

**THIRD REPORT TO COURT OF
ALBERT GELMAN INC.
AS PROPOSAL TRUSTEE UNDER THE
NOTICES OF INTENTION TO MAKE A PROPOSAL OF
MARIA SNIEG AND STANISLAW SNIEG**

JUNE 27, 2024

District of Ontario
Division No. 09 - Toronto
Court File Nos.: BK-24-03046342-0031
BK-24-03046353-0031
Estate File Nos.: 31-3046342
31-3046353

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED

**IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF
MARIA SNIEG AND STANISLAW SNIEG**

**THIRD REPORT OF ALBERT GELMAN INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

JUNE 27, 2024

I. INTRODUCTION

1. On February 21, 2024 (the “**Filing Date**”), Igloo Industries Group Ltd. (“**Igloo**” or the “**Company**”), Maria Snieg (“**Maria**”) and Stanislaw Snieg (“**Stan**” and together with Maria, the “**Individuals**” and collectively with the Company, the “**Debtors**”) each filed Notices of Intention to Make a Proposal (“**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) and Albert Gelman Inc. (“**AGI**”) was named as Proposal Trustee under each NOI (the “**NOI Proceedings**”). Attached hereto as **Appendix “A”** are copies of the Certificates of Filing issued by the Office of the Superintendent of Bankruptcy for each of the Debtors.
2. The purpose of the NOI Proceedings was to afford the Debtors the breathing room necessary to evaluate restructuring options and formulate a viable proposal to their respective creditors, including the Company’s senior secured lender, Royal Bank of Canada (“**RBC**”). The Individuals have provided guarantees in favour of RBC as security for the obligations of the Company to RBC.
3. On April 8, 2024, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Consolidation, Stay Extension and Ancillary Relief Order**”), *inter alia*:
 - a. approving the administrative consolidation of the NOI Proceedings, and authorizing the Proposal Trustee to administer the NOI Proceedings as if they were a single proceeding;
 - b. granting an extension of the time within which the Debtors are required to file a proposal to May 22, 2024;
 - c. granting a charge, in the maximum amount of \$250,000, in favour of the Company’s counsel, the Proposal Trustee and the Proposal Trustee’s counsel, Torkin Manes LLP (“**Torkin Manes**”), as security for their professional fees and disbursements incurred in respect of the NOI Proceedings, on:
 - i. all current and future assets, property and undertakings of the Company up to \$150,000 (the “**Company Administration Charge**”);
 - ii. the matrimonial home of the Individuals (the “**Matrimonial Home**”) up to \$150,000; and
 - iii. Stan’s interest in the Matrimonial Home up to \$250,000 (the “**Individuals Administration Charge**”);ranking in priority to all other security interests, except (i) in respect of the Company Administration Charge, the security of RBC as against the Company and (ii) in respect of the Individuals Administration Charge, the mortgage on the Matrimonial Home held by Bank of Montreal (“**BMO**”);

- d. approving the Proposal Trustee's first report to Court dated March 15, 2024 (the "**First Report**"), including the activities of the Proposal Trustee described therein; and
- e. prohibiting the movement of the Company's inventory to its US affiliate, NDG North America, LLC ("**NDG**"), and the sale of the Company's inventory out of the ordinary course of business, subject to certain parameters.

Material Adverse Change

4. As discussed in the Proposal Trustee's second report to Court dated May 22, 2024 (the "**Second Report**"), in addition to operating its business and dealing with matters in connection with the NOI Proceedings, the Company's activities since the Filing Date largely focused on implementing certain restructuring measures with a view to control costs and improve liquidity. Those measures included reducing Igloo's lease portfolio by terminating three of its four leases (as discussed in the First Report) and selling non-core assets. In addition, the Company continued to support an expansion to the US market through its affiliate, NDG.
5. Unfortunately, despite the restructuring efforts of the Company, Igloo's results suffered during the NOI Proceedings. During the period from February 21, 2024 to May 12, 2024 (the "**Subject Period**"), the Company's cash receipts were approximately \$1.0 million (or approximately 33%) unfavourable to forecast, largely driven by lower than forecasted sales (and the corresponding collections from sales), leaving the Company with limited liquidity to pay its post-filing obligations as they came due.
6. The Proposal Trustee was of the view that the unanticipated difficulties encountered by the Company in generating sales, resulting in a significant variance between the Company's forecast and actual results and deferral of payments for post-filing payroll, restructuring professional fees and other expenses, constituted a material adverse change in the financial circumstances of the Company pursuant to section 50.4(7)(b) of the BIA. As such, on May 3, 2024, the Proposal Trustee issued a material adverse change report (the "**MAC Report**"), a copy of which is attached hereto as **Appendix "B"**. A copy of the MAC Report was filed with the Official Receiver, distributed to all known creditors of the Company and posted to the Case Website (as defined below).

Appointment of Receiver over the Company and Withdrawal of the Company's NOI

7. Given the Company's results during the Subject Period, the Company's senior secured creditor, RBC, lost faith in Igloo's ability to make a viable proposal to its creditors and was not supportive of a further extension to the Company's NOI proceedings. As such, RBC brought a motion to the Court returnable May 22, 2024 (the "**RBC Motion**"), for, among other things, the appointment of msi Spergel Inc. ("**Spergel**") as receiver and manager of the Company to, among other things, conduct a 45-day sale process to canvass the market and request expressions of interest for a transaction on both a going concern and liquidation basis, as well as to realize on other assets of the Company.

8. On May 22, 2024, the Court issued an order, *inter alia*:
 - a. appointing Spergel as receiver and manager (in such capacity, the “**Receiver**”) of all the assets, undertakings and properties of the Company and withdrawing the Company’s NOI;
 - b. administratively deconsolidating the NOI Proceedings; and
 - c. granting an extension of the time within which the Individuals are required to file a proposal to July 6, 2024 (the “**Individuals’ Stay Extension**”).
9. The Proposal Trustee has established a website (the “**Case Website**”) for the purposes of these NOI Proceedings at <https://www.albertgelman.com/corporate-solutions/other-engagements/>. Copies of Court materials filed in the NOI Proceedings, the Orders made by the Court and other relevant documents are posted to and available for review on the Case Website.

II. PURPOSE OF THIS REPORT

10. The Proposal Trustee filed the First Report with the Court to, among other things, support the Debtors’ request for the Consolidation, Stay Extension and Ancillary Relief Order. A copy of the First Report (without appendices) is attached hereto as **Appendix “C”**.
11. The Proposal Trustee filed the Second Report with the Court to, among other things, provide the Court with an update regarding the Company’s operations since the Filing Date and the Proposal Trustee’s considerations and recommendations regarding the proposed next steps in the NOI Proceedings in light of the RBC Motion. A copy of the Second Report (without appendices) is attached hereto as **Appendix “D”**.
12. The purpose of this report (the “**Third Report**”) is to provide the Court with information pertaining to the Individuals’ motion to the Court returnable July 3, 2024 (the “**Individuals’ Stay Extension Motion**”) seeking an order (the “**Individuals’ Stay Extension Order**”), *inter alia*:
 - a. extending the NOI Proceedings as it relates to the Individuals to August 20, 2024;
 - b. granting a charge over the Matrimonial Home, in the maximum amount of \$75,000, in favour of the Individuals’ counsel, Manis Law (“**Manis**”), as security for its professional fees and disbursements incurred in respect of the NOI Proceedings (the “**Manis Administration Charge**”); and
 - c. approving this Third Report and the actions, activities and conduct of the Proposal Trustee set out herein.

III. SCOPE AND TERMS OF REFERENCE

13. In preparing this Third Report, the Proposal Trustee has relied upon certain unaudited financial information, the Debtors' books and records, discussions with the Receiver, the Individuals and the Individuals' legal counsel, Manis Law ("**Manis**"), among other parties.
14. While the Proposal Trustee has reviewed the various documents and other information provided by the Debtors and others, such review does not constitute an audit or verification of such documents/information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises ("**ASPE**") or International Financial Reporting Standards ("**IFRS**") or otherwise. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance pursuant to ASPE, IFRS or otherwise with respect to such documents/information.
15. This Third Report has been prepared for the use of this Court and the Debtors' stakeholders as general information relating to the Debtors and to assist the Court in making a determination of whether to approve the relief sought. Accordingly, the reader is cautioned that this Third Report may not be appropriate for any other purpose. The Proposal Trustee will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Third Report contrary to the provisions of this paragraph.
16. The Individuals have filed with the Individuals' Stay Extension Motion the affidavit of Maria Snieg and Stanislaw Snieg sworn June 26, 2024 (the "**Individuals' Affidavit**"), in support of the relief being sought. This Third Report should be read in conjunction with the Individuals' Affidavit, as certain information contained in the Individuals' Affidavit has not been included herein to avoid duplication.
17. Unless otherwise noted, all monetary amounts referenced are in Canadian dollars.

IV. REQUEST FOR THE STAY EXTENSION

18. As discussed in the Individuals' Affidavit, the Individuals are seeking the Individuals' Stay Extension pursuant to subsection 50.4(9) of the BIA to afford them more time to (i) determine the results of the Receiver's sale/realization efforts and (ii) sell their personally owned real properties (i.e., the Matrimonial Home and a development property described as 2881 20th Sideroad, New Tecumseth, ON co-owned by the Individuals, the "**Tecumseth Property**") to generate proceeds for a potential proposal to their creditors.
19. As noted in the First Report, the personal financial circumstances of the Individuals are closely tied to Igloo's, as the Individuals have each personally guaranteed the Company's secured obligations to RBC and BDC (the personal guarantees granted in favour of RBC and BDC, if required to be called on, represent the vast majority of the Individuals' known liabilities). As of the date of this Third Report, the Receiver is continuing its sales/realization efforts for the Igloo assets/business, the results of

which will determine what claims, if any, RBC and BDC may pursue against the Individuals in respect of the personal guarantees.

20. As of the date of this Third Report, each of the Matrimonial Home and the Tecumseth Property are listed for sale with realtors and are being actively marketed. As any proceeds generated from a sale of the properties could provide funding for a potential proposal, more time is required to achieve a favourable outcome for the benefit of the Individuals' creditors.
21. The Proposal Trustee supports the Individuals' Stay Extension for the following reasons:
 - a. as discussed above, the Individuals' Stay Extension will provide the Individuals with more time to (i) crystalize any claims of RBC and BDC against the Individuals based on the results of the Receiver's sale/realization efforts and (ii) continue to market and sell the Matrimonial Home and the Tecumseth Property, for the ultimate purpose of supporting a viable proposal to creditors;
 - b. the Individuals are acting in good faith and with due diligence;
 - c. it is the Proposal Trustee's view that the Individuals' Stay Extension will not materially prejudice or adversely affect any of the Individuals' creditors; and
 - d. RBC and BDC, through their counsels, have each confirmed to the Proposal Trustee that they do not oppose the Individuals' Stay Extension.
22. In consideration of the foregoing, the Proposal Trustee is of the view that the Individuals' Stay Extension is appropriate in the circumstances.

V. THE PROPOSED MANIS ADMINISTRATION CHARGE

23. The Individuals are seeking the Manis Administration Charge over the Matrimonial Home to secure the fees and disbursements incurred in connection with services rendered to the Individuals by Manis in connection with their NOI proceedings.
24. The quantum of the Manis Administration Charge was determined in consultation with the Proposal Trustee.
25. The Manis Administration Charge will rank in priority to all other security interests in the Matrimonial Home, except (i) the mortgage on the Matrimonial Home held by BMO and (ii) the Individuals' Administration Charge granted by the Court pursuant to the Consolidation, Stay Extension and Ancillary Relief Order.
26. A charge to secure the fees and disbursements of the professionals involved with the debtor(s) is common in insolvency proceedings to ensure that such professionals continue to provide their services to the debtor(s). The Proposal Trustee is of the view that the amount and the priority of the

Manis Administration Charge is required and reasonable in the circumstances. The Proposal Trustee supports the granting and the proposed ranking of the Manis Administration Charge.

VI. ACTIVITIES OF THE PROPOSAL TRUSTEE

27. The Proposal Trustee's activities since the First Report have included, *inter alia*, the following:
- a. maintaining the Case Website;
 - b. meeting and corresponding with the Individuals regarding, among other things, creditor matters, the Igloo receivership, the sale efforts regarding the Matrimonial Home and the Tecumseth Property and other matters pertaining to the NOI Proceedings;
 - c. corresponding with the realtors engaged by the Individuals to market and sell the Matrimonial Home and the Tecumseth Property;
 - d. corresponding with the Receiver regarding the status of the Receivership;
 - e. corresponding with RBC's legal advisors, Fogler Rubinoff LLP;
 - f. corresponding with BDC's legal advisor, SimpsonWigle LAW LLP;
 - g. responding to calls and enquiries from creditors and other stakeholders in connection with the NOI Proceedings;
 - h. corresponding with Manis and Torkin Manes regarding various aspects of the NOI Proceedings;
 - i. reviewing materials filed with the Court in respect of the Individuals' Stay Extension Motion; and
 - j. preparing this Third Report.

VII. PROPOSAL TRUSTEE'S RECOMMENDATION

28. Based on all of the foregoing, the Proposal Trustee recommends that this Honourable Court grant the relief sought in the Individuals' Stay Extension Motion.

All of which is respectfully submitted this 27th day of June 2024

**ALBERT GELMAN INC., solely in its capacities as
Trustee in re the Notices of Intention to Make a Proposal of
Maria Snieg and Stanislaw Snieg
and not its personal or any other capacity**

A handwritten signature in blue ink, consisting of stylized, overlapping loops and lines, likely representing the initials 'AG'.

Per:

Adam Zeldin, CPA, CA, CIRP, LIT
Vice President

APPENDIX “A”



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-3046358
Estate No. 31-3046358

In the Matter of the Notice of Intention to make a proposal of:

Igloo Industries Group Ltd.

Insolvent Person

ALBERT GELMAN INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 21, 2024

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 22, 2024, 10:55

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-3046353
Estate No. 31-3046353

In the Matter of the Notice of Intention to make a proposal of:

Stanislaw Snieg

Insolvent Person

ALBERT GELMAN INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 21, 2024

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 22, 2024, 10:46

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 03 - Barrie
Court No. 31-3046342
Estate No. 31-3046342

In the Matter of the Notice of Intention to make a proposal of:

Maria Snieg

Insolvent Person

ALBERT GELMAN INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 21, 2024

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 22, 2024, 10:40

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

APPENDIX “B”

May 3, 2024

To the Creditors of Igloo Industries Group Ltd.

Re: Notice of Intention to Make a Proposal – Material Adverse Change Report

On February 21, 2024, Igloo Industries Group Ltd. (“**Igloo**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). Albert Gelman Inc. (“**AGI**”) is the Proposal Trustee (in such capacity, the “**Proposal Trustee**”) in respect of Igloo’s NOI proceedings.

Enclosed please find the report of the Proposal Trustee dated May 3, 2024 pursuant to section 50.4(7)(b) of the BIA. As stated therein, the Proposal Trustee is of the view that since the filing of the Company’s NOI, a material adverse change in the projected cash flows of Igloo has occurred.

Should you have any questions, please contact the undersigned.

Yours very truly,

**ALBERT GELMAN INC., solely in its
capacity as Trustee *in re* the Proposal of
Igloo Industries Group Ltd.
and not in its personal or any other capacity**



Per: _____

Adam Zeldin, CPA, CA, CIRP, LIT
Vice President

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
IGLOO INDUSTRIES GROUP LTD.**

**REPORT OF THE TRUSTEE ON MATERIAL ADVERSE CHANGE
IN PROJECTED CASH FLOW OR FINANCIAL CIRCUMSTANCES**
Section 50.4(7)(b) of the *Bankruptcy and Insolvency Act* (Canada)

I. INTRODUCTION

1. Albert Gelman Inc. (the “**Proposal Trustee**”) in its capacity as the Proposal Trustee in the Proposal of Igloo Industries Group Inc. (“**Igloo**” or the “**Company**”), files this Material Adverse Change Report pursuant to section 50.4(7)(b) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). This Report is being filed with the Official Receiver and the Ontario Superior Court of Justice (Commercial List) (the “**Court**”).

2. The Proposal Trustee has ascertained that a material adverse change in the Company’s financial circumstances has occurred.

3. Specifically, on March 1, 2024, the Company filed an initial cash flow statement (the “**Initial Cash Flow Forecast**”), following the filing of the Company’s Notice of Intention to Make a Proposal (the “**NOI**”) dated February 21, 2024 (the “**Filing Date**”). An updated cash flow statement (the “**Revised Cash Flow Forecast**” and together with the Initial Cash Flow Forecast, the “**Cash Flow Forecasts**”) dated March 15, 2024, was included in the Company’s motion materials filed in support of a motion to, among other things, extend the time for the Company to file a Proposal, which motion was heard in two stages, on March 20, 2024 and April 8, 2024, respectively.

4. Igloo’s actual cash receipts from operations and all other sources since the Filing Date are significantly below the projections contained in the Cash Flow Forecasts. As a result, the Proposal Trustee is of the opinion that a material adverse change in the Company’s circumstances has occurred which has or will result in:

- a. a significant adverse effect on the projected cash-flow;

- b. a significant or reasonably expected to be significant impairment of the Company's financial circumstances in so far as it has less working capital available than what was projected in the Cash Flow Forecasts; and
- c. a potential prejudice to the rights and interests of one or more classes of creditors.

II. BACKGROUND

5. On April 8, 2024 the Company obtained an order (the "**Extension Order**") from the Court for, among other things, an extension of time to file its proposal to May 22, 2024 (the "**Extension**"). Attached hereto at **Exhibit "A"** is a copy of the Extension Order.

6. Copies of the Court materials and other information pertaining to Igloo's NOI proceedings are available on the Proposal Trustee's website at: <https://www.albertgelman.com/corporate-solutions/other-engagements/> (the "**Case Website**").

III. MATERIAL ADVERSE CHANGE

7. As stated above, Igloo, with the assistance of the Proposal Trustee, prepared the Initial Cash Flow Forecast, which, in accordance with Section 50.4(2) of the BIA, was filed with the Official Receiver on March 1, 2024 (the "**Initial Cash Flow Forecast**").

8. Following discussions among the Company and the Proposal Trustee regarding the Initial Cash Flow Forecast, the Initial Cash Flow Forecast had to be revised to incorporate certain disbursements not initially forecasted. As such, Igloo, with the assistance of the Proposal Trustee, prepared the Revised Cash Flow Forecast setting out the Company's projected cash flows for the thirteen (13) week period ended June 9, 2024, which, as noted above, was filed with the Official Receiver and the Court in support of the Company's request for the Extension. The purpose of the Revised Cash Flow Forecast was, among other things, to provide the Proposal Trustee and the Company's stakeholders with a reasonable projection of the Company's receipts and disbursements

to support that the Company anticipates having sufficient cash flows to meet its ongoing obligations throughout the period of the Extension.

9. During the ten-week period ending April 28, 2024 (the "**Subject Period**"), the Company projected that its cash receipts would be approximately \$2.3 million. Actual cash receipts during that period were approximately \$1.5 million, representing an approximately \$0.8 million or 36% unfavourable variance from forecast.

10. Management of the Company has advised the Proposal Trustee that the Company's actual receipts were significantly below the forecasted amounts for the following reasons:

- a. certain of the Company's customers have cancelled or delayed purchases due to misunderstanding the nature of the Company's process as a bankruptcy rather than a debtor-in-possession restructuring;
- b. certain of the Company's customers have cancelled or delayed purchases due to a lack of confidence in the Company's ability to provide after-sale support, including in terms of warranty work and spare parts;
- c. certain of the Company's competitors have approached customers and potential customers of the Company in order to invite those customers to do business with them instead of doing business with the Company, including by sharing facts or interpretation of facts that are incomplete or inaccurate; and
- d. certain of the Company's customers have cancelled or delayed purchases due to their own financial challenges, including generalized difficulties in the restaurant, grocery and food industries.

11. Notwithstanding the unfavourable sales/collections results, the Company has taken steps to manage its liquidity such that, on a net cash flow basis, Igloo was only approximately \$40,000 unfavourable to forecast during the Subject Period.

IV. PROPOSAL TRUSTEE'S INTENDED COURSE OF ACTION

12. The Proposal Trustee is of the view that the unanticipated difficulties encountered by the Company in generating revenue, resulting in a significant variance between the Company's forecast and actual results, constitutes a material adverse change in the financial circumstances of the Company pursuant to section 50.4(7)(b) of the BIA.

13. The Proposal Trustee's intended course of action is to:

- a. file this report with the Official Receiver without delay pursuant to subsection 50.4(7)(b)(i) of the BIA; and
- b. distribute this report to all known creditors of the Company pursuant to subsection 50.4(7)(c) of the BIA.

14. The Proposal Trustee will also make this report available on the Case Website

15. The intention of the Proposal Trustee is to ensure that the creditors and the Company are in a position to make informed decisions with respect to their next steps, and more generally, the future progress of this NOI proceeding.

Dated at Toronto, Ontario this 3rd day of May 2024.

**ALBERT GELMAN INC., solely in its
capacity as Trustee *in re* the Proposal of
Igloo Industries Group Ltd.
and not in its personal or any other capacity**



Per:

Adam Zeldin, CPA, CA, CIRP, LIT

APPENDIX “C”

District of Ontario
Division No. 09 - Toronto
Court File No.: BK-24-03046358-0031
Estate File Nos.: 31-3046358
31-3046342
31-3046353

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED

**IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF
IGLOO INDUSTRIES GROUP LTD., MARIA SNIEG AND STANISLAW SNIEG**

**FIRST REPORT OF ALBERT GELMAN INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

MARCH 15, 2024

I. INTRODUCTION

1. This first report (“**First Report**”) is filed by Albert Gelman Inc. (“**AGI**”) in its capacity as proposal trustee (the “**Proposal Trustee**”) in connection with the Notices of Intention to Make a Proposal (“**NOI**”) filed by each of Igloo Industries Group Ltd. (“**Igloo**” or the “**Company**”), Maria Snieg (“**Maria**”) and Stanislaw Snieg (“**Stan**” and together with Maria, the “**Individuals**”) on February 21, 2024 (the “**Filing Date**”) under Section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). Attached hereto as **Appendix “A”** are copies of the Certificates of Filing issued by the Office of the Superintendent of Bankruptcy for each of the Company and the Individuals (collectively, the “**Debtors**”). The NOI proceedings of the Debtors are herein referred to as the “**NOI Proceedings**”.
2. The purpose of the NOI Proceedings is to afford the Debtors the breathing room necessary to evaluate restructuring options and formulate a viable proposal to their respective creditors, including the Company’s senior secured lender, Royal Bank of Canada (“**RBC**”). As discussed below, the Individuals have provided guarantees in favour of RBC as security for the obligations of the Company to RBC.
3. The Company is making a motion to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) returnable March 20, 2024 (the “**March 20 Motion**”) seeking various relief, as summarized below. This First Report has been prepared largely in response to and in support of the March 20 Motion.
4. In its March 20 Motion, the Company is seeking an Order (the “**Consolidation, Stay Extension and Ancillary Relief Order**”), *inter alia*:
 - a. approving the administrative consolidation of the Debtors’ NOI proceedings and authorizing the Proposal Trustee to administer the Debtors’ NOI proceedings as if the proceedings were a single proceeding;
 - b. extending the time for the Company and the Individuals to file a proposal to May 6, 2024 (the “**Stay Extension**”);
 - c. granting a super-priority charge over the current and future assets, undertakings and property of every nature and kind whatsoever and wherever situated, of the Company, in the amount of \$150,000 (the “**Administration Charge**”) to secure the fees and disbursements of counsel to the Company (Reconstruct LLP, “**Recon**”), the Proposal Trustee and counsel to the Proposal Trustee (Torkin Manes LLP, “**Torkin Manes**”);
 - d. approving,
 - i. the auction contract between the Company and Benaco Sales Ltd. (the “**Auctioneer**”) dated February 16, 2024 (the “**Auction Agreement**”);

- ii. the transactions entered into by the Company in an auction completed on February 22, 2024, being one day after the Filing Date (the “**February Auction**”); and
 - iii. the Company’s use of the proceeds of the February Auction, but only in a manner that is (a) in accordance with the Revised Cash Flow Forecast (as defined below) and (b) approved by the Proposal Trustee; and
- e. approving the First Report and the activities of the Proposal Trustee set out in the First Report.
5. For the reasons set out herein, the Proposal Trustee supports the relief sought by the Company in the March 20 Motion.

II. PURPOSE OF THIS REPORT

6. The purpose of this First Report is to provide the Court with information pertaining to the following:
- a. a summary of certain background information regarding the Debtors;
 - b. a forecast of Igloo’s receipts and disbursements (the “**Revised Cash Flow Forecast**”) for the period from March 11, 2024 to June 9, 2024 (the “**Forecast Period**”), prepared in accordance with Section 50.4(2) of the BIA;
 - c. the actions and activities of the Company and the Proposal Trustee since the Filing Date; and
 - d. the Proposal Trustee’s recommendations in respect of the Company’s request for the Consolidation, Stay Extension and Ancillary Relief Order.

III. SCOPE AND TERMS OF REFERENCE

7. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited financial information, the Debtors’ books and records, discussions with the Company’s management, directors and shareholders and legal counsel, Recon, as well as discussions with the Individuals.
8. While the Proposal Trustee has reviewed the various documents and other information provided by the Debtors, such review does not constitute an audit or verification of such documents/information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises (“**ASPE**”) or International Financial Reporting Standards (“**IFRS**”) or otherwise. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance pursuant to ASPE, IFRS or otherwise with respect to such documents/information.
9. This First Report has been prepared for the use of this Court and the Debtors’ stakeholders as general information relating to the Debtors and to assist the Court in making a determination of whether to approve the relief sought. Accordingly, the reader is cautioned that this First Report may not be appropriate for any other purpose. The Proposal Trustee will not assume responsibility or

liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this First Report contrary to the provisions of this paragraph.

10. Unless otherwise noted, all monetary amounts referenced are in Canadian dollars.

IV. BACKGROUND INFORMATION

11. The Company has filed with its March 20 Motion the affidavit of Stanislaw Snieg sworn March 14, 2024 (the “**Snieg Affidavit**”), in support of the relief being sought. The Company’s business, affairs, financial performance and causes of its insolvency and that of the Individuals are detailed in the Snieg Affidavit. This First Report should be read in conjunction with the Snieg Affidavit, as certain information contained in the Snieg Affidavit has not been included herein to avoid duplication.

General Background

12. The Company is a private corporation incorporated under the *Business Corporations Act* (Ontario). It operates a commercial food equipment sale and distribution business. The Company imports, stores, sells and delivers small and large hardware for grocery and restaurant businesses throughout Canada, including, for example, refrigerated food retail equipment and commercial-grade equipment for food preparation and dishwashing.
13. Stan is the Company’s sole director and shareholder (through his family trust).
14. The Company operates from the following four leased premises:
 - a. 124 Norfinch Dr., Toronto, ON (“**124 Norfinch Facility**”), pursuant to a Lease Agreement dated November 17, 2014 (the “**124 Norfinch Lease**”);
 - b. 375 Norfinch Dr., Toronto, ON (“**375 Norfinch Facility**”), pursuant to a Commercial Lease Agreement made as of May 22, 2020 (the “**375 Norfinch Lease**”);
 - c. 89 Connie Crescent, Concord, ON (“**Concord Facility**”), pursuant to a Lease Agreement dated August 27, 2021, as amended pursuant to a Lease Amending Agreement dated October 19, 2021 (together, the “**Concord Lease**”); and
 - d. 204 Mapleview Dr., Barrie ON (“**Barrie Facility**”), pursuant to an Agreement to Lease dated February 26, 2018 (the “**Barrie Lease**”).
15. As noted in the Snieg Affidavit, the Barrie Facility, Concord Facility and 375 Norfinch Facility comprise warehouses, shipping centres, offices, and small retail areas. The 124 Norfinch Facility comprises the large showroom, a warehouse, and the Company’s head office.
16. The Company currently employs approximately 30 full-time employees, as well as approximately 10 contractors. None of the Company’s employees are unionized.

17. The Company purchases inventory from suppliers located in Canada, the United States (“US”), and Europe. Its largest supplier is, Igloo PLZ, an unrelated Polish company, which manufactures and exports commercial food equipment.
18. As noted in the Snieg Affidavit, around 2021, the Company expanded its business in the US by establishing a US affiliate, NDG North America, LLC (“NDG”), a Delaware corporation. NDG operates from leased office and warehouse space in Linden, New Jersey. Stan is, indirectly, the 100% shareholder of NDG. NDG has never earned revenue and has been reliant on the Company to support its operations, including through unsecured loans to fund rent, payroll and other operating costs. The Company also financed the purchase of approximately \$0.9 million of inventory (further discussed below, the “NDG Inventory”), which NDG has not repaid as of the date of the First Report. As noted in the Snieg Affidavit, NDG has recently secured distribution contracts with reputable US distribution networks, with further contracts being negotiated. The Proposal Trustee has been advised that the Company expects NDG to start earning revenue in 20 to 60 days and generate cash within the next two months.

Historical Financial Results

19. Summarized below are Igloo’s audited historical financial results for the fiscal years ended April 30, 2021, 2022 and 2023, as well as the unaudited financial results for the eight-month period ended December 31, 2023.

Igloo Industries Group Ltd.				
Historical P&L				
(in CAD, \$000s)				
	Unaudited 31-Dec-23	Audited 30-Apr-23	Audited 30-Apr-22	Audited 30-Apr-21
Revenue	9,546	17,498	20,339	13,711
Cost of sales	7,294	13,501	16,671	11,096
Gross margin	2,252	3,997	3,668	2,615
Expenses	2,193	2,568	2,035	1,705
Net income (loss) before taxes	59	1,429	1,633	910

Source: audited financial statements of Igloo for year end April 30, 2021, 2022 & 2023 and unaudited internal financial statements of Igloo for the eight-month period ended December 31, 2023.

20. Igloo was historically profitable. For the years ended April 30, 2021, 2022 and 2023, Igloo earned aggregate income of approximately \$4.0 million. Unfortunately, during the eight-month period ending December 31, 2023, results have suffered, primarily due to rising interest rates, which negatively impacted sales and increased debt service costs for Igloo’s various secured loans (as discussed below).

21. Set out below is Igloo's unaudited balance sheet as at December 31, 2023:

Igloo Industries Group Ltd.			
Balance Sheet Summary			
As At December 31, 2023			
(in CAD, \$000s; unaudited)			
<u>Assets</u>		<u>Liabilities</u>	
Cash	15	AP and accruals	2,337
Accounts receivable	1,362	RBC operating line & overdraft	6,681
Inventory	15,286	Tax payable	390
Prepays and other current assets	180	Payroll liabilities	243
Loan receivable from NDG	1,028	Other current liabilities	2,199
Total current	17,871	Total current	11,850
PPE, net	1,031	Long term Liabilities	3,044
Total assets	18,902	Total liabilities	14,894
		SH Equity	4,008
		Total liabilities and SH Equity	18,902

Source: unaudited financial statements of Igloo.

22. Igloo had total assets with a book value of approximately \$18.9 million as at December 31, 2023, principally comprised of accounts receivable of approximately \$1.4 million (this balance includes the an approximately \$0.9 million receivable from NDG in respect of the NDG Inventory), inventory of approximately \$15.2 million and a loan receivable from NDG of approximately \$1.0 million (in respect of funds advanced by the Company to NDG to fund operations, as noted above and discussed further below). The book value of Igloo's total liabilities as at December 31, 2023 were approximately \$14.9 million, primarily comprising (i) trade payables and accruals of approximately \$2.3 million, (ii) amounts owing to RBC (including in respect of the RBC Facility, as defined below) of approximately \$6.7 million, (iii) other current liabilities of approximately \$2.2 million, including the current portion of secured loans owing to BDC (as defined below; approximately \$0.3 million) and customer deposits (approximately \$1.3 million) and (iv) long-term liabilities of approximately \$3.0 million, including the non-current portion of secured loans owing to BDC (approximately \$1.1 million) and unsecured loans owing to the Individuals and certain of their family members (approximately \$1.7 million).

Secured Creditors

Royal Bank of Canada

23. As noted in the Snieg Affidavit, RBC is the Company's senior secured lender pursuant to a loan agreement between the Company, as borrower, and RBC, as lender, dated November 23, 2022 (the "RBC Loan Agreement"). A copy of the RBC Loan Agreement is included as Exhibit "F" to the Snieg Affidavit.

24. The RBC Loan Agreement provides for a \$6.5 million revolving demand loan facility (the “**RBC Facility**”) to finance the Company’s working capital. As of the Filing Date, the Company was fully drawn on the RBC Facility. The RBC Loan Agreement also provides for a \$150,000 credit card facility (the “**Credit Card Facility**”), under which the Proposal Trustee understands there is approximately \$30,000 currently owing. The Proposal Trustee further understands that RBC froze the RBC Facility and the Credit Card Facility, on or around February 22, 2024.
25. In addition, the RBC Loan Agreement provides for an approximately \$110,000 non-revolving term facility and a \$250,000 revolving lease line of credit, of which, approximately nil and \$18,000 was owing by the Company to RBC, respectively, as at the Filing Date.
26. As noted in the Snieg Affidavit, the RBC Facility is secured by:
 - a. A general security agreement in favour of RBC in all of the Company’s present and after-acquired personal property pursuant to a general security agreement;
 - b. guarantees and postponements of claim from each of Maria and Stan, totalling approximately \$5.5 million for each;
 - c. a collateral mortgage of approximately \$1.0 million on the real property described as 2881 20th Sideroad, New Tecumseth, ON, a development property co-owned by the Individuals (the “**Tecumseth Property**”);
 - d. a guarantee from Export Development Canada in favour of RBC in the maximum amount of \$3.25 million; and
 - e. a security interest in the NDG Inventory.
27. On February 12, 2024, RBC issued demands on the Company, together with a notice of intention to enforce security (the “**Company 244 Notice**”) under Section 244 of the BIA (the “**RBC Company Demands**”). In addition, on the same day, RBC issued demands on the Individuals, including notices under Section 244 of the BIA (together, the “**RBC Individual Demands**”, and, collectively with the RBC Company Demands, the “**RBC Demands**”).

Business Development Bank of Canada (“**BDC**”)

28. As noted in the Snieg Affidavit, the Company is indebted to BDC in respect of the following loans:
 - a. a working capital term loan facility in the maximum principal amount of \$750,000 entered into pursuant to a Letter of Offer dated May 7, 2019 (the “**2019 BDC Facility**”);
 - b. a “COVID-19” working capital facility in the maximum principal amount of \$850,000 entered into pursuant to a Letter of Offer dated July 7, 2020 (the “**2020 BDC Facility**”); and
 - c. a credit facility in the maximum principal amount of \$750,000 entered into pursuant to a Letter of Offer dated July 11, 2022, which was renewed on January 4, 2023 and was extended by

BDC for the purposes of financing the Company's expansion in the US (the "**2022 BDC Facility**") and, collectively with the 2019 BDC Facility and the 2020 BDC Facility, the "**BDC Facilities**").

29. The Proposal Trustee understands that, as of the Filing Date, the Company owed BDC approximately \$1.3 million in respect of the BDC Facilities.
30. As described in the Snieg Affidavit, the obligations of the Company pursuant to the BDC Facilities are secured by general security agreements in the assets of the Company in favour of BDC and guarantees of Maria and Stan (Maria did not provide a guarantee in respect of the 2022 BDC Facility).

Other Secured Lenders

31. As noted in the Snieg Affidavit, the Company also owes approximately \$0.3 million to other, subordinated secured lenders, including approximately \$292,000 to Merchant Opportunities Fund Limited Partnership ("**Merchant Growth**") in respect of an accounts receivable factoring facility and approximately \$29,000 to Chef Choice Equipment Rentals Inc. ("**Chef Choice**") on account of a financing term loan.
32. In addition, the results of a search of the Personal Property Security Registration System (Ontario) for Igloo with a currency date of February 13, 2024 (the "**PPSA Search Results**") confirms that, in addition to RBC, BDC, Merchant Growth and Chef Choice, other parties have registered security interests against the Company in respect of equipment and vehicle leases. A copy of the PPSA Search Results is included as Exhibit "E" to the Snieg Affidavit.
33. At this time, the Proposal Trustee has not yet instructed its counsel to review the validity or enforceability of any of the above mentioned security interests. The Trustee will provide the Court with its views on the security interests in a subsequent report.

Employee Obligations

34. The Proposal Trustee understands that the Company owes approximately \$0.3 million to certain of its employees and contractors for pre-filing compensation. As noted in the Snieg Affidavit, such employees/contractors either did not cash or the Company postponed their compensation cheques in light of Igloo's liquidity issues.

Canada Revenue Agency

35. As noted in the Snieg Affidavit, the Company owes approximately \$0.4 million, \$0.4 million and \$0.3 million to CRA on account of pre-filing source deductions, HST and corporate income taxes, respectively.

Landlord Obligations

36. As noted in the Snieg Affidavit, the Company owes approximately \$0.2 million (including HST) to its landlords for rent arrears, summarized as follows (all figures below are inclusive of HST):
 - a. 124 Norfinch Lease – approximately \$79,000;
 - b. 375 Norfinch Lease – approximately \$21,300;
 - c. Concord Lease – approximately \$69,000; and
 - d. Barrie Lease – approximately \$52,000.
37. As further noted in the Snieg Affidavit, the Proposal Trustee understands that the respective landlords hold deposits equal to one or two months' rent under each lease.
38. As discussed below, as part of the Company's restructuring efforts/cost reduction initiatives, it is taking steps to exit each of the 375 Norfinch Lease, the Concord Lease and the Barrie Lease.

Unsecured Creditors

39. According to the Company's books and records, the Company estimates that, as at the Filing Date, it had arms-length unsecured obligations totaling approximately \$2.4 million.
40. In addition, as noted in the Snieg Affidavit, the Company owes approximately \$1.7 million to the Individuals and certain of their family members in respect of unsecured loans made to the Company.

Events Leading to the Debtors' NOI Proceedings

The Company

41. As noted in the Snieg Affidavit, the Company attributes its financial challenges and reasons for its NOI filing to the following factors:
 - a. **Rising interest rates and reduced customer demand** – many of Igloo's customers finance the purchase of new equipment. As such, rising interest rates have reduced the Company's customers' buying power by way of increased borrowing costs, resulting in postponement of purchases and shifting to alternative options, including buying used and/or repairing old equipment rather than purchasing new. This has negatively impacted Igloo's sales;
 - b. **Delays and costs of expansion into the US market** – As noted in the Snieg Affidavit, the process of expanding into the US market has required more time and investment than anticipated. The Proposal Trustee understands that Igloo has advanced more than approximately \$1.0 million to NDG to support a US expansion, including to fund rent, wages and other operating costs (which is still being funded by the Company). In addition, NDG purchased the NDG Inventory (approximately \$0.9 million) from the Company, which the Company financed at cost plus 30%. As NDG does not earn revenue and is without liquidity (other than as provided by the Company), NDG has not yet paid Igloo for the NDG Inventory.

The foregoing has put pressure on the Company's cashflow, which, when compounded with the reduced sales volume discussed above, led to the Company's current financial challenges; and

- c. **The RBC Company Demands** – as noted above, RBC issued the RBC Company Demands on February 12, 2024. The Company was without the liquidity required to pay the amounts claimed in the RBC Company Demands within the time specified. As noted in the Snieg Affidavit, to protect the going-concern nature of the Company's business, the Company filed an NOI on an urgent basis on February 21, 2024, before expiry of the statutory 10-day period from the date the Company 244 Notice was issued.

The Individuals

42. The personal financial circumstances of the Individuals are closely tied to the Company's. As noted in the Snieg Affidavit and above, Maria and Stan have each personally guaranteed the Company's obligations to RBC in the amount of \$3.3 million and \$3.3 million, respectively (the "**Individuals' Guarantees**"), representing approximately 85% and 94%, respectively, of the Individuals' known liabilities. The Proposal Trustee understands that the Individuals' Guarantees are secured by a collateral mortgage on the Tecumseth Property.
43. As further noted in the Snieg Affidavit, the Individuals' only other significant debt consists of approximately \$550,000 owing to Bank of Montreal relating to home equity line of credit ("**HELOC**"). The Proposal Trustee understands that the funds advanced to Individuals pursuant to the HELOC were subsequently loaned to the Company to finance inventory purchases.
44. Pursuant to the RBC Individual Demands, RBC demanded payment of the full amount of the Individuals' Guarantees by no later than February 22, 2024, failing which, RBC would commence legal proceedings to enforce the guarantees and enforce its mortgage over the Tecumseth Property.
45. As a result, the Individuals also filed NOIs on February 21, 2024, appointing AGI as Proposal Trustee. Copies of the creditors lists for each of the Individuals are attached hereto as **Appendix "B"**.

V. ACTIVITIES OF THE COMPANY

46. In addition to operating its business and dealing with matters in connection with the NOI Proceedings, the Company's activities since the filing date have largely been focused on implementing certain restructuring measures with a view to control costs and improve liquidity. As noted in the Snieg Affidavit and discussed below, those measures include reducing Igloo's lease portfolio by terminating certain leases and selling non-core assets.

Lease Terminations

47. As discussed above, the Company operates from four leased premises. As part of its restructuring efforts prior to and following the Filing Date, the Company engaged in discussions with the respective landlords for each of the 375 Norfinch Lease, the Concord Lease and the Barrie Lease. As of the date of this First Report, the Proposal Trustee understands the following with respect to those leases:
- a. **375 Norfinch Lease** – pursuant to a lease termination agreement dated January 25, 2024, the 375 Norfinch Lease was terminated as of February 28, 2024, without penalty (the “**375 Norfinch Lease Termination Agreement**”). In addition, the 375 Norfinch Lease Termination Agreement provided that the Company may use the facility until March 15, 2024 to remove any assets, and the landlord would pay the Company a \$50,000 departing fee, of which, \$30,000 was paid to the Company on signing, with the balance payable on March 15, 2024;
 - b. **Concord Lease** – pursuant to a letter agreement between Condor Properties Ltd. (the “**Concord Landlord**”) and Igloo dated January 25, 2024 (the “**Concord Lease Letter Agreement**”), the Concord Landlord agreed to retain a listing agent to market and find a new tenant and, if successful, terminate the Concord Lease and release Igloo of all obligations under the Concord Lease. A copy of the Concord Lease Letter Agreement is attached hereto as **Appendix “C”**. Following additional discussions among Igloo, the Concord Landlord and their counsels, the Proposal Trustee understands that on March 14, 2024, the parties reached an agreement whereby (i) the Company will vacate the Concord Facility by April 15, 2024 (ii) the Concord Landlord will apply the security deposit held, less \$5,000 to cover maintenance and repair expenses, against rent owing for the period after the Filing Date, (iii) the Company will pay the Concord Landlord any rent balance owing for the period after the Filing Date and (iv) the Company’s pre-Filing Date arrears will not be compromised and will be dealt with as part of these proceedings; and
 - c. **Barrie Lease** – the Company determined that was necessary to disclaim this lease. As such on March 11, 2024, the Company issued a notice of disclaimer to the Barrie Lease landlord (the “**Barrie Lease Disclaimer**”), which disclaimer will be effective April 10, 2024. A copy of the Barrie Lease Disclaimer is included as Exhibit “Q” to the Snieg Affidavit.

Sale of Non-Core Assets

48. As noted in the Snieg Affidavit, prior to issuance of the RBC Demands, the Company had identified non-core assets which it intended to sell in order to generate cash, including (i) inventory and equipment located at the Concord and Barrie locations, (ii) inventory and equipment related to terminated business lines and (iii) other redundant and non-core assets. The Company then proceeded to communicate with multiple prospective auctioneers for the purposes of administering the February Auction, and ultimately decided to move forward with the Auctioneer. As further noted in the Snieg Affidavit, prior to the issuance of the RBC Demands, the Company and the Auctioneer

- immediately proceeded to make arrangements for the February Auction, including the marketing/advertising of same.
49. The Auction Agreement was subsequently formalized on February 16, 2024. The key terms of the Auction Agreement, a copy of which is attached hereto as **Appendix “D”**, include:
 - a. the subject assets are to be sold via an online public auction;
 - b. the Auctioneer will charge a commission of 20% of gross sales inclusive of advertising and setup, not including taxes, credit card charges or premiums;
 - c. the Auctioneer has the right to supplement items into the auction; and
 - d. the auction will take place from February 9, 2024 to February 22, 2024.
 50. The Proposal Trustee has reviewed a copy of the Auction Agreement and is of the view that the terms are commercially reasonable, having regard to the nature of the assets subject to the auction, the experience of the Auctioneer and market rates for similar type auctions.
 51. Recognizing that the Company was now subject to the NOI Proceedings, it considered postponing the February Auction so that it could obtain Court-approval prior to proceeding with the auction. However, as noted in the Snieg Affidavit, the Auctioneer advised the Company that, given the specialized nature of the assets subject to auction and the small pool of potential purchasers, cancelling or delaying the February Auction after advertising same could negatively impact attendance and sales. In light of the foregoing, Igloo, after informing both the Proposal Trustee and RBC, proceeded with the February Auction.
 52. The Proposal Trustee discussed the February Auction with the Auctioneer, including preparations for and results of the February Auction. An overview of the February Auction is as follows:
 - a. the Company’s initial outreach to the Auctioneer was in late-January 2024 and the parties immediately commenced making arrangements for the February Auction, including preparing marketing materials and identifying which assets would be included;
 - b. the Auctioneer sent its first email blast marketing the February Auction on February 12, 2024 to its network comprising more than 11,500 unique email addresses. The Auctioneer sent an additional nine email blasts regarding the February Auction. The Proposal Trustee also understands that Stan sent emails to his contacts to market the February Auction;
 - c. the Auctioneer published an advertisement in the Toronto Star regarding the February Auction on February 18, 2024 and also marketed the February Auction through its social media channels (Facebook and Instagram);
 - d. the February Auction was conducted through HiBid, an online auction platform. The Auctioneer advised that HiBid also marketed the February Auction on its website and to its subscriber base;

- e. a total of 315 parties registered for the February Auction. Of the registrants, 267 different parties made bids for the subject assets; and
 - f. the February Auction generated more than approximately 83,000 “lot views” and approximately 17,000 bids for the subject assets.
53. As noted in the Snieg Affidavit, the February Auction generated net proceeds of approximately \$0.3 million, subject to final reconciliation (the “**Net Auction Proceeds**”), which the Proposal Trustee understands were paid by the Auctioneer to Igloo on March 8, 2024. The Proposal Trustee further understands that Igloo will hold the Net Auction Proceeds pending Court approval of its actions/activities in connection with the February Auction and authorization to use same in accordance with the Revised Cash Flow Forecast or otherwise with the prior approval of the Proposal Trustee. As discussed below, if the Court grants the requested relief, the Net Auction Proceeds will provide critical funding to support the Company during the Forecast Period.
54. The Proposal Trustee recognizes, and has advised the debtor and its counsel, that the February Auction was not conducted in accordance with s. 65.13(1) of the BIA. The Proposal Trustee further acknowledges that it is not the role of the Proposal Trustee to usurp the function of the Court by granting its approval to the February Auction, and it has not done so at any point.
55. Notwithstanding the foregoing, in consideration of the factors set out in s. 65.13(4) of the BIA, which sets out the factors to be taken into consideration by the Court in approving a sale outside the ordinary course, the Proposal Trustee is of the view that the actions and activities of the Company as it relates to the February Auction were reasonable in the circumstance and supports the Company’s use of the Net Auction Proceeds, as contemplated in the proposed Consolidation, Stay Extension and Ancillary Relief Order, for the following reasons:
- a. the February Auction was conducted by an experienced liquidator in a commercially reasonable manner, including the timelines, breadth of the Auctioneer’s marketing of the February Auction and accessibility for prospective parties to participate in the February Auction;
 - b. based on discussions with the Auctioneer, the Proposal Trustee understands that the February Auction was well attended, garnered significant interest from prospective bidders and generated reasonable proceeds in light of the specialized nature of the assets;
 - c. the Company took appropriate steps to inform the Proposal Trustee and its senior secured creditor, RBC, of the February Auction, including that the Company would proceed with the February Auction on advice from the Auctioneer, as postponing same could have negatively impacted attendance and sales;

- d. the Company agreed to hold the Net Auction Proceeds pending further order from the Court authorizing the Company's use of same; and
 - e. the February Auction provided an opportunity to monetize certain non-core and redundant assets that, subject to Court approval, will provide critical funding to facilitate the Company's restructuring for the benefit of its creditors without the need for the Company to procure interim financing and seek a priming charge over its property.
56. As more fully described in the Snieg Affidavit, prior to issuance of the RBC Demands, the Company and the Auctioneer made arrangements for a further auction, with a completion date of March 7, 2024 (the "**March Auction**"). Consistent with the February Auction, the Auctioneer advised the Company not to delay the March Auction notwithstanding that the Company was subject to the NOI Proceedings, and, after informing the Proposal Trustee, the Company proceeded with the March Auction.
57. Ultimately, the offers received in the March Auction did not materialize into a transaction the Company wished to pursue.

Other Activities of the Company

58. In addition to the foregoing, since the Filing Date, the Company has undertaken, among other things, the following activities:
- a. corresponding with various stakeholders, including management, employees, its landlords and suppliers regarding the NOI Proceedings;
 - b. corresponding with Recon regarding all aspects of the NOI Proceedings;
 - c. attending meetings with the Proposal Trustee to discuss the Company's objectives and options in respect of the NOI Proceedings;
 - d. preparing the Revised Cash Flow Forecast with the assistance of the Proposal Trustee; and
 - e. providing the Proposal Trustee, on an ongoing basis, with financial and other information in order to allow the Proposal Trustee to monitor the Company's cash receipts and disbursements.

VI. ACTIVITIES OF THE PROPOSAL TRUSTEE

59. The Trustee's activities since the Filing Date have included, *inter alia*, the following:
- a. sending a notice, within five days of the Filing Date, of the NOI Proceedings to all known creditors of the Debtors with claims of \$250 or more, in accordance with the BIA. Notice was

- also sent to certain other persons, including creditors with claims less than \$250, applicable tax authorities and any other party that requested a copy of the notice;
- b. establishing and maintaining a website at <https://www.albertgelman.com/corporate-solutions/other-engagements/>, where material documents pertaining to the NOI Proceedings are available in electronic form;
 - c. assisting Igloo with preparing the Initial Cash Flow Forecast (as defined below) and the Revised Cash Flow Forecast, as well as Stan and Maria in respect of their cash flow forecasts prepared in accordance with Section 50.4(2) of the BIA, and filing same with the Official Receiver pursuant to the BIA;
 - d. implementing procedures for the monitoring the Company's cash flows and for ongoing reporting of variances to the Revised Cash Flow Forecast;
 - e. meeting and corresponding with the Debtors regarding, among other things;
 - i. the business, financial affairs and future prospects of the Company;
 - ii. the options available to the Debtors in the context of these NOI Proceedings; and
 - iii. the Revised Cash Flow Forecast (and those of Stan and Maria), the February Auction, the March Auction, cash management, creditor matters and various other matters in connection with Igloo's operations and the Debtors' NOI Proceedings;
 - f. corresponding with RBC and its legal and financial advisors, including in respect of the Initial Cash Flow Forecast, the Revised Cash Flow Forecast, the February Auction and the Administration Charge;
 - g. reviewing the Barrie Lease Disclaimer and corresponding with the Company and Recon regarding same and various matters concerning Igloo's leases;
 - h. responding to enquiries from creditors, including landlords and their counsels, and other stakeholders in connection with the NOI Proceedings;
 - i. corresponding with the Auctioneer regarding the February Auction;
 - j. corresponding regularly with Recon and Torkin Manes regarding all aspect of the NOI Proceedings;
 - k. reviewing materials filed with the Court in respect of the March 20 Motion; and
 - l. preparing this First Report.

VII. EXTENSION OF THE PROPOSAL PERIOD

60. The Debtors are seeking the Stay Extension pursuant to subsection 50.4(9) of the BIA.
61. Igloo, with the assistance of the Proposal Trustee, prepared its initial cash flow forecast, which, in accordance with Section 50.4(2) of the BIA, was filed with the Official Receiver on March 1, 2024 (the “**Initial Cash Flow Forecast**”). Following discussions among the Company and the Proposal Trustee regarding the Initial Cash Flow Forecast, the Initial Cash Flow Forecast had to be revised to incorporate certain disbursements not initially forecasted. As such, Igloo, with the assistance of the Proposal Trustee, prepared the Revised Cash Flow Forecast, a copy of which, as well as the corresponding reports of both the Company and the Proposal Trustee, is attached hereto as **Appendix “E”**. The Revised Cash Flow Forecast is summarized as follows:

Igloo Industries Group Ltd.	
Revised Cash Flow Forecast	
For the 13-Week Period Ending June 9, 2024	
(In CAD\$; unaudited)	
Cash receipts	
Collections from sales	3,275,051
Net Auction Proceeds	300,000
Total cash receipts	3,575,051
Cash disbursements	
Material and supplies	1,432,520
Salaries, wages and benefits	722,986
Sub-contractor consulting fees	229,254
Rent	168,854
Restructuring professional fees	155,000
Operating expenses	152,279
HST payable	110,882
Merchant fees	81,876
Commissions	65,501
Machinery leases	38,309
Sales people vehicle lease buyout	35,694
EDC guarantee fee	22,180
Trailer Purchase	12,500
NDG North America disbursements	-
Rent	168,000
Wages	98,000
Utilities and telecommunications	11,225
Total cash disbursements	3,505,061
Net cash-flow	69,990
Cash balance - beginning of period	9,463
Net cash-flow	69,990
Cash balance - end of period	79,453

62. The Revised Cash Flow Forecast indicates that, if the Net Auction Proceeds are made available to the Company as contemplated in the proposed Consolidation, Stay Extension and Ancillary Relief Order, Igloo will have sufficient liquidity to fund both operating costs and the costs of these NOI proceedings for the period of the Stay Extension, if granted.

63. The Proposal Trustee supports the Stay Extension for the following reasons:
- a. the Stay Extension will provide the Debtors, with the assistance of legal counsel and the Proposal Trustee, with the time needed to (i) stabilize the Igloo operations and (ii) implement restructuring initiatives that will improve the Company's financial position and ability to support a viable proposal;
 - b. the Debtors are acting in good faith and with due diligence; and
 - c. it is the Proposal Trustee's view that the Stay Extension will not materially prejudice or adversely affect any group of creditors.
64. While it is too early to determine whether a viable proposal will be presented by the Debtors to their creditors, in the Proposal Trustee's view, it is possible that the Company can devise a going-concern solution that provides more value to stakeholders than a forced liquidation of the Debtors' assets at this time.
65. In consideration of the foregoing, the Proposal Trustee is of the view that the Debtors' request for the Stay Extension is appropriate in the circumstances. Consequently, the Proposal Trustee also supports the Company's request for authorization to use the Net Auction Proceeds in accordance with the Revised Cash Flow Forecast or otherwise with prior approval of the Proposal Trustee.

VIII. ADMINISTRATIVE CONSOLIDATION

66. The Company is seeking an order administratively consolidating the NOI proceedings of each of the Company, Maria and Stan and authorizing / directing the Proposal Trustee of the consolidated NOI proceedings to administer the Debtors' NOI proceedings as if they were a single proceeding for the purpose of carrying out its duties and obligations under the BIA.
67. As noted in the Snieg Affidavit, the NOI proceedings of each of the Debtors are closely intertwined and largely related to the same creditors and circumstances.
68. It is the Debtors' belief (and that of the Proposal Trustee) that the administrative consolidation of the Debtors is appropriate, as it would avoid duplication of efforts in reporting and be more efficient and cost effective.
69. The Proposal Trustee understands that the Company's largest and senior secured creditor, RBC, does not object to the proposed consolidation and the proposed consolidation will not result in any prejudice to the creditors of the Debtors.
70. For the above reasons, the Proposal Trustee is supportive of the Company's request for administrative consolidation of the Debtors' NOI proceedings.

IX. PROPOSED ADMINISTRATION CHARGE

71. The Company seeks the Administration Charge over all the Property to secure the fees and disbursements incurred in connection with services rendered to the Debtors before and after the Filing Date by the Proposal Trustee, its counsel and counsel to the Company.
72. The quantum of the Administration Charge sought by the Debtors was determined in consultation with the Proposal Trustee and RBC's counsel.
73. The Administration Charge will rank in priority to all other security interests. The Proposal Trustee understands that RBC has not, as of the date of this report, objected to the Administration Charge and its priority ranking.
74. A super-priority charge to secure the fees and disbursements of the professionals involved with the debtor company is common in insolvency proceedings to ensure that such professionals continue to provide their services to the debtor. The Proposal Trustee is of the view that the amount and the priority of the Administration Charge is required and reasonable in the circumstances. The Proposal Trustee supports the granting and the proposed ranking of the Administration Charge.

X. PROPOSAL TRUSTEE'S RECOMMENDATION

75. Based on all of the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the relief sought by the Company in the March 20 Motion.

All of which is respectfully submitted this 15th day of March 2024

**ALBERT GELMAN INC., solely in its capacities as
Trustee in re the Notices of Intention to Make a Proposal of
Igloo Industries Group Ltd, Maria Snieg and Stanislaw Snieg
and not its personal or any other capacity**



Per: _____

Adam Zeldin, CPA, CA, CIRP, LIT
Vice President

APPENDIX “D”

**SECOND REPORT TO COURT OF
ALBERT GELMAN INC.
AS PROPOSAL TRUSTEE UNDER THE
NOTICES OF INTENTION TO MAKE A PROPOSAL OF
IGLOO INDUSTRIES GROUP LTD., MARIA SNIEG AND
STANISLAW SNIEG**

MAY 22, 2024

District of Ontario
Division No. 09 - Toronto
Court File No.: BK-24-03046358-0031
Estate File Nos.: 31-3046358
31-3046342
31-3046353

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED

**IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF
IGLOO INDUSTRIES GROUP LTD., MARIA SNIEG AND STANISLAW SNIEG**

**SECOND REPORT OF ALBERT GELMAN INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

MAY 22, 2024

I. INTRODUCTION

1. This report (the “**Second Report**”) is filed by Albert Gelman Inc. (“**AGI**”) in its capacity as proposal trustee (the “**Proposal Trustee**”) in connection with the Notices of Intention to Make a Proposal (“**NOI**”) filed by Igloo Industries Group Ltd. (“**Igloo**” or the “**Company**”), Maria Snieg (“**Maria**”) and Stanislaw Snieg (“**Stan**” and together with Maria, the “**Individuals**”).
2. On February 21, 2024 (the “**Filing Date**”), the Company and the Individuals (collectively, the “**Debtors**”) each filed a NOI pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) and AGI was named as Proposal Trustee under each NOI (the “**NOI Proceedings**”). Attached hereto as **Appendix “A”** are copies of the Certificates of Filing issued by the Office of the Superintendent of Bankruptcy for each of the Debtors.
3. The purpose of the NOI Proceedings is to afford the Debtors the breathing room necessary to evaluate restructuring options and formulate a viable proposal to their respective creditors, including the Company’s senior secured lender, Royal Bank of Canada (“**RBC**”). The Individuals have provided guarantees in favour of RBC as security for the obligations of the Company to RBC.
4. On April 8, 2024, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Consolidation, Stay Extension and Ancillary Relief Order**”), *inter alia*:
 - a. approving the administrative consolidation of the NOI Proceedings, and authorizing the Proposal Trustee to administer the NOI Proceedings as if they were a single proceeding;
 - b. granting an extension of the time within which the Debtors are required to file a proposal to May 22, 2024;
 - c. granting a charge, in the maximum amount of \$250,000, in favour of the Company’s counsel, the Proposal Trustee and the Proposal Trustee’s counsel, Torkin Manes LLP (“**Torkin Manes**”), as security for their professional fees and disbursements incurred in respect of the NOI Proceedings, on:
 - i. all current and future assets, property and undertakings of the Company up to \$150,000 (the “**Company Administration Charge**”);
 - ii. the matrimonial home of the Individuals (the “**Matrimonial Home**”) up to \$150,000 (the “**Individuals Administration Charge**”); and
 - iii. Stan’s interest in the Matrimonial Home up to \$250,000;
ranking in priority to all other security interests, except (i) in respect of the Company Administration Charge, the security of RBC as against the Company and (ii) in respect of the Individuals Administration Charge, the mortgage on the Matrimonial Home held by Bank of Montreal (“**BMO**”);

- d. approving the Proposal Trustee's first report to Court dated May 15, 2024 (the "**First Report**"), including the activities of the Proposal Trustee described therein; and
 - e. prohibiting the movement of the Company's inventory to its US affiliate, NDG North America, LLC ("**NDG**"), and the sale of the Company's inventory out of the ordinary course of business, subject to certain parameters.
5. The Proposal Trustee has established a website (the "**Case Website**") for the purposes of these NOI Proceedings at <https://www.albertgelman.com/corporate-solutions/other-engagements/>. Copies of Court materials filed in the NOI Proceedings, the Orders made by the Court and other relevant documents are posted to and available for review on the Case Website.

II. PURPOSE OF THIS REPORT

6. The Proposal Trustee filed the First Report with the Court to, among other things, support the Debtors' request for the Consolidation, Stay Extension and Ancillary Relief Order. A copy of the First Report (without appendices) is attached hereto as **Appendix "B"**.
7. The purpose of this Second Report is to provide an update to the Court regarding:
- a. the Company's operations and results since the Filing Date; and
 - b. the proposed next steps in these NOI Proceedings with respect to the Company and the Individuals, including the Proposal Trustee's considerations and recommendations.

III. SCOPE AND TERMS OF REFERENCE

8. In preparing this Second Report, the Proposal Trustee has relied upon certain unaudited financial information, the Debtors' books and records, discussions with the Company's management, directors and shareholders and legal counsel, Reconstruct LLP ("**Recon**"), as well as discussions with the Individuals and RBC's financial and legal advisors.
9. While the Proposal Trustee has reviewed the various documents and other information provided by the Debtors and others, such review does not constitute an audit or verification of such documents/information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises ("**ASPE**") or International Financial Reporting Standards ("**IFRS**") or otherwise. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance pursuant to ASPE, IFRS or otherwise with respect to such documents/information.
10. This Second Report has been prepared for the use of this Court and the Debtors' stakeholders as general information relating to the Debtors and to assist the Court in making a determination of whether to approve the relief sought. Accordingly, the reader is cautioned that this Second Report may not be appropriate for any other purpose. The Proposal Trustee will not assume responsibility

or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Second Report contrary to the provisions of this paragraph.

11. Unless otherwise noted, all monetary amounts referenced are in Canadian dollars.

IV. UPDATE ON COMPANY'S OPERATIONS AND RESULTS

12. As discussed in the First Report, in addition to operating its business and dealing with matters in connection with the NOI Proceedings, the Company's activities since the filing date have largely been focused on implementing certain restructuring measures with a view to control costs and improve liquidity. Those measures included reducing Igloo's lease portfolio by terminating three of its four leases (as discussed in the First Report) and selling non-core assets. In addition, the Company continued to support an expansion to the US market through its affiliate, NDG.
13. Unfortunately, despite the restructuring efforts of the Company, Igloo's results have suffered during the NOI Proceedings. During the period from February 21, 2024 to May 12, 2024 (the "**Subject Period**"), the Company's cash receipts were approximately \$1.0 million (or approximately 33%) unfavourable to forecast, largely driven by lower than forecasted sales (and the corresponding collections from sales), leaving the Company with limited liquidity to pay its post-filing obligations as they came due.
14. The Company attributes its unfavourable sales/collections from sales during the Subject Period to the following:
 - a. certain of the Company's customers cancelled or delayed purchases due to misunderstanding the nature of the Company's insolvency proceedings as a bankruptcy rather than a debtor-in-possession restructuring;
 - b. certain of the Company's customers cancelled or delayed purchases due to a lack of confidence in the Company's ability to provide after-sale support, including with respect to warranties and spare parts;
 - c. certain of the Company's competitors approached customers and potential customers of the Company in order to invite those customers to do business with them instead of doing business with the Company, including by sharing facts or interpretation of facts that were incomplete or inaccurate; and
 - d. certain of the Company's customers cancelled or delayed purchases due to their own financial challenges, including generalized difficulties in the restaurant, grocery and food industries.

15. A summary of the Company's cash receipts and disbursements for the Subject Period as compared to forecast is set out as follows:

Igloo Industries Group Ltd.				
Cash Flow Variance Analysis				
For the period from February 21, 2024 to May 12, 2024				
(in CAD\$; unaudited)				
	Actual	Forecast	Var (\$)	Var (%)
Collections from sales	1,757,989	2,812,908	-1,054,919	-38%
February Auction net proceeds	300,000	300,000	-	0%
Miscellaneous receipt	26,612	-	26,612	100%
Total receipts	2,084,602	3,112,908	-1,028,306	-33%
Material and supplies	627,777	1,099,995	472,219	43%
Salaries, wages and benefits	572,446	677,467	105,021	16%
Sub-contractor consulting fees	140,803	267,420	126,618	47%
Rent	149,368	184,942	35,574	19%
Restructuring professional fees	30,000	82,177	52,177	63%
Operating expenses	137,170	158,448	21,277	13%
HST payable	29,869	74,098	44,230	60%
Merchant fees (credit card fees)	9,151	83,708	74,556	89%
Commissions	-	57,545	57,545	100%
Machinery leases	38,134	39,465	1,331	3%
Sales people vehicle lease buyout	22,296	35,694	13,398	38%
EDC guarantee fee	21,633	22,180	547	2%
Trailer Purchase	-	12,500	12,500	100%
NDG North America disbursements	-	-	-	-
Rent	150,886	168,000	17,114	10%
Wages	79,484	84,000	4,516	5%
Utilities and telecommunications	710	13,594	12,885	95%
Machinery and equipment leases	3,154	-	3,154	-100%
Material and supplies	762	-	762	-100%
Other disbursement	10,000	-	10,000	-100%
Total disbursements	2,023,642	3,061,234	1,037,591	34%
Net cash flow	60,959	51,674	9,285	18%
Opening cash	16,437	16,437	-	0%
Opening balance adjustment	-	1,610	-1,610	-100%
Net cash flow	60,959	51,674	9,285	18%
Closing cash¹	77,396	69,721	7,675	11%

(1) The closing cash balance includes approximately \$128 in the Company's previous operating account.

16. As set out above and notwithstanding the unfavourable sales/collections results, on a net cash flow basis, Igloo was approximately \$9,000 (or approximately 18%) ahead of forecast during the Subject Period. However, the Company took steps during the Subject Period to manage its liquidity by way of deferring certain post-filing obligations, including in respect of payroll (approximately \$105,000 positive timing variance from forecast) and restructuring professional fees (approximately \$52,000 positive timing variance from forecast), among other obligations. The Company also benefited from additional liquidity provided via the approximately \$300,000 net proceeds realized from the February Auction (as defined/discussed in the First Report).

Material Adverse Change Report

17. The Proposal Trustee was of the view that the unanticipated difficulties encountered by the Company in generating revenue, resulting in a significant variance between the Company's forecast and actual results and deferral of payments for post-filing payroll, restructuring professional fees and other expenses, constituted a material adverse change in the financial circumstances of the Company pursuant to section 50.4(7)(b) of the BIA. As such, the Proposal Trustee issued a material adverse change report dated May 3, 2024 (the "**MAC Report**"), a copy of which is attached hereto as **Appendix "C"**. A copy of the MAC Report was filed with the Official Receiver, distributed to all known creditors of the Company and posted to the Case Website.

V. PROPOSED NEXT STEPS IN THE NOI PROCEEDINGS

18. Given the Company's results during the Subject Period, the Proposal Trustee understands that the Company's senior secured creditor, RBC, lost faith in Igloo's ability to make a viable proposal to its creditors and is not supportive of a further extension to the Company's NOI proceedings. Following discussions among the Company, its counsel, and advisors to RBC and Business Development Bank of Canada (Igloo's second secured lender, "**BDC**"), regarding the future prospects of the NOI Proceedings, the Proposal Trustee understands that RBC, with BDC's support, proposed the following with respect to the NOI Proceedings (the "**RBC Proposal**"):
 - a. on or before May 22, 2024, msi Spergel Inc. ("**Spergel**") will be appointed as receiver over the assets, undertakings and properties of the Company (in such capacity, the "**Proposed Receiver**"), and the NOI Proceedings, as it relates to Igloo, will be withdrawn;
 - b. upon appointment, the Proposed Receiver will undertake a 45-days sale process to canvass the market and request expressions of interest for a transaction on both a going concern and liquidation basis, while also conducting a "factory clearance" sale on the premises;
 - c. NDG, with the consent and approval of the Proposed Receiver and RBC, will engage an auctioneer in the US to liquidate its inventory. The net proceeds from the sale of such inventory will be paid to the Proposed Receiver on account of amounts owing by NDG to Igloo. It should be noted that, as discussed in the First Report, the Company reported that it financed approximately \$0.9 million of NDG's inventory purchases. For clarification purposes, the Proposal Trustee now understands that Igloo financed approximately \$1.2 million of NDG's inventory purchases;
 - d. the fixed costs associated with NDG's operations will be reduced by terminating the lease with its landlord and scaling down headcount;
 - e. RBC will not oppose the stay extension to be sought by Stan and Maria with respect to their NOI proceedings (as discussed below); and

- f. Stan and Maria will market for sale the real property described as 2881 20th Sideroad, New Tecumseth, ON, a development property co-owned by the Individuals (the “**Tecumseth Property**”), to generate proceeds to pay to their respective creditors under the auspices of the Proposal Trustee.
- 19. In consideration of the foregoing, RBC filed a motion returnable May 22, 2024 (the “**RBC Motion**”), seeking an order, among other things, appointing Spergel as Proposed Receiver of the Company. The Proposal Trustee understands that the Company does not oppose the RBC Motion.
- 20. Given all the foregoing, including the Company’s results during the Subject Period and the general agreement among the Company and its principal secured creditors, the Proposal Trustee is of the view that the relief sought in the RBC Motion is reasonable and appropriate in the circumstances.

The Individuals

- 21. As discussed in the First Report, the vast majority of the Individuals’ creditors are common creditors, being, (i) RBC and BDC, in respect of personal guarantees related to the Company’s obligations to RBC and BDC and (ii) BMO, in respect of a home equity line of credit on the Matrimonial Home.
- 22. As set out above, pursuant to the RBC Proposal, RBC and BDC do not oppose the continuation of the Individuals’ NOI Proceedings.
- 23. In light of the foregoing, the Individuals filed a motion returnable May 22, 2024 (the “**Individuals Motion**”) seeking an order to, among other things, (i) extend the time to file a proposal to their creditors to July 6, 2024 (the “**Individuals’ Stay Extension**”) pursuant to subsection 50.4(9) of the BIA and (ii) deconsolidate the NOI Proceedings as it relates to the Individuals, from that of the Company.

Proposal Trustee Recommendation – Individuals’ Stay Extension

- 24. The Proposal Trustee supports the Individuals’ Stay Extension for the following reasons:
 - a. the Individuals’ Stay Extension will provide the Individuals, with the assistance of the Proposal Trustee, with the time needed to market and sell the Tecumseth Property, for the ultimate purpose of supporting a viable proposal to their creditors;
 - b. the Individuals are acting in good faith and with due diligence;
 - c. it is the Proposal Trustee’s view that the Individuals’ Stay Extension will not materially prejudice or adversely affect any of the Individuals’ creditors; and
 - d. RBC and BDC do not oppose the Individuals’ Stay Extension.
- 25. In consideration of the foregoing, the Proposal Trustee is of the view that the Individuals’ Stay Extension is appropriate in the circumstances.

Proposal Trustee Recommendation – Deconsolidation

26. As noted above, the Consolidation, Stay Extension and Ancillary Relief Order administratively consolidated the NOI proceedings of each of the Debtors and authorized / directed the Proposal Trustee to administer the Debtors' NOI proceedings as if they were a single proceeding for the purpose of carrying out its duties and obligations under the BIA.
27. Should the Court grant an order withdrawing the Company's NOI, the consolidation of Igloo's NOI proceedings with that of the Individuals would be rendered moot. However, Individuals' NOI proceedings remain closely intertwined and largely relate to the same creditors and circumstances. It is still the Proposal Trustee's belief that the administrative consolidation of the Individuals is appropriate, as it would avoid duplication of efforts in reporting and be more efficient and cost effective.
28. As such, should the Court grant the Individuals' Stay Extension, the Proposal Trustee believes that it is appropriate that administrative consolidation, as it relates to Individuals, remain in force.

VI. ACTIVITIES OF THE PROPOSAL TRUSTEE

29. The Proposal Trustee's activities since the First Report have included, *inter alia*, the following:
 - a. maintaining the Case Website;
 - b. implementing procedures for monitoring of the Company's cash flows and for ongoing reporting of variances to forecast;
 - c. preparing and issuing the MAC Report;
 - d. meeting and corresponding with the Debtors regarding, among other things;
 - i. the business, financial affairs and future prospects of the Company;
 - ii. the options available to the Debtors in the context of these NOI Proceedings; and
 - iii. the cash management, the MAC Report, creditor matters, landlord matters, NDG matters and various other matters in connection with Igloo's operations and the Debtors' NOI Proceedings;
 - e. corresponding with RBC's financial and legal advisors, Spergel and Fogler Rubinoff LLP, respectively;
 - f. corresponding with BDC's legal advisor, SimpsonWigle LAW LLP;
 - g. responding to calls and enquiries from creditors, former employees and other stakeholders in connection with the NOI Proceedings;
 - h. corresponding regularly with Recon and Torkin Manes regarding all aspect of the NOI Proceedings;

- i. reviewing materials filed with the Court in respect of the NOI Proceedings;
- j. attending before the Court on March 22, 2024 and April 8, 2024, in connection with the Debtors' motion seeking the Consolidation, Stay Extension and Ancillary Relief Order; and
- k. preparing this Second Report.

VII. PROPOSAL TRUSTEE'S RECOMMENDATION

- 30. Based on all of the foregoing, the Proposal Trustee recommends that this Honourable Court grant the relief sought in the RBC Motion and the Individuals Motion.

All of which is respectfully submitted this 22nd day of May 2024

**ALBERT GELMAN INC., solely in its capacities as
Trustee in re the Notices of Intention to Make a Proposal of
Igloo Industries Group Ltd, Maria Snieg and Stanislaw Snieg
and not its personal or any other capacity**



Per:

Adam Zeldin, CPA, CA, CIRP, LIT
Vice President