

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