

**Estate File No. 31-2481648
Estate File No. 31-2481649**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREEN EARTH STORES LTD. AND GREEN EARTH
ENVIRONMENTAL PRODUCTS**

**SECOND REPORT OF CROWE SOBERMAN INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICES OF INTENTION TO MAKE A
PROPOSAL OF GREEN EARTH STORES LTD. AND GREEN EARTH
ENVIRONMENTAL PRODUCTS**

April 24, 2019

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APRIL 24, 2019

I. INTRODUCTION

1. This report (the “**Second Report**”) is filed by Crowe Soberman Inc. (“**Crowe**”), in its capacity as proposal trustee (the “**Proposal Trustee**”) in connection with the Notices of Intention to Make a Proposal (“**NOI’s**”) filed by each of Green Earth Stores Ltd. (“**GESL**”) and Green Earth Environmental Products, a partnership (“**GEEP**”, and together with GESL the “**Companies**”).
2. On March 4, 2019 (the “**Filing Date**”), the Companies each filed an NOI pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B.-3, as amended (the “**BIA**”) and Crowe was appointed as Proposal Trustee under each NOI (the “**NOI Proceedings**”).
3. On March 7, 2019, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Administration Order**”) which, among other things:
 - i. approved the administrative consolidation of the NOI Proceedings;
 - ii. approved the key employee retention agreement (the “**KERA**”);
 - iii. approved certain charges sought by the Companies; and

- iv. granted an extension of time within which the Companies are required to file a proposal (the “**Proposal Period**”) to May 3, 2019.
- 4. On March 7, 2019 the Court also issued an order (the “**Liquidation Process Order**”) which, among other things.
 - i. approved the engagement of FAAN Advisors Group Inc. (“**FAAN**”) as Chief Restructuring Advisors (in such capacity the “**CRA**”) and the key terms of the FAAN engagement letter (the “**CRA Engagement Letter**”);
 - ii. approved the consulting agreement (the “**Consulting Agreement**”) between the Companies’ and Shawn Parkin as liquidation consultant (“**Consultant**”), pursuant to which the Consultant is to assist with the liquidation process proposed to be undertaken by the Companies in respect of the Companies’ inventory and owned furniture, fixtures, and equipment (“**FF&E**”) at the Companies’ retail locations and warehouse (the “**Liquidation Sale**”) in accordance with the sale guidelines (the “**Sale Guidelines**”) appended to the Liquidation Process Order; and
 - iii. authorized the Companies, with the assistance of the Consultant and the CRA to conduct the Liquidation Sale.
- 5. The Proposal Trustee filed its First Report dated March 5, 2019 (the “**First Report**”) with the Court in support of the Administration Order and the Liquidation Process Order. A copy of the First Report, without appendices, is attached hereto as **Appendix “A”**.
- 6. The purpose of this Second Report is to provide the Court with information pertaining to the following:
 - i. the activities of the Companies and the Proposal Trustee since the Filing Date;
 - ii. the status of the Liquidation Sale;
 - iii. the status of the KERA;

- iv. the Companies' reported receipts and disbursements for the period from March 4 to April 12, 2019, including a comparison of reported to forecast results;
- v. the Companies' request for an extension of the Proposal Period to June 17, 2019 including the Companies' revised cash flow forecast for the period from May 3, 2019, 2019 to June 17, 2019 (the "**Extended Cash Flow Forecast**"); and
- vi. the Proposal Trustee's recommendation that this Court make an order as requested by the Companies:
 - a. approving the extension of the Proposal Period to June 17, 2019; and
 - b. approving the First and Second Report, as well as the activities, actions and conduct of the Proposal Trustee set out therein and herein.

II. TERMS OF REFERENCE

- 7. Unless otherwise noted, all monetary amounts contained in this Second Report are expressed in Canadian dollars.
- 8. In preparing this Second Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Companies' representatives, the Companies' books and records and discussions with their management, staff, agents and consultants (collectively, the "**Information**"). The Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook (the "**CPA Handbook**") and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

III. ACTIVITIES OF THE COMPANIES

9. Since the Filing Date, the activities of the Companies have included:
 - i. meeting and communicating with the Companies' employees regarding the NOI Proceedings;
 - ii. responding to calls and enquiries from creditors and stakeholders regarding the NOI Proceedings;
 - iii. making payments to suppliers for goods and services received following the Filing Date;
 - iv. making payments regarding payroll obligations;
 - v. reporting receipts and disbursements;
 - vi. collaborating with the Consultant and the CRA regarding the Liquidation Sale, potential consolidation of inventory and disclaimer of the 29 leased locations;
 - vii. preparing, in consultation with the Proposal Trustee, the cash flow statement and associated reports in prescribed form, pursuant to subsection 50.4(2) of the BIA;
 - viii. consulting with the Proposal Trustee regarding the disclaimer of certain retail leases. The Proposal Trustee understands that, as at the date of this Second Report, the Companies have issued notices of disclaimer for 27 retail store leases - 6 disclaimers have been issued by GESL and 21 disclaimers have been issued by GEEP. The issuance of the lease disclaimer notices has been staggered, with the first three disclaimers becoming effective as of April 29, 2019. The Proposal Trustee understands that it is the intention of the Companies to issue notices of disclaimers for the balance of the leases such that the disclaimers will become effective by the end of May;

- ix. consulting with the CRA/Consultant regarding the necessary termination dates for retail store (and other) employees. Filing mass notices of termination (the “**Notice of Termination**”) with the Ministry of Labour for the employees of the Companies on March 28, 2019, and posting the Notice of Termination at the retail locations and head office/warehouse distribution centre in connection with the planned wind down of the Companies’ operations;
- x. consulting with the Proposal Trustee in connection with the preparation of the Extended Cash Flow Forecast; and
- xi. corresponding and communicating with the Proposal Trustee and the Companies’ legal counsel on various matters in connection with the NOI Proceedings.

IV. THE PROPOSAL TRUSTEE’S ACTIVITIES

10. The Proposal Trustee’s activities since the Filing Date have included:

- i. sending a notice of the NOI Proceedings, within five (5) business days of the Filing Date, to all known creditors of the Companies;
- ii. establishing and maintaining a website at <https://crownsoberman.com/insolvency/engagements/green-earth-stores-ltd-green-earth-environmental-products>. where all materials filed with the Court and all orders made by the Court, in connection with the NOI Proceedings, are available in electronic form;
- iii. implementing procedures for the monitoring of the Companies’ cash flows with the CRA, and the ongoing reporting of any variances to the cash flow forecasts;
- iv. assisting the Companies in preparing the cash flow statement and associated reports in prescribed form, pursuant to subsection 50.4(2) of the BIA, and filing same with the Office of the Superintendent of Bankruptcy;

- v. assisting the Companies with the Extended Cash Flow Forecast;
- vi. meeting with the CRA, the Consultant, and the Companies' management to discuss the Companies' operations, the conduct of the Liquidation Sale, and the NOI Proceedings;
- vii. corresponding and communicating extensively with the CRA regarding the progress and results of the Liquidation Sale;
- viii. consulting with the Companies regarding the disclaimer of commercial leases;
- ix. responding to calls and enquiries from creditors and other stakeholders regarding the NOI Proceedings; and
- x. preparing the First and Second Report.

V. THE LIQUIDATION SALE

- 11. The Liquidation Sale commenced on March 9, 2019, and in accordance with the terms of the Consulting Agreement, will conclude no later than June 30, 2019.
- 12. In accordance with the terms of the Liquidation Process Order (and Sale Guidelines), any additional merchandise to be added to the goods located in the retail locations which are to be sold during the Liquidation Sale, was limited to goods which were located at the warehouse/distribution center located in London, Ontario (the "Distribution Center").
- 13. The Liquidation Sale has been progressing positively and the gross recoveries have exceeded the Companies' projections. As of the week ending April 12, 2019, the projected sales were \$1.2 million greater than projected from the cash flow included in the First Report.

Retail Leases

- 14. The Liquidation Sale is to be completed no later than June 30, 2019. Toward this end, and as also noted above, as at the date of this Second Report, the Companies

have issued notices of disclaimer in respect of 27 of the 29 retail store leases. The disclaimer notices have been issued and sent at varying times, with the first three disclaimers becoming effective on April 29, 2019.

FF&E

15. Pursuant to the Consulting Agreement, the Consultant is to assist the Companies in selling any owned FF&E at the retail locations for a fee of twenty percent (20%) of gross proceeds realized. As at the date of this Second Report, the Proposal Trustee understands that \$26,132 of FF&E has been sold.

VI. REAL PROPERTY MARKETING PROCESS

16. As outlined in the First Report, in December 2018 GESL entered into a Listing Agreement with CBRE Limited for the sale of the Distribution Center, which is owned by GESL, at a listing price of \$6.5 million. The Proposal Trustee understands that although there has been interest in the Distribution Centre, to date no offers or letters of intent have been received.

VII. EMPLOYEES

17. As of the Filing Date, GEEP employed 202 individuals across its retail store locations, 179 of which were on a part-time basis, and GESL employed 13 full-time head office and warehouse employees, all of which are non-unionized.
18. The Proposal Trustee was sent a copy of the Notice of Termination that was registered with the Ministry of Labour on March 28, 2019, notifying the Ministry that the Companies were terminating more than 50 employees in the same four-week period. The Proposal Trustee has been advised that employees have also received individual letters of termination.
19. The Proposal Trustee understands that approximately 35 employees have either resigned or been terminated, and that those employees have been paid, or will be paid, their wages and accrued vacation pay to the date the employment ended.

KERA and Stay Bonus and Incentive Program

20. As detailed in the First Report, given the planned short timeframe to complete the Liquidation Sale, the KERA was developed to ensure the retention of key office personnel and certain staff at the Distribution Centre through the completion of the Liquidation Sale and the NOI Proceedings (the “**KERA Beneficiaries**”). As outlined in the First Report, the KERA is secured over the Companies’ property through a charge in in the maximum aggregate amount of \$100,000.

21. The KERA provides for retention payments to be paid to each of the KERA Beneficiaries at specific dates during the NOI Proceedings. In order for the KERA Beneficiaries to receive payments under the KERA, among other things, the KERA Beneficiaries cannot have: (a) disclosed the term of the KERA (other than to legal, financial and tax advisors or as required by law); or (b) at any time on or before the date any portion of the funds contemplated under the KERA is paid (i) resign or (ii) be terminated for cause.

22. The Proposal Trustee understands that the Companies anticipate making KERA payments in accordance with the terms of each individual’s KERA, either on the date of the employee’s termination or at certain key milestones during the NOI Proceedings. The Proposal Trustee understands that no monies are yet payable under the KERA.

23. In addition to the KERA, the Proposal Trustee worked with the Companies, the CRA and the Consultant to create a stay bonus program for certain store employees, with an estimated value of between \$80,000-\$120,000 based on the performance of the Liquidation Sales at the store level (the “**Stay Bonus and Incentive Program**”). A copy of the Stay Bonus and Incentive Program was included as a confidential appendix to the First Report. The Proposal Trustee understands that, in light of the strong recoveries from the Liquidation Sale, nearly all store level employees who were eligible to participate in the Stay Bonus and Incentive Program will be eligible to receive payments thereunder.

VIII. CASH FLOWS FOR THE PERIOD FROM MARCH 4, 2019 TO APRIL 12, 2019

24. In support of the Companies' request for the initial extension of the Proposal Period to May 3, 2019, the Companies, with the assistance of the CRA and the Proposal Trustee, prepared individual forecasts of the Companies' receipts and disbursements for the period March 4, 2019 to May 3, 2019 (the "**Cash Flow Forecasts**"). A copy of the Cash Flow Forecasts was included as Appendix "C" to the First Report.

25. A comparison of the Cash Flow Forecast to the Companies' reported results for the period March 4, to April 12, 2019 is attached as **Appendix "B"** and is summarized below:

GESL-Cash Flow- Variance Analysis
For the six week period to April 12, 2019

Receipts	Actual	Budget	Variance
Receipts from Sale of Inventory	2,090,294	1,447,315	642,979
Miscellaneous Receipts	618,156		618,156
Accounts Receivable Collections	147,445	72,000	75,445
Online Sales	3,055	5,400	-2,345
	2,858,950	1,524,715	1,334,235
 Disbursements			
Payroll	95,334	188,293	92,960
Rent, Utilities, Repairs & Insurance	52,511	29,455	-23,056
HST, WSIB	-155,691	96,891	252,582
Sales and Shipping Costs	64,395	95,127	30,732
Professional Fees	72,803	164,500	91,697
Contingency, Office & Other	10,031	36,699	26,668
	139,383	610,965	471,582
Net Cash Flow	2,719,567	913,750	1,805,817
Opening Cash	880,260	876,633	3,627
Closing Cash	3,599,827	1,790,383	1,809,444

26. As noted in the table above, GESL reported positive net cash flow of approximately \$2.7 million, which was approximately \$1.8 million higher than anticipated. One of the main contributors to the positive variance is that GESL received a corporate

tax refund in the amount of \$617,170. The timing of receipt of this tax refund was assumed to be outside of the period encompassed in the Cash Flow Forecasts. As well, the receipts from the sale of the inventory at the Green Earth Stores, which was purchased and is owned by GESL, has been greater than anticipated.

GEEP-Cash Flow- Variance Analysis
For the six week period to April 12, 2019

Receipts	Actual	Budget	Variance
Retail Sales	4,074,883	2,865,970	1,208,913
Fixture Sales	26,132	0	26,132
Gift Card Redemption and Other Receipts	-17,066	0	-17,066
	4,083,950	2,865,970	1,217,979
Disbursements			
Payroll	468,332	470,902	2,570
Rent, Utilities, Repairs & Insurance	386,865	386,367	-499
HST, WSIB	-142,005	60,942	202,947
Sales and Shipping Costs	34,475	26,788	-7,688
Payment to GESL to Inventory	2,090,294	1,447,315	-642,979
Professional Fees	69,945	164,500	94,555
Contingency, Office & Other	15,722	72,050	56,328
	2,923,628	2,628,864	-294,765
Net Cash Flow	1,160,321	237,107	923,215
Opening Cash	1,149,921	1,146,894	3,027
Closing Cash	2,310,242	1,384,000	926,242

27. As noted above, GEEP reported positive net cash flow of approximately \$1.1 million, which is approximately \$923,215 higher than anticipated. The variance was due to an increase in sales against the Cash Flow Forecasts.

VIII. EXTENDED CASH FLOW FORECAST AND EXTENSION OF THE PROPOSAL PERIOD TO JUNE 17, 2019

28. The Companies are seeking the extension of the Proposal Period to June 17, 2019 (the “Extension”).

29. In support of the Companies' request for the Extension, the Companies, with the assistance of the Proposal Trustee and the CRA, prepared the Extended Cash Flow Forecast which is detailed below and attached as **Appendix "C"**.

GESL Cash Flow Forecast	
For Period from April 19 to June 21, 2019	
Receipts	
Receipt from Sale of Inventory	958,492
	958,492
Disbursements	
Payroll	168,043
Rent, Utilities, Repairs & Insurance	45,510
HST Accrual, WSIB	200,880
Sales and Shipping Costs	54,108
Professional Fees	253,748
Contingency, Office & Other	50,000
	772,289
Net Cash Flow	186,203
Opening Cash Balance	3,599,827
Closing Cash Balance	3,786,030

GEEP Cash Flow Forecast	
For Period from April 19 to June 21, 2019	
Receipts	
Retail Sales	1,898,003
Fixture Sales	31,507
Gift Card Redemption and Misc	-19,600
	1,909,910
Disbursements	
Payroll	775,692
Rent, Utilities, Repairs & Insurance	216,886
HST Accrual, WSIB	156,127
Sales and Shipping Costs	67,679
Payment to GESL for Inventory	958,492
Professional Fees	263,748
Contingency, Office & Other	50,000
	2,488,624
Net Cash Flow	-578,714
Opening Cash Balance	2,310,242
Closing Cash Balance	1,731,530

30. The Extended Cash Flow Forecast indicates that the Companies will have sufficient liquidity to fund both operating costs, and the costs of these NOI Proceedings for the period of the Extension, if granted.

31. The Proposal Trustee is of the view that the proposed Extension is appropriate in the circumstances and supports the Companies' request for the Extension for the following reasons:

- (i) it will allow for the completion of the Liquidation Sale, which as noted in this Second Report, is anticipated to be completed no later than June 30, 2019;
- (ii) the Extension will enable the Companies to consider next steps in the NOI Proceedings, with the benefit of the results from the completed Liquidation Sales;
- (iii) it will allow the Companies to continue marketing the Distribution Center, and will allow for final payroll to be paid, which will include most KERA and Stay Bonus and Incentive Program amounts to employees;
- (iv) the Companies are acting in good faith and with due diligence in taking steps to monetize their assets for the benefit of their stakeholders; and
- (v) it is the Proposal Trustee's view that the Extension will not prejudice or adversely affect any group of creditors.

32. While it is too early to determine whether a viable proposal will be presented by the Companies to their creditors, in the Proposal Trustee's view, the Companies request for the Extension is reasonable in the circumstances.

IX. CONCLUSION AND RECOMMENDATION

33. Based on all the foregoing, the Proposal Trustee respectfully recommends that this Court issue an order, as requested by the Companies, granting the Extension and approving the First and Second Report, as well as the activities, actions and conduct of the Proposal Trustee set out therein

All of which is respectfully submitted this 24th day of April, 2019

CROWE SOBERMAN INC.

**IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICES OF INTENTION TO
MAKE A PROPOSAL OF GREEN EARTH STORES LTD. AND GREEN EARTH
ENVIRONMENTAL PRODUCTS**

Per:

Hans Rizarri, CIRP, LIT

APPENDIX

‘A’

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March 5, 2019

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APPENDIX "A"- CERTIFICATES OF FILING THE NOTICES TO MAKE A PROPOSAL

APPENDIX "B"- CREDITOR LISTS

APPENDIX "C"- CASH FLOW FORECASTS

CONFIDENTIAL APPENDICES

APPENDIX "1"- COMPARATIVE ANALYSIS

APPENDIX "2"- KERA

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March 5, 2019

1. This report (the "First Report") is filed by Crowe Soberman Inc. ("Crowe") in its capacity as proposal trustee (the "Proposal Trustee"), in connection with the Notices of Intention to Make a Proposal ("NOIs") filed by each of Green Earth Stores Ltd. ("GESL") and Green Earth Environmental Products, a partnership ("GEEP" and together with GESL the "Companies").
2. On March 4, 2019 (the "Filing Date"), the Companies each filed an NOI pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B.-3, as amended (the "BIA") and Crowe was appointed as Proposal Trustee under each NOI. Copies of the Certificates of Filing issued by the Superintendent of Bankruptcy for each of the Companies are attached hereto as Appendix "A".
3. The purpose of this First Report is to provide the Ontario Superior Court of Justice (Commercial List) (the "Court") with information pertaining to the following:
 - a. a limited summary of certain background information about the Companies;
 - b. the Companies' proposed post-filing strategy, including information on the liquidation process proposed to be undertaken by the Companies in

respect of the Companies' inventory and owned furniture, fixture and equipment ("FF&E") at the Companies' retail locations and warehouse in accordance with the sale guidelines (the "Sale Guidelines") appended to the Liquidation Process Order (as hereinafter defined);

- c. the Companies' engagement of FAAN Advisors Group Inc. ("FAAN") as Chief Restructuring Advisors (in such capacity the "CRA") and the key terms of the FAAN engagement letter (the "CRA Engagement Letter");
- d. the Companies' engagement of Shawn Parkin as liquidation consultant ("Consultant") and the key terms of a consulting agreement (the "Consulting Agreement") between the Companies and Shawn Parkin;
- e. a summary of the proposed use of the Companies' cash management system (the "Cash Management System");
- f. the proposed charges (the "Charges") sought by the Companies;
- g. the Companies' request for an order approving the key employee retention agreement (the "KERA");
- h. the Companies' request for an order approving the administrative consolidation of the Companies' proposal proceedings; and
- i. the Companies' request for an extension of the stay initiated on the Filing Date (the "Stay Period") to May 3, 2019.

I. TERMS OF REFERENCE

- 4. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.
- 5. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Companies' representatives, the Companies' books and records and discussions with their management, staff, agents and consultants (collectively, the "Information"). The

Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards ("GAAS") pursuant to the Chartered Professional Accountant of Canada Handbook (the "CPA Handbook") and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

II. GENERAL BACKGROUND INFORMATION ON THE COMPANIES

6. The Companies operate a retail business known as Green Earth Stores ("Green Earth"), with 29 leased retail locations in shopping malls in the Province of Ontario. The Companies' business, affairs, financial performance and position, as well as the causes of their insolvency are detailed in the affidavit of Mr. Matthew McBride sworn March 4, 2019 (the "McBride Affidavit") in support of the Companies' March 7, 2019 motion and are, therefore, not repeated herein. The Proposal Trustee has reviewed the McBride Affidavit and discussed the business and affairs of the Companies with senior management personnel of the Companies and is of the view that the McBride Affidavit provides a fair summary thereof.

Corporate Structure

7. GESL is a private company incorporated under the *Business Corporations Act* (Ontario) whose registered office is located at 40 King St. West, Suite 5800, Toronto, Ontario. GESL owns the inventory sold in the Green Earth stores (the "Inventory"), maintains an e-commerce website for online sales, and owns the real property that houses the Companies' warehouse and distribution center located in London, Ontario (the "Real Property").
8. GEEP is a general partnership that was registered in Ontario on October 27, 1995 pursuant to the *Partnership Act* (Ontario) whose registered head office is also at 40 King St. West, Suite 5800, Toronto, Ontario. GEEP operates the Green Earth retail business and employs the majority of the Companies' employees.

9. The partners of GEEP consist of Matthew McBride Holdings Inc. ("McBride Holdings") and Beckstette Holdings Inc. ("Beckstette Holdings"). McBride Holdings is a wholly owned subsidiary of Matthew McBride Enterprises Corp. ("McBride Enterprises"). Beckstette Holdings is the wholly owned subsidiary of Beckstette Enterprises Corp. ("Beckstette Enterprises", and together with McBride Enterprises, the "Enterprises"). A chart showing the Companies' corporate structure is attached as Exhibit "B" to the McBride Affidavit.

Overview of Retail Operations

10. As at the Filing Date, Green Earth operated out of 29 retail locations in shopping malls in the Province of Ontario. Of the Companies' 29 store leases, 22 are in GEEP's name, and 7 are in GESL's name. Although 7 of the store leases are in GESL's name, GEEP pays the monthly rent for all store locations. A chart detailing the physical store locations by city is attached as Exhibit "A" to the McBride Affidavit.
11. The Companies originally sold environmentally conscious 'green' products to their customers but over time shifted their core product lines to home, garden, and novelty products due to a change in the Ontario retail landscape.
12. As outlined in the McBride Affidavit, the inventory purchased by GESL is stored in a warehouse and distribution center (the "Distribution Center") located on the Real Property owned by GESL. GESL employs 13 employees on a full-time basis, consisting of managerial and administrative staff operating out of the Distribution Center.
13. GEEP runs the Companies' retail operations, and has 202 employees, the majority of whom are sales personnel who work on a part-time basis. Each retail location also has an in-house manager, acting manager or assistant manager who reports to a regional senior district manager.
14. All the Companies' employees are non-unionized, and the Companies do not sponsor any pension plans for their employees.

15. The details of the internal supply chain between the Companies, including the agreement between GEEP and GESL (the “**Inventory Agreement**”) are outlined in paragraphs 18-21 of the McBride Affidavit, which outlines the manner in which Inventory is supplied by and paid for an intercompany basis, with GESL supplying Inventory to GEEP. The cost of goods sold are paid at a rate of 35.5% of the sale proceeds of the Inventory, calculated monthly, plus an administration fee of 15%. The Proposal Trustee understands that the Inventory Agreement will remain in place during the proposal proceedings while Inventory is being liquidated.

The Companies’ Creditors

16. Copies of the creditor lists included in each of the Companies’ proposal proceedings are attached hereto as **Appendix “B”**. The creditor lists of the Companies reflect the claims of secured creditors as well as the unsecured group of vendors and suppliers.

17. As detailed in the McBride Affidavit, the Companies have had a banking relationship with the Royal Bank of Canada (“**RBC**”) for over 20 years and maintain their operating accounts at RBC.

18. As at February 26, 2019, GESL was indebted to RBC in the amount of \$3,254,740.85. GESL granted certain security to RBC (the “**GESL Security**”) to secure the indebtedness owing to RBC including a general security agreement and a collateral mortgage registered on title to the Real Property in the amount of \$3,425,000.00. Copies of the GESL Security are attached to the McBride Affidavit as Exhibit “C”. In addition, GEEP guaranteed amounts owing by GESL to RBC and granted a general security agreement (the “**GEEP Security**”) in favour of RBC to secure the amounts guaranteed to the RBC (together with the GESL Security the “**RBC Security**”). Copies of the GEEP Security are attached to the McBride Affidavit as Exhibit “D”.

19. The Proposal Trustee has received an opinion from its independent legal counsel, Stikeman Elliott LLP, confirming that subject to typical qualifications and assumptions, the RBC Security is valid and enforceable in the province of Ontario.

20. On February 26, 2019, McBride Enterprises and Beckstette Enterprises took an assignment of indebtedness owing by GESL to RBC, and an assignment of the RBC Security. A copy of the assignment agreement evidencing the assignment of the RBC debt and RBC Security is attached to the McBride Affidavit as Exhibit "E".
21. As detailed in the McBride Affidavit, the Companies have also received support and funding from the Enterprises in order to finance operations. The Companies each issued two separate non-interest-bearing notes in favour of the Enterprises on June 19, 2009 (collectively, the "**Promissory Notes**"). As security for the Companies' obligations to the Enterprises including under the Promissory Notes, the Companies provided general security agreements to the Enterprises on June 19, 2009 (collectively the "**Enterprises Security**"). Copies of the Enterprises Security are attached as Exhibits "F" and "G" to the McBride Affidavit.
22. The Proposal Trustee has received an opinion from its independent legal counsel, Stikeman Elliott LLP, confirming that subject to typical qualifications and assumptions, the Enterprises Security is valid and enforceable in the province of Ontario.
23. In addition to the RBC Security and the Enterprises Security, the Proposal Trustee is aware of one other registration in respect of specific leased assets, made pursuant to the *Personal Property Security Act* (Ontario) (the "**PPSA**"). A copy of the PPSA search results are attached as Exhibits "L" and "M" to the McBride Affidavit.
24. In addition to the amounts owed by the Companies to the Enterprises, the Companies estimate that, as at the Filing Date, they have unsecured obligations totaling approximately \$1.6 million to their inventory suppliers and service providers.
25. The Proposal Trustee understands that the Companies are current with their returns and payments to the Canada Revenue Agency for GST/HST and employee/employer payroll deductions.

26. The Companies use a third-party payroll provider ("ADP"), and do not owe employees any wages. The McBride Affidavit has identified that there are accrued vacation pay amounts that will be paid in the ordinary course.
27. The Proposal Trustee understands that the Companies paid all of their March 1st lease payments.

The Companies' Financial Results

28. As described in the McBride Affidavit, due to a number of factors, including unfavourable retail market trends, low foot traffic, and inventory that did not align with consumer preferences, the Companies' financial performance has declined, and its operations have suffered.
29. Summarized below are the Companies' historical financial results for the fiscal years ended September 30, 2018, and September 30, 2017, which are summarized from the draft financial statements for fiscal 2018 for GESL and GEEP attached to the McBride Affidavit as Exhibits "N" and "O".

GESL		
Historical Financial Results		
	Year Ended (In 000's)	Year Ended Sep-18
Sales	9,744	10,403
COGS	9,240	9,744
Gross Profit	504	3,659
Expenses	2,937	3,619
EBITDA from Operations	-2432	40
 GEEP		
Historical Financial Results		
	Year Ended (In 000's)	Year Ended Sep-18
Sales	17,209	18,374
COGS	8,690	9,281
Gross Profit	8,519	9,092
Expenses	9,385	9,274
EBITDA from Operations	-866	-182

30. The Companies' accountants, Deloitte LLP ("Deloitte"), reported on the Companies' financial statements for the fiscal year ending 2018, that GESL had a net loss of \$2 million and GEEP has a net loss of \$787,000. Deloitte added a going concern note on both statements that the Companies' present financial status may cast significant doubt about the Companies' ability to continue as a going concern.

31. On January 15, 2019, Crowe was formally retained by the Companies to act as a financial advisor with a primary focus on advising the Companies on the options available for winding down their operations.

III. THE NOI PROCEEDINGS

32. Due the losses incurred by the Companies, an oversupply of unpopular inventory and an uncertain retail landscape, the Companies have determined that, following the filing of the NOIs, it is in the best interest of all stakeholders for the Companies to complete an orderly liquidation of their inventory and other assets (the

“Liquidation Sale”), with the assistance of the Consultant and the CRA, and under the supervision of the Proposal Trustee

33. It is currently contemplated that the Real Property will be sold as part of the Companies’ proposal proceedings. In this regard, the Proposal Trustee understands that a listing agreement (“Listing Agreement”) has already been executed between GESL and their agent CBRE Limited (“CBRE”), and that CBRE has listed the Real Property for sale via the Multiple Listing Service (“MLS”). The Real Property will remain listed in accordance with this listing arrangement.

The Need for a Chief Restructuring Advisor

34. The Companies have recognized, and been encouraged by their advisors, to consider the benefit that retaining a CRA will bring to the conduct of Liquidation Sale, and the proposal proceedings as a whole. As described below, as part of the process commenced by Crowe to solicit proposals seeking assistance in the conduct of the Liquidation Sale, the CRA submitted a joint proposal with the Consultant. Following a series of meetings, including input from their advisors, the Companies decided that it is in their best interest to engage the CRA in conjunction with the Consultant.

35. The key elements of the CRA Engagement Letter are as follows:

- a. the CRA will act as an independent contractor to the Companies and will perform a review and assessment of the Companies’ business, assets, liabilities and operations;
- b. the CRA will assist the Companies with reviewing and developing cash flow projections and financial reporting;
- c. the CRA will assist the Companies in identifying sale strategies and cost reduction opportunities and will oversee the activities of the Consultant in carrying out the Liquidation Sale;

- d. the CRA will be responsible for overseeing the activities of the Consultant, including but not limited to reviewing that the store closings are conducted in accordance with the Court Orders obtained in conjunction with the store closings;
- e. the CRA will assist the Companies with communications and act as a point of contact to stakeholders, such as employees and landlords; and
- f. the CRA will be paid a base fee and its expenses on a weekly basis, with an additional fee payable at the end of the CRA's mandate based on the achievement of certain objectives and milestones. The Terms of the additional fee have not been finalized but the Proposal Trustee will continue to be involved in reviewing the proposed terms and will report back to the Court in this regard.

36. The Proposal Trustee has reviewed the CRA Engagement Letter and supports its approval by the Court. A redacted copy of the CRA Engagement Letter is attached to the McBride Affidavit as Exhibit "R".

37. The Proposal Trustee is of the view that the CRA firm selected by the Companies is cost effective, has relevant experience in recent national retailer liquidations, and is cognizant of the interest of the various stakeholders.

IV. THE LIQUIDATOR SELECTION PROCESS

38. It is the Companies' and the Proposal Trustee's belief that realizations from retail operations will be maximized through the appointment of an experienced liquidator to assist the Companies in carrying out the Liquidation Sale.

39. In early February 2019, Crowe commenced a process (the "RFP") to solicit proposals from liquidators to assist the Companies to liquidate their Inventory and owned FF&E via a 'going-out-of-business' or 'store closing' sale scenario. The key aspects of the RFP are summarized as follows:

- a. Crowe, in consultation with management of the Companies, assembled a list of liquidators (in both Canada and the US) with experience managing mid to large scale retail insolvencies (the "Liquidators");
-
- b. three (3) Liquidators were contacted on the RFP and executed a non-disclosure agreement (the "NDA"). Crowe provided each with information regarding the Companies' Inventory levels and valuations, historical and present sales information, store profiles, and other financial information, in order to assist with the Liquidators' due diligence efforts;
- c. the Companies received three (3) proposals (the "Liquidation Proposals") to assist the Companies with the Liquidation Sale. The Companies reviewed the Liquidation Proposals with their counsel and Crowe;
- d. the Companies' management and Crowe participated in meetings with certain Liquidators in order to discuss their proposals and answer any questions on the Liquidation Sale;
- e. two (2) of the Liquidation Proposals were from traditional third-party liquidators. The third proposal was a hybrid proposal, which contemplated the engagement of both the CRA and the Consultant to assist with the Liquidation Sale.

40. A comparison schedule summarizing the Liquidation Proposals (the "Comparative Analysis") is attached hereto as **Confidential Appendix "1"**. As the Comparative Analysis includes certain sensitive commercial and competitive information, the Proposal Trustee believes that it is appropriate for the Comparative Analysis to be filed with the Court on a confidential basis and sealed until further order of the Court. In the Proposal Trustee's view, the disclosure of these terms could have a detrimental impact on each of the bidders (whether in these proceedings or otherwise), as it may reveal confidential information to their competitor. In addition, the Proposal Trustee is not aware of any material prejudice that would be suffered by third parties as a result of the sealing of the Comparative Analysis.

41. Following a review of the Liquidation Proposals received, the Proposal Trustee is of the view that the hybrid proposal, involving the appointment of the CRA and the Consultant to assist with the Liquidation Sale, is the most cost-effective of the three Liquidation Proposals received, and will permit the Companies to realize the greatest value for their Inventory. The CRA will assist the Companies in developing their strategy for maximizing recoveries from their retail assets, while the Consultant will assist in carrying out that strategy. Both the CRA and Consultant offer a wealth of experience in the retail arena that should provide comfort to the stakeholders.

V. THE CONSULTING AGREEMENT

42. Following the review of the Liquidation Proposals and the Comparative Analysis, counsel for the Companies contacted the CRA and the Consultant to advise them that the Companies wished to proceed with their proposals to assist the Companies with the Liquidation Sale.

43. Subsequent to notifying the CRA and the Consultant of the desire to proceed with their proposals, the Companies worked with the CRA, the Consultant and their advisors to finalize the terms of the CRA Engagement Letter and the Consulting Agreement. The CRA and the Consultant commenced working for the Companies on February 25, 2019.

44. In connection with the above, the Proposal Trustee notes that prior to the filing of the NOIs, the Companies worked with the CRA and the Consultant to develop a strategy to maximize recoveries from their retail assets.

45. On February 25, 2019, the Companies and the Consultant agreed on the final form of the Consulting Agreement, a redacted copy of which is attached as Exhibit "S" to the McBride Affidavit. The key elements of the Consulting Agreement, are as follows:

- a. the Consultant will act as an independent contractor of the Companies and will assist the Companies and the CRA in conducting the Liquidation Sale in an effort to sell all Inventory, merchandise and other owned assets in the retail locations;
- b. the Consultant will assist the Companies in developing a budget for the Liquidation Sale. The Companies shall be responsible for all reasonable costs and expenses in connection with the Liquidation Sale;
- c. the Consultant will determine and recommend appropriate point of purchase, sale and external advertising in respect of the Liquidation Sale and will determine the appropriate pricing, display, discounting and transfer of Inventory and staffing levels at the stores;
- d. the Consultant will assist the Companies in developing sale incentives and an employee retention plan for store employees during the Liquidation Sale;
- e. in consideration of its services, the Consultant will earn a weekly fee as well as a bonus, as part of the Liquidation Sale; and
- f. the Consultant will be paid 20%, from the net sale proceeds of the Companies' owned FF&E.

46. The Proposal Trustee is supportive of the engagement of the Consultant and the execution and implementation of the Consulting Agreement.

VI. THE LIQUIDATION SALE AND SALES GUIDELINES

47. The Proposal Trustee has reviewed the terms of the proposed liquidation with the Company, the CRA and Consultant. The proposed terms are as outlined in the draft Liquidation Sale Order and Sales Guidelines attached thereto and provide as follows:

- a. the Liquidation Sale will commence immediately after the court approval of the Liquidation Process Order, and will conclude no later than June 30, 2019, or such other dates as agreed to by the Companies and the Consultant. Due to the size of the Inventory that is remaining on hand, a short time frame to complete the Liquidation Sale is preferred;
- b. subject to certain exceptions, the Liquidation Sale is to be conducted in accordance with the terms of the applicable leases for each of the Companies' retail locations;
- c. the Consultant shall be granted access to the Companies' retail locations throughout the sales process;
- d. the Sale Guidelines do not provide for any augmentation of the Companies merchandise;
- e. the CRA and Consultant will work the landlords in respect of the proposed signage in respect of the liquidation sales;
- f. the outside date for the completion of the sales will be [July 30, 2019]. Rent will continue to be paid throughout the sales process and disclaimer notice period; and
- g. the Companies may work with the Proposal Trustee and the Consultant to coordinate the disclaimer of leases (as the case may be) such that the disclaimers become effective on the conclusion of the Liquidation Sale at each store location.

48. The Proposal Trustee is also of the view that the contemplated Liquidation Sale satisfies the factors to be considered, pursuant to section 65.13(4) of the BIA. In particular, the Proposal Trustee is of the view that:

- a. conducting the Liquidation Sale with the assistance of the Consultant, an experienced retail liquidator, will maximize recoveries for the benefit of all of the Companies' stakeholders;

- b. the RFP process in respect of the liquidation bids leading to the Consulting Agreement was reasonable in the circumstances, based on the size of the Companies and the amount of Inventory to be liquidated;
- c. the Consultant has experience working with Canadian landlords of retail tenants in insolvency proceedings and understands their requirements and concerns;
- d. in the Proposal Trustee's view, the Sale Guidelines are in a form consistent with recent Canadian retail liquidations;
- e. the fee payable to the Consultant, in the Proposal Trustee's experience, is comparable to or less than other retail liquidators;
- f. the Enterprises, the Companies' ranking secured creditors, support the Liquidation Sale, the retention of the Consultant and the Consulting Agreement; and
- g. the Proposal Trustee notes that the cost of the Consultant and CRA will be shared equally as between GEEP and GESL.

VII. CASH MANAGEMENT SYSTEM

49. The Companies' Cash Management System, which is integrated between the Green Earth retail locations and centrally managed by GESL, is detailed in paragraphs 22 to 27 of the McBride Affidavit.

50. The McBride Affidavit lists the bank accounts maintained by the Companies in addition to RBC. Those accounts are for deposits only to facilitate the daily deposits of cash from the retail locations. It is contemplated that the Companies will continue to use the existing Cash Management System during their proposal proceedings.

51. It is the Proposal Trustee's experience that attempting to implement changes to a cash management system can be challenging. The Companies operate 29 separate retail locations, with a sophisticated point of sale system ("POS") on the front end that is integrated with a central reporting system via the Magstar software system ("MAGSTAR") on the back end. The Proposal Trustee is satisfied in the Cash Management System of the Companies after reviewing the reporting of the Companies, their policies, procedures and software (namely the POS and MAGSTAR system).
52. The Proposal Trustee supports the addition of the CRA as a signing officer on the Companies' bank accounts and the requirement for the CRA to approve any transaction over \$5,000.

VIII. ADMINISTRATIVE CONSOLIDATION

53. The Companies are seeking an order administratively consolidating the proposal proceedings of each of GEEP and GESL and authorizing the Proposal Trustee to administer the Companies' proposal proceedings as if they were a single proceeding for the purpose of filing materials and reporting to the Court.
54. As noted in the McBride Affidavit, the relationship between the Companies is closely intertwined. The Companies share common management and administrative support, share office space at the Real Property, and have parallel obligations to the Enterprises. In addition, the proposed Liquidation Sale involves the sale of substantially all of the Inventory located at the Real Property and the retail locations.
55. It is the Companies' belief, and that of the Proposal Trustee, that the administrative consolidation of the Companies proposal proceedings is appropriate, as it would avoid duplication of efforts in reporting and be more efficient and cost effective. The proposed consolidation is on an administrative level only and not on a substantive basis.

56. The Enterprises do not object to the proposed consolidation and the proposed consolidation will not result in any prejudice to the creditors of the Companies.

57. For the above reasons, the Proposal Trustee is supportive of the Companies' request for the administrative consolidation of the Companies' proposal proceedings.

IX. KERA

58. To ensure retention of key office personnel through the completion of the Liquidation Sale, and the Companies' proposal proceedings, the Companies, in consultation with the Proposal Trustee, are seeking the Court's approval of the KERA for those in management positions and certain staff at the Distribution Center (the "KERA Beneficiaries").

59. Given the condensed timetable to complete the Liquidation Sale, it is critical that the Companies retain the KERA Beneficiaries to assist with the orderly wind-down of the Companies' operations and liquidation of their inventory. The Companies believe that additional incentives will be required to ensure that the KERA Beneficiaries continue their employment during the Liquidation Sale and the proposal proceedings generally.

60. The KERA provides for retention payments to be paid to each of the KERA Beneficiaries at specific dates and milestones during the Companies' proposal proceedings (depending on the KERA Beneficiary's role and position). In order for the KERA Beneficiaries to receive retention payments pursuant to the KERA, the participating employees cannot have disclosed the terms of the KERA (subject to certain specific exceptions) and eligible participants must remain employed by the Companies on the date the KERA Payments are due to be paid, or such earlier date at the discretion of the Companies.

61. A copy of the KERA, including a schedule detailing the KERA Beneficiaries and their respective retention payments, is provided to the Court hereto as

Confidential Appendix 2. In view of the sensitive personal information contained in the KERA, the Proposal Trustee is of the view that the KERA should be filed with the Court on a confidential basis and sealed until further order of the Court.

62. The Proposal Trustee is of the view that the KERA appears appropriate and reasonable in the circumstances. Accordingly, the Proposal Trustee is supportive of the Companies' request for approval of the KERA.
63. In addition to the KERA, the Consultant will work with the Companies to provide for retention and incentive bonuses at the store level to ensure ongoing employment of employees to assist with the Liquidation Sale. The Proposal Trustee understands that the terms of the retention plan are currently being finalized, however it is estimated to total in aggregate \$80,000 to \$120,000 depending on the store closing sale outcome. Confidential Appendix 2 contains details on the proposed retention and incentive bonuses.

X. COURT ORDERED CHARGES

64. The Companies are seeking an order providing for the following Charges: Administration Charge, D&O Charge, and KERA Charge (each as hereinafter defined).

Administration Charge

65. The Companies are seeking an order (the "Administration Order") granting, among other things, a charge in the maximum amount of \$400,000 against the property of the Companies, to secure the fees and disbursements incurred in connection with professional services rendered to the Companies both before and after the commencement of the proposal proceedings by the following entities: the Proposal Trustee and its legal counsel, the Companies' legal counsel, the CRA, and the Consultant (the "Administration Charge"). The Administration Charge is proposed to rank first on the Companies' property.

66. The quantum of the Administration Charge sought by the Company was determined in consultation with the Proposal Trustee. The creation of the Administration Charge is typical in similar proceedings as is the proposed priority of the Administration Charge.

D&O Charge

67. The proposed Administration Order also provides for a charge in the maximum amount of \$500,000 against the assets of the Companies, to indemnify the officers and directors for liabilities incurred by the Companies that result in post-filing claims against the directors and officers in their personal capacities (the "D&O Charge"). The D&O Charge is proposed to rank second in priority against the Companies' property after the Administration Charge.

68. The Proposal Trustee understands that the Companies' directors and officers do not have a directors and officers liability insurance policy in effect (the "D&O Insurance"). As the Companies will require the participation and experience of the directors and officers to ensure that, among other things, the Liquidation Sale is carried out successfully and value is maximized for Companies' creditors, the Proposal Trustee is of the view that the D&O Charge (both the amount and the priority ranking) is required and reasonable in the circumstances.

69. The Companies worked with the Consultant to prepare the D&O Charge quantum, considering the potential director liabilities. The Proposal Trustee has reviewed the basis of the size estimate prepared by the Companies and Consultant and supports the quantum of the D&O Charge.

KERA Charge

70. In addition to the Administration Charge and the D&O Charge, the Administration Order also provides for a charge, in the maximum amount of \$100,000 (the "KERA Charge") against the property of the Companies to secure all amounts potentially payable under the KERA. The KERA Charge is proposed to rank third in priority against the Companies' property after the Administration and D&O Charge.

71. As noted in the McBride Affidavit, without the security provided by the KERA Charge, there is a real concern that the KERA Employees would resign prior to the completion of the Liquidation Sale and wind-down of the Companies' operations, to the detriment of the Companies' stakeholders.

72. In the circumstances, and given the short timeframe to complete the Liquidation Sale, the Proposal Trustee is of the view that the KERA Charge is appropriate and reasonable.

Summary and Proposed Ranking of the Court Ordered Charges

73. The priorities of the Charges sought by the Companies in the proposed Administration Order are as follows:

- a. First- the Administration Charge;
- b. Second- the D&O Charge; and
- c. Third- the KERA Charge

74. The Administration Order sought by the Companies provides that the Charges will rank in priority to the security interests of the Enterprises, and the Proposal Trustee understands the Enterprises have consented to the proposed ranking of the Charges.

75. As noted above, the Proposal Trustee believes that the Charges and rankings are required and reasonable in the circumstances and, as such, supports the granting and proposed ranking of the Charges.

XI. EXTENSION OF THE STAY PERIOD TO MAY 3, 2019

76. The initial 30-day stay period granted upon the filing of the NOI expires on April 3 2019. The Companies are seeking an extension of the Stay Period to May 3, 2019 (the "Stay Extension").

77. In support of the request for the Stay Extension, the Companies, with the assistance of the Proposal Trustee (and the Consultant), have prepared individual

forecasts of their receipts and disbursements for the period March 4, 2019 to May 3, 2019 (the “Cash Flow Forecasts”). A copy of the Cash Flow Forecasts is attached hereto as Appendix “C” and is summarized below.

GEEP		GESL	
Cash Flow Forecast for Period from		Cash Flow Forecast for Period from	
March 4 to May 3, 2019		March 4 to May 3, 2019	
Receipts		Receipts	
Retail Sales	4,263,104	Receipt from Sale of Inventory	2,152,868
	4,263,104	AR Collections	172,000
		Online Sales	9,215
			2,334,083
Disbursements		Disbursements	
Payroll	759,185	Payroll	312,867
Rent, Utilities, Repair & Insurance	736,886	Rent, Utilities, Repair & Insurance	48,910
HST/WSIB	163,436	HST/WSIB	243,959
Sales and Shipping Costs	50,591	Sales and Shipping Costs	142,902
Payment to GESL for inventory	2,152,868	Professional Fees	229,875
Professional Fees	229,875	Contingency	55,699
Contingency	93,500		1,034,212
	4,186,341		
Net Cash Flow	76,764	Net Cash Flow	1,299,871
Opening Cash	1,146,894	Opening Cash	876,633
Net Cash Flow	76,764	Net Cash Flow	1,299,871
Ending Cash	1,223,658	Ending Cash	2,176,504

78. The Cash Flow Forecasts indicate that the Companies will have sufficient liquidity to fund both operating costs and the costs of these proposal proceedings for the period of the Stay Extension, if granted.

79. The Proposal Trustee supports the Companies’ request for the Stay Extension for the following reasons:

- a. More than thirty (30) days will be required to complete the Liquidation Sale. The Consulting Agreement contemplates the Liquidation Sale commencing between March 8, 2019 and concluding no later than June 30, 2019 (or such other dates agreed to by the Companies and the Consultant);

- b. The Stay Extension is necessary to provide the Companies sufficient time to advance the Liquidation Sale and complete the orderly wind-down of their operations;
- c. The Companies are acting in good faith and with due diligence in taking steps to monetize their assets for the benefit of their stakeholders; and
- d. It is the Proposal Trustee's view that the Stay Extension will not prejudice or adversely affect any group of creditors.

XII. CONCLUSION AND RECOMMENDATIONS

80. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court issues the Liquidation Process Order and the Administration Order, as requested by the Companies:

- a. approving the appointment of the CRA and the CRA Engagement Letter;
- b. approving the Consulting Agreement and the Sale Guidelines;
- c. authorizing and directing the Companies, with the assistance of the Consultant and the CRA, to conduct the Liquidation Sale in accordance with the Sale Guidelines, and to take any and all actions as may be necessary or desirable to implement the Consulting Agreement and each of the transactions contemplated therein;
- d. authorizing the Companies to continue using their existing Cash Management System;
- e. approving the administrative consolidation of the Companies' proposal proceedings;
- f. approving the Charges;
- g. approving the KERA; and

h. approving the extension of the Stay Period to May 3, 2019.

All of which is respectfully submitted this 5th day of March 2019.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal of
Green Earth Environmental Products and Green Earth Stores Ltd.

Per

Hans Rizari, CIRP, LIT

APPENDIX

‘B’

Budget to actual analysis

For the six weeks ended April 12, 2019 (\$C, Unaudited)

For the Week Ending	Actual			Budget			Variance			Actual	Budget			Variance		
	Cumulative 5 weeks to April 5			12-Apr			12-Apr				12-Apr			12-Apr		
Receipts																
Receipt from sale of inventory		1,826,499	1,207,813		618,686					263,794	239,502		24,293			
Misc. Income		618,156	-		618,156					-	-		-			
AR Collections		142,592	72,000		70,592					4,853	-		4,853			
Online Sales		2,885	4,309		(1,424)					170	1,091		(921)			
Total Receipts		2,590,133	1,284,122		1,306,010					268,818	240,593		28,225			
Projected Disbursements																
Payroll		95,334	188,293		92,960					-	-		-			
Rent, Utilities, Repairs & Insurance		47,805	29,455		(18,350)					4,706	-		(4,706)			
HST Accrual, WSIB		(124,569)	96,891		221,460					(31,122)	-		31,122			
Sales and Shipping Costs		49,454	76,127		26,673					14,941	19,000		4,059			
Professional Fees		65,553	145,625		80,072					7,250	18,875		11,625			
Contingency, Office & Other		9,030	31,199		22,169					1,002	5,500		4,499			
Total Disbursements		\$ 142,607	\$ 567,590		\$ 424,984					\$ (3,223)	\$ 43,375		\$ 46,598			
Net Cash Flow		\$ 2,447,526	\$ 716,532		\$ 1,730,994					\$ 272,041	\$ 197,218		\$ 74,823			
Opening Cash Balance		880,260	876,633		3,627					3,327,786	1,593,165		1,734,621			
Closing Cash Balance		\$ 3,327,786	\$ 1,593,165		\$ 1,734,621					\$ 3,599,827	\$ 1,790,383		\$ 1,809,444			7

Notes:

1. Corporate tax refund of \$617,170. The timing of collection of this amount was uncertain, so it was assumed to be collected outside the projection period.
2. Represents collections from wholesale customers.
3. Certain staff at GESL resigned without replacement; however, a portion of the difference is timing related as warehouse staff will increase in future weeks.

Green Earth Environmental Products

Budget to actual analysis

For the six weeks ended April 12, 2019 (\$C, Unaudited)

For the Week Ending	Actual			Budget			Variance			Actual	Budget			Variance				
	Cumulative 5 weeks to April 5			12-Apr			12-Apr				12-Apr			12-Apr				
Receipts																		
Retail Sales	3,552,518	2,391,710	1,160,808	522,365	474,261	48,105	4,074,883	2,865,970	1,208,913	4,083,950	2,865,970	1,217,979	4,074,883	2,865,970	1,208,913	1		
Fixture Sales	10,243	-	10,243	15,890	-	15,890	(17,066)	-	(17,066)	(17,066)	-	(17,066)	(17,066)	-	(17,066)	26,132		
Gift Card Redemption and Misc Income	(14,978)	-	(14,978)	(2,088)	-	(2,088)	536,167	474,261	61,906	536,167	474,261	61,906	536,167	474,261	61,906	26,132		
Total Receipts	3,547,783	2,391,710	1,156,073															
Projected Disbursements																		
Payroll	468,332	470,902	2,570	-	-	-	468,332	470,902	2,570	468,332	470,902	2,570	468,332	470,902	2,570	2,570		
Rent, Utilities, Repairs & Insurance	339,322	380,360	41,038	47,543	6,007	(41,537)	386,865	386,367	(499)	386,865	386,367	(499)	386,865	386,367	(499)	2		
HST Accrual, WSIB	(114,195)	60,942	175,137	(27,810)	-	27,810	(142,005)	60,942	202,947	(142,005)	60,942	202,947	(142,005)	60,942	202,947	202,947	3	
Sales and Shipping Costs	33,980	26,788	(7,193)	495	-	(495)	34,475	26,788	(7,688)	34,475	26,788	(7,688)	34,475	26,788	(7,688)	4		
Payment to GESL for inventory	1,826,499	1,207,813	(618,686)	263,794	239,502	(24,293)	2,090,294	1,447,315	(642,979)	2,090,294	1,447,315	(642,979)	2,090,294	1,447,315	(642,979)	5		
Professional Fees	62,695	145,625	82,930	7,250	18,875	11,625	69,945	164,500	94,555	69,945	164,500	94,555	69,945	164,500	94,555	4		
Contingency, Office & Other	15,371	64,875	49,504	350	7,175	6,825	15,722	72,050	56,328	15,722	72,050	56,328	15,722	72,050	56,328	56,328		
Total Disbursements	\$ 2,632,005	\$ 2,357,306	\$ (274,699)	\$ 291,623	\$ 271,558	\$ (20,065)	\$ 2,923,628	\$ 2,628,864	\$ (294,765)	\$ 2,923,628	\$ 2,628,864	\$ (294,765)	\$ 2,923,628	\$ 2,628,864	\$ (294,765)	4		
Net Cash Flow	\$ 915,778	\$ 34,404	\$ 881,374	\$ 244,543	\$ 202,702	\$ 41,841	\$ 1,160,321	\$ 237,107	\$ 923,215	\$ 1,160,321	\$ 237,107	\$ 923,215	\$ 1,160,321	\$ 237,107	\$ 923,215			
Opening Cash Balance	1,149,921	1,146,894	3,027	2,065,699	1,181,298	884,401	1,149,921	1,146,894	3,027	1,149,921	1,146,894	3,027	1,149,921	1,146,894	3,027			
Closing Cash Balance	\$ 2,065,699	\$ 1,181,298	\$ 884,401	\$ 2,310,242	\$ 1,384,000	\$ 926,242	\$ 2,310,242	\$ 1,384,000	\$ 926,242	\$ 2,310,242	\$ 1,384,000	\$ 926,242	\$ 2,310,242	\$ 1,384,000	\$ 926,242			

Notes:

1. The projection assumed the store closing sales commenced on March 8, 2019; the closing sale actually commenced on March 9, 2019.
2. Represents a timing difference as a portion of rent was paid on April 1 and will be reflected in the following week's reporting.
3. Represents a timing difference. February's HST was projected to be paid in the following week, but was actually paid on March 29.

APPENDIX

‘C’

Green Earth Stores Ltd.

Projected Statement of Cash Flows

For the period from April 13 - June 21, 2019 (\$C, Unaudited)

For the Week Ending	19-Apr	26-Apr	03-May	10-May	17-May	24-May	31-May	07-Jun	14-Jun	21-Jun	Total	Notes
Receipts												
Receipt from sale of inventory		233,817	214,625	186,850	179,275	95,950	37,875	10,100	-	-	958,492	1
Total Receipts		233,817	214,625	186,850	179,275	95,950	37,875	10,100	-	-	958,492	
Projected Disbursements												
Payroll	30,331	-	34,787	-	37,309	-	21,195	-	44,422	-	168,043	2
Rent, Utilities, Repairs & Insurance	500	740	2,000	5,500	5,500	500	740	2,000	5,500	22,530	45,510	
HST Accrual, WSB	-	-	199,880	-	-	500	-	500	-	500	200,880	3
Sales and Shipping Costs	10,000	20,108	10,500	2,500	2,500	2,500	2,500	2,500	2,500	500	54,108	
Professional Fees	24,375	22,625	84,873	18,875	17,625	17,625	32,625	10,000	7,500	253,748	4	
Contingency, Office & Other	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000	
Total Disbursements	\$ 70,206	\$ 48,473	\$ 337,039	\$ 31,875	\$ 67,934	\$ 25,625	\$ 62,560	\$ 27,125	\$ 65,422	\$ 36,030	\$ 772,289	
Net Cash Flow	\$ 163,611	\$ 166,152	-\$ 150,189	\$ 147,400	\$ 28,016	\$ 12,250	-\$ 52,460	-\$ 27,125	-\$ 65,422	-\$ 36,030	\$ 186,203	
Opening Cash Balance		3,599,827	3,763,438	3,929,590	3,779,401	3,926,801	3,954,817	3,967,067	3,914,607	3,887,482	3,822,060	3,599,827
Closing Cash Balance	\$ 3,763,438	\$ 3,929,590	\$ 3,779,401	\$ 3,926,801	\$ 3,954,817	\$ 3,967,067	\$ 3,914,607	\$ 3,887,482	\$ 3,822,060	\$ 3,786,030	\$ 3,786,030	5

Notes:

1. Receipt for the sale of inventory (35.5% of the gross sales) from Green Earth Stores Ltd. ("GESL") to Green Earth Environmental Products ("GEEP") at the time the inventory is sold to customers at GEEP's stores and a 15% administration fee for head office and warehouse services provided to GEEP.
2. Based on a reduced head office staff as requirements reduce towards the end of the store closing sale. Includes Key Employee Retention Agreement payments due during the projection period.

Green Earth Environmental Products
Projected Statement of Cash Flows
For the period from April 13 - June 21, 2019 (\$C, Unaudited)

For the Week Ending	19-Apr	26-Apr	03-May	10-May	17-May	24-May	31-May	07-Jun	14-Jun	21-Jun	Total	Notes
Receipts												
Retail Sales											1,898,003	1
Fixture Sales											31,507	2
Gift Card Redemption and Misc Income											(19,600)	3
Total Receipts	471,710	432,200	369,200	354,200	189,200	74,200	19,200				1,909,910	
Projected Disbursements												
Rent, Utilities, Repairs & Insurance	156,200	-	209,952	-	168,952	-	146,186	-	94,403	-	775,692	4
HST Accrual, WSB	5,000	48,245	117,459	14,110	5,467	5,604	5,000	6,000	5,000	5,000	216,886	4
Sales and Shipping Costs	-	-	151,127	-	-	-	2,500	-	-	2,500	156,127	5
Payment to GESL for inventory	2,000	-	51,519	-	2,000	-	2,000	8,160	2,000	-	67,679	
Professional Fees	233,817	214,625	186,850	179,275	95,950	37,875	10,100	-	-	-	958,492	6
Contingency, Office & Other	24,375	22,625	84,873	18,875	17,625	32,625	27,625	10,000	7,500	263,748	7	
Total Disbursements	426,392	290,495	\$ 806,779	\$ 217,260	\$ 294,994	\$ 66,104	\$ 203,411	\$ 46,785	\$ 116,403	\$ 20,000	\$ 2,488,623	
Net Cash Flow	\$ 45,318	\$ 141,705	\$ (437,579)	\$ 136,940	\$ (105,794)	\$ 8,096	\$ (184,211)	\$ (46,785)	\$ (116,403)	\$ (20,000)	\$ (578,713)	
Opening Cash Balance	2,310,242	2,355,561	2,497,266	2,059,686	2,196,626	2,090,832	2,098,928	1,914,717	1,867,932	1,751,530	2,310,242	8
Closing Cash Balance	\$ 2,355,561	\$ 2,497,266	\$ 2,059,686	\$ 2,196,626	\$ 2,090,832	\$ 2,098,928	\$ 1,914,717	\$ 1,867,932	\$ 1,751,530	\$ 1,731,530	\$ 1,731,530	

Notes:

1. Sales projection is based on remaining inventory levels, recent sell-through rates and upcoming store closing dates in April and May, 2019.
2. Based on fixture sales to date and remaining fixtures available in stores.
3. Based on average redemption rates for gift cards in recent weeks.

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced at Toronto

**SECOND REPORT OF CROWE SOBERMAN INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICES OF INTENTION TO MAKE A PROPOSAL
OF GREEN EARTH STORES LTD. AND GREEN
EARTH ENVIRONMENTAL PRODUCTS**

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