltd.	CCAA	PwC	27-Jun-18	Ontario	Technology	1.5	Professional costs of lender	5.0%
Aspen Air	C.F. Capital Corporation	NOI	KSV	12-Jun-18	Alberta	Manufacturing	0.3	2% commitment fee, 2% exit fee, professional costs of lender	10.0%

Approved Debtor-in-Possession Financing Facilities for Canadian Debtors
Current as at September 23, 2019

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment ($MM)	Fees	Interest Rate
Hollander Sleep Products Canada Limited (Canadian borrower of US group under Chapter 11 bankruptcy protection)	Syndicate of prepetition ABL lenders	Foreign order recognition	KSV	23-May-19	Ontario	Manufacturing	90.0MM (Canadian debtor sublimit of $20.0MM)	$1.35MM closing fee (1.5% of committed amount)	Effective interest estimated to be 6.5%
Bondfield Construction Company Limited	Zurich Insurance Company Ltd.	CCAA	EY	3-Apr-19	Ontario	Construction	8.0		6.0%
Bondfield Construction Company Limited	Bridging Finance, as agent	CCAA	EY	3-Apr-19	Ontario	Construction	6.0		14.0%
Divestco Inc.	Krik Popadynetz, Wade Darryl Brillon, Marvin Lefebvre, Monashees Vernon Liquor Store Ltd. and Michael Brent	CCAA	Grant Thornton	4-Mar-19	Alberta	Oil and Gas	1.5	$25,000 facility fee, professional costs of lender.	18.0%
Ascent Industries Corp.	Pillar Capital Corporation	CCAA	EY	1-Mar-19	British Columbia	Cannabis	2.0	3% structuring fee, monthly monitoring fee of $750 and due diligence fee of $6,250.	15.0%
Resource Capital Gold	Sprott Private Resource Lending (Collector) LP	NOI	PwC	28-Jan-19	British Columbia	Mining	2.2	Professional costs of the lender	18.0%
Nautilus Minerals Inc.	Deap Sea Mining Finance Ltd.	CCAA	PwC	21-Feb-19	British Columbia	Mining	4.0	Professional costs of the lender	8.0%
Donaldson & James Ltd. and the Agency Employment Services Ltd.	FundThrough Inc.	NOI	Farber	23-Jan-19	Ontario	Staffing	3.0	1.5% facility fee, professional costs of the lender	24.0%
Vari-Form	11032569 Canada Inc. (also the stalking horse bidder in these proceedings).	CCAA	PwC	8-Jan-19	Ontario	Automotive	22.8		5.0%
Forme Development Group Inc.	Kingsett Mortgage Corporation	CCAA	KSV	30-Nov-18	Ontario	Real Estate	5.0	$75.0M commitment fee, extension fee of $25.0M on each 4-month extension; professional costs of the lender.	RBC's prime rate + 4.55% (minimum rate of 8.5%)

Approved Debtor-in-Possession Financing Facilities for Canadian Debtors
Current as at September 23, 2019

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment ($MM)	Fees	Interest Rate
Stornaway Diamond Corporation	Osisko Gold Royalties Ltd., CDPQ Resources Inc., 1078243 Canada Limited and Diaquem Inc.	CCAA	Deloitte	9-Sep-19	Quebec	Mining	20.0		12.5%
3834310 Canada Inc. (Groupe Capitales Medias)	Investissement Quebec	NOI	PwC	19-Aug-19	Quebec	Media	5.0	Confidential	Confidential
Gedex Systems Inc.	FCMI Parent Co.	CCAA	Zeifmans	12-Aug-19	Ontario	Technology	0.6		In accordance with company's pre-filing credit agreement with lender.
Jack Cooper Ventures	Prepetition ABL Lenders	Foreign order recognition	Alvarez & Marsal	9-Aug-19	Ontario	Automotive	85.0	0.25% standby fee	LIBOR plus 3.5% or Base Rate plus 2.5%
Yukon Zinc	Century Acquisitions Inc.	NOI	PwC	31-Jul-19	British Columbia	Mining	3.0		18.0%
VistaCare Communications Services of Canada Inc., et als	Bank of Montreal and Roynat Inc.	NOI	Grant Thornton	19-Jun-19	Nova Scotia	Telecommunications	2.7	$25.0M commitment fee	9.5%
ILTA Grain Inc.	Farm Credit Canada	CCAA	PwC	7-Jul-19	British Columbia	Agriculture	8.0	2.5% commitment fee	8.0%
Miniso Canada	MIHK Management Inc.	CCAA	Alvarez & Marsal	11-Jul-19	British Columbia	Retail	2.0	N/A	10.0%
Argex Titanium Inc.	11345974 Canada Inc.	NOI	PwC	2-Jul-19	Quebec	Technology	1.5	2% commitment fee	18.5%
Orbcare Inc.	iGan Partners Inc.	NOI	MNP	25-May-19	Ontario	Technology	1.2	$0.25MM	10.0%

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

Court File No.:____________________

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DEL EQUIPMENT INC.

Applicant

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

PRE-FILING REPORT OF THE PROPOSED MONITOR, MNP LTD. DATED OCTOBER 21, 2019

GOLDMAN SLOAN NASH & HABER LLP
480 University Avenue, Suite 1600
Toronto, Ontario M5G 1V2
Fax: 416-597-6477

Jennifer Stam (LSO#: #46735J)
Tel: 416.597.5017
Email: stam@gsnh.com

Lawyers for the Proposed Monitor, MNP Ltd.