

District of Ontario
Division No. 09 - Mississauga
Court File No. 32-3213105
Estate No. 32-3213105

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY & INSOLVENCY)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.
OF THE CITY OF MISSISSAUGA,
IN THE REGIONAL MUNICIPALITY OF PEEL,
IN THE PROVINCE OF ONTARIO

FOURTH REPORT OF THE PROPOSAL TRUSTEE
AUGUST 7, 2025

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INTRODUCTION

1. On April 17, 2025, Indeed Laboratories Inc. (“**Indeed**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to the *Bankruptcy & Insolvency Act*. BDO Canada Limited was named as the Licensed Insolvency Trustee (in such capacity, the “**Proposal Trustee**”) in these proceedings (the “**Proposal Proceedings**”).
2. Michael B. Davidson is the sole director of the Company. The background and circumstances leading to the Company’s NOI filing are described in the First Report and the Affidavit of Kevin Watkinson sworn April 23, 2025.
3. On April 24, 2025, the Court granted an order (the “**Apr 24 Order**”), *inter alia*:
 - a) authorizing the Company to enter into an interim financing term sheet with 1000481370 Ontario Inc. (in such capacity, the “**DIP Lender**” or “**370 Ontario**”) dated April 22, 2025 (the “**Term Sheet**”), to obtain interim financing of up to \$500,000 to facilitate the continued operations of the Company during these proceedings and 370 Ontario was granted a \$500,000 second ranking priority charge over all of the Company’s assets, undertakings and property to secure repayment of the financing; and
 - b) authorizing interim advances under the Term Sheet of up to \$75,000 until further order of the Court.A copy of the Apr 24 Order and Endorsement are attached as **Appendix ‘I’**.
4. In support of the April 24, 2025 motion, the Proposal Trustee filed its First Report (the “**First Report**”) dated April 23, 2025. A copy of the First Report, without appendices, is attached as **Appendix ‘II’**.
5. On May 2, 2025, the Court granted the following:
 - I. An order (the “**Sales Process Order**”) which, *inter alia*:
 - (i) approved a Sales Process for the Company’s Property, to be administered by the Proposal Trustee;
 - (ii) approved and authorized Indeed to enter into the stalking horse purchase agreement dated April 29, 2025 (the “**Stalking Horse Bid**”) with 370 Ontario, or its nominee (in such capacity, the “**Stalking Horse Bidder**”); and
 - (iii) approved the payment and priority of the Expense Reimbursement as provided for in the Stalking Horse Bid; and
 - II. An ancillary order (the “**Ancillary Order**”) which, *inter alia*:

- (i) approved the First Report, the Second Report and the conduct and activities of the Proposal Trustee contained therein;
- (ii) approved a \$250,000 first ranking priority charge over all of the Company's assets, undertakings, and property (the "**Administration Charge**") in favour of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Company to secure payment of their professional fees and disbursements;
- (iii) authorized an increase in the amount the Company is authorized to borrow up to the maximum of the \$500,000 under the Term Sheet; and
- (iv) approved an extension of the time required for the Company to file its proposal from May 17, 2025, to July 1, 2025.

A copy of the Sales Process Order is attached as **Appendix 'III'** and a copy of the Ancillary Order is attached as **Appendix 'IV'**.

- 6. In support of the May 2, 2025 motion, the Proposal Trustee filed its Second Report (the "**Second Report**") dated April 30, 2025. A copy of the Second Report, without appendices, is attached as **Appendix 'V'**.
- 7. On June 27, 2025, the Court granted an order which, among other things, approved an extension of the time required by the Company to file its proposal from July 1, 2025 to August 15, 2025 (the "**Second Extension Order**"). A copy of the Second Extension Order is attached as **Appendix 'VI'**. In support of the Second Extension Order, the Proposal Trustee filed with this Court its Third Report (the "**Third Report**") dated June 26, 2025. A copy of the Third Report, without appendices, is attached as **Appendix 'VII'**.

PURPOSE

- 8. This is the fourth report of the Proposal Trustee (the "**Fourth Report**") to be filed in the Proposal Proceedings. The purpose of the Fourth Report is to:
 - a) provide this Court with information regarding:
 - (i) the Proposal Trustee's activities since the Third Report; and
 - (ii) an update on sale to the Stalking Horse Bidder; and
 - b) support the Company's motion seeking an order (the "**Order**"):

- (i) approving the Fourth Report, the appendices attached hereto, and the conduct and activities of the Proposal Trustee described herein;
 - (ii) granting an extension of the time required for the Company to file its proposal from August 15, 2025, the date the current stay expires, to September 29, 2025 (the “Third Stay Extension”); and
 - (iii) such further and other relief as the Court may deem just and equitable.
9. All materials filed with the Court in the Proposal Proceedings are accessible on the Proposal Trustee’s website at: <https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/IndeedLabs> (the “Proposal Trustee’s Website”).

TERMS OF REFERENCE

10. In preparing the Fourth Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Company, discussions with management of the Company (“**Management**”), and information from other third-party sources (collectively, the “**Information**”). Except as described in the First Report, the Second Report, the Third Report and the Fourth Report in respect of the Cash Flow Forecast:
- (a) the Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CAS**”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and
 - (b) some of the information referred to in the Fourth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
11. Future-oriented financial information referred to in the Fourth Report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variation could be significant.
12. Unless otherwise indicated, the Proposal Trustee’s understanding of factual matters expressed in the Fourth

Report concerning the Company and its business is based on the Information, and not independent factual determinations made by the Proposal Trustee.

13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
14. Capitalized terms used herein and not defined in the Fourth Report shall have the meaning ascribed to them in the First Report, the Sales Process, the Second Report or the Third Report, as the case may be.

PROPOSAL TRUSTEE'S ACTIVITIES

15. Since the date of the Third Report, the Proposal Trustee has undertaken the following activities:
 - a) attended the Company's third motion, which occurred on June 27, 2025;
 - b) uploaded all court materials and maintained the Proposal Trustee's case website for these Proposal Proceedings;
 - c) participated in various calls with Management;
 - d) continued to assist the Company with stakeholder communications;
 - e) continued to respond to calls, e-mails and letters received from creditors and other parties;
 - f) assisted the Company in maintaining and negotiating a continued customer relationship with Shoppers Drug Mart ("SDM");
 - g) correspondence with a pre-filing creditor advising of the stay of proceedings imposed by these Proposal Proceedings and the necessity to release Company inventory;
 - h) reviewed the Company's actual cash receipts and disbursements and variances to budget for the same time period as outlined in the Cash Flow Forecast;
 - i) prepared this Fourth Report; and
 - j) attended to other matters pertaining to the administration of these Proposal Proceedings.

UPDATE ON SALE TO STALKING HORSE BIDDER

16. As reported in the Third Report, no Bids were received by the Extended Bid Deadline in the Sales Process.
17. Accordingly, with no Superior Bid received, the Stalking Horse Bidder was declared to be the Successful Bidder, subject to court approval, which has not yet been obtained.

18. The Stalking Horse Bidder continues to work towards the transitioning of the Company's employees and customers, negotiating a contract with SDM and arranging for the other ancillary operational requirements to allow the transaction to close in an orderly fashion and with limited or no interruption to employment or otherwise.
19. Accordingly, the Company is seeking the Third Stay Extension and return to this Court at a later date for approval of the Successful Bid.

INDEED'S RECEIPTS AND DISBURSEMENTS TO DATE

20. The Company's actual net cash inflow for the fourteen (14) week period ended July 27, 2025 was \$58,332 compared to a forecasted net cash outflow of \$697,659 over that same period as outlined in the Cash Flow Forecast. This positive variance is summarized below:

	Week ending July 27, 2025		
	Projection	Actual	Variance
<u>Receipts</u>			
CAD AR	\$ 349,741	\$ 675,602	\$ 325,861
US AR	70,460	70,782	322
Total receipts	\$ 420,201	\$ 746,383	\$ 326,182
<u>Disbursements</u>			
Salaries	180,080	189,285	9,205
Source Deductions	95,600	98,822	3,222
HST	35,000	-	(35,000)
VAT	10,000	3,172	(6,828)
Rent	63,000	52,794	(10,206)
Property tax & Utilities	15,680	19,510	3,830
Marketing Costs	135,000	45,719	(89,281)
Warehouse Costs	41,000	31,115	(9,885)
Shipping costs	60,000	22,002	(37,998)
Inventory Purchases	189,500	-	(189,500)
Miscellaneous	33,000	49,308	16,308
Professional fees	260,000	176,324	(83,676)
Total disbursements	\$ 1,117,860	\$ 688,051	(\$429,809)
NET CASH FLOW	(\$697,659)	\$ 58,332	\$ 755,991
Opening bank position	\$ 206,615	\$ 83,492	\$ -
Closing cash (deficit)			
Funding from DIP Facility	515,880	100,000	(\$415,880)
Closing cash (deficit) after DIP funding	\$ 24,836	\$ 241,824	\$ 216,988

21. An explanation of the key variances are:

Receipts

- (i) The Company's collection of approximately \$123,000 of accounts receivables was allocated to the week ended April 20, 2025. The accounts receivable was not recorded in the Company's

bank account until April 21, 2025, creating a positive variance; and

- (ii) The Company successfully negotiated, with the assistance of the Proposal Trustee, the continued supply of products to SDM, wherein SDM acknowledged and accepted any pre-filing amounts owing to SDM were caught by the NOI filing and SDM would not offset pre-filing claims against amounts owing for new orders submitted to Indeed. This allowed the Company to continue to fill new orders placed by SDM.

Disbursements

- (i) The Company has had sufficient inventory to fill orders and has not been required to supplement with new purchases;
- (ii) Management has actively managed its marketing, and other, costs to reduce expenses that they determine would not result in an immediate return on investment; and
- (iii) HST and Professional fee positive variances are timing issues.

EXTENSION OF STAY OF PROCEEDINGS

- 22. As reported above, the Stalking Horse Bidder was ultimately determined to be the Successful Bidder pursuant to the Court-approved Sales Process undertaken by the Proposal Trustee and the Sales Agent.
- 23. The Ancillary Order provided the Company with an extension of the stay of proceedings from May 17, 2025 to July 1, 2025, which was subsequently extended to August 15, 2025 by virtue of the Second Extension Order.
- 24. The Stalking Horse Bidder has requested additional time to arrange its affairs and prepare for the closing of the Transaction. Accordingly, the Company is seeking the Third Stay Extension to allow for a seamless transition.
- 25. In the Proposal Trustee's view, based on the Amended Cash Flow (to the period ending September 28, 2025, included in the Third Report), the Company will have sufficient liquidity to satisfy its obligations as they come due during the proposed extension period.
- 26. The Proposal Trustee supports the Company's request for the following reasons:
 - a) the extension of the stay would permit the Stalking Horse Bidder and the Company to arrange their affairs to allow for the transition of the business, the Company's Property and employees and facilitate a seamless closing of the Transaction;
 - b) the Company has acted and continues to act, in good faith and with due diligence; and

c) no creditor would be materially prejudiced if the extension being applied for is granted.

27. Based upon the Amended Cash Flow as presented, and the ability to draw upon the Court-approved DIP Financing of approximately \$500,000 during the Amended Cash Flow period, the Company has sufficient cash on hand for the term of the Third Stay Extension.

CONCLUSIONS AND RECOMMENDATIONS

28. Based on the above, the Proposal Trustee respectfully recommends that the Court grant the Order providing the relief described in section 8(b) of this Fourth Report.

All of which is respectfully submitted this 7th day of August 2025.

BDO CANADA LIMITED
in its capacity as Proposal
Trustee of Indeed Laboratories Inc.,
and not in its corporate or personal
capacity



Name: Josie Parisi, CPA, CA, CBV, CIRP, LIT
Title: Senior Vice President

APPENDIX I

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

THE HONOURABLE	)	THURSDAY, THE 24 TH
	)	
JUSTICE J. DIETRICH	)	DAY OF APRIL, 2025

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.,
IN THE CITY OF MISSISSAUGA, IN THE PROVINCE OF ONTARIO**

ORDER

THIS MOTION, made by Indeed Laboratories Inc. (the “**Company**”), for an order, *inter alia*, approving the DIP Term Sheet dated April 22, 2025 (the “**DIP Term Sheet**”) between the Company and 1000481370 Ontario Inc. (the “**DIP Lender**”), granting priority charges over the Company’s property and assets as security for the interim financing facility in the maximum principal amount of \$500,000 (the “**DIP Loan**”), was heard this day at 330 University Avenue, Toronto, Ontario via videoconference.

ON READING the Notice of Motion and the Affidavit of Kevin Watkinson sworn April 23, 2025, and on hearing the submissions of counsel for the Company, no one else appearing for any other person on the service list although properly served as appears from the Affidavit of Service of Antoinette DePinto sworn April 23, 2025, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Motion and Motion Record of the Company is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

INTERIM FINANCING

2. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to obtain and borrow under a credit facility in the maximum amount of \$500,000 from the DIP Lender in order to finance the Company's working capital requirements and the costs of these proceedings, provided that the Company shall not draw more than \$75,000 on the DIP Loan until further Order of this Court.

3. **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet, filed.

4. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, with the DIP Term Sheet, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to

the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

5. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on all present and future property and assets of the Company and proceeds thereof (the "**Property**"). The DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 7 and 8 hereof.

6. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon 4 business days notice to the Company and the Proposal Trustee, may exercise any and all of its rights and remedies against the Company or the Property under or pursuant to the Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Company and set off and/or consolidate any amounts owing by the DIP Lender to the Company against the obligations of the Company to the DIP Lender under the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

7. **THIS COURT ORDERS** that the DIP Lender's Charge shall rank in priority to all other security interests, trusts, deemed trusts, liens, charges and encumbrances, claims of secured creditors (collectively, "**Encumbrances**") in favour of any Person.

8. **THIS COURT ORDERS** that, except as otherwise expressly provided for herein or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the DIP Lender's Charge unless the Company also obtains the prior written consent of the Proposal Trustee, and the DIP Lender, or further Order of this Court.

9. **THIS COURT ORDERS** that the DIP Lender's Charge and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the DIP Lender and shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Company, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the DIP Lender's Charge nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or

be deemed to constitute a breach by the Company of any Agreement to which they are a party;

- (b) the Company shall not have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Company entering into the Definitive Documents, the creation of the DIP Lender's Charge, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Company pursuant to this Order or the Definitive Documents, and the granting of the DIP Lender's Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

10. **THIS COURT ORDERS** that the DIP Lender' Charge created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

GENERAL

11. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

12. **THIS COURT ORDERS** that the Company or BDO Canada Limited (in its capacity as Proposal Trustee) shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

13. **THIS COURT ORDERS** that this Order is effective from today's date and it is made and enforceable without any need for entry or filing.



**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.,
IN THE CITY OF MISSISSAUGA, IN THE PROVINCE OF ONTARIO**

Court File No.: BK-25-03213105-0032

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

INITIAL ORDER

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SEPARATOR PAGE



SUPERIOR COURT OF JUSTICE

ENDORSEMENT

COURT FILE NO.: BK-25-03213105-0032 DATE: April 24, 2025

NO. ON LIST: 6

TITLE OF PROCEEDING: **INDEED LABORATORIES INC v. BDO Canada Limited**

BEFORE: **JUSTICE J. DIETRICH**

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party:

Name of Person Appearing	Name of Party	Contact Info
Laura Culleton Harvey Chaiton	Counsel for Indeed Laboratories Inc.	laurac@chaitons.com harvey@chaitons.com

For Defendant, Respondent, Responding Party:

Name of Person Appearing	Name of Party	Contact Info
Peter Naumis	BDO Canada Limited	pnaumis@bdo.ca

Other:

Name of Person Appearing	Name of Party	Contact Info

ENDORSEMENT OF JUSTICE J. DIETRICH:

Introduction

- [1] Indeed Laboratories Inc. (the “**Company**”) seeks an order:
- a. approving an interim financing loan in the amount of \$500,000 (the “**DIP Loan**”) from 1000481370 Ontario Inc. (in such capacity, the “DIP Lender”, otherwise referred to as “**370 Ontario**”) to finance the Company’s working capital requirements and the costs of these proceedings, as more fully described in the DIP Term Sheet between Indeed Labs and the DIP Lender dated April 22, 2025, and granting a charge in the maximum amount of \$500,000 plus interest and costs (the “**DIP Lender’s Charge**”) as security for the Company’s indebtedness under the DIP Loan;
 - b. granting an administration charge in the amount of \$250,000 to secure the fees and disbursements of the Proposal Trustee, the Proposal Trustee’s counsel and Indeed Labs’ counsel (the “**Administrative Charge**”); and
 - c. granting an extension of the time required to file its proposal, from May 17, 2025, the date the current stay expires, to July 1, 2025.
- [2] The Company also seeks to schedule a further hearing to seek approval of an anticipated stalking-horse sales process.
- [3] Terms not otherwise defined herein have the meaning provided to them in the factum of the Company filed on this motion.
- [4] No party opposes the relief sought, however, the material was only served yesterday afternoon.
- [5] For the reasons set out below, I am prepared to approve the DIP Loan and DIP Lender’s Charge requested today, provided that borrowings are limited to a maximum amount of \$75,000.
- [6] A further hearing has been scheduled **for 45 minutes starting at 11:00 am on May 2, 2025** at which time the remainder of the relief sought today and approval of the anticipated stalking-horse sales process can be addressed.

Background

- [7] On April 17, 2024 (the “**Filing Date**”), the Company filed a Notice of Intention to File a Proposal under the *Bankruptcy and Insolvency Act*. BDO Canada Limited is the trustee in the NOI Proceeding (“**Proposal Trustee**”).
- [8] The Company’s main office is located at 118 Avenue Road, Toronto, ON. It also has a warehouse located at 5181 Everest Drive, Mississauga, ON. Both the main office and warehouse are leased from affiliates to a shareholder of the Company and 370 Ontario.
- [9] The Company is a developer and distributor of skincare products across Canada, the United States of America and the United Kingdom. The Company’s products are manufactured by third party contract

manufacturers. The Company has several trademarks and owns proprietary formulas. The Company's main customers are Shoppers Drug Mart ("**Shoppers**"), Loblaws, Ulta, Amazon US and Amazon UK.

[10] The company employs approximately 17 people.

[11] 370 Ontario (who is also the proposed DIP Lender) is the Company's primary secured creditor. The Company advises that 370 Ontario is owed approximately \$8.6 million by the Company as result of certain assignment agreements entered into by 370 Ontario and other former creditors.

[12] As well, the Company is indebted to Cosmetic Synergies Incorporated in the principal amount of \$1,000,000 plus interest pursuant to a convertible debenture effective as of June 15, 2018. Counsel advised that 370 Ontario and Cosmetic Synergies Incorporated are related.

[13] The Company also has certain trade debt (estimated to be approximately \$90,000). The Company has entered into supply agreements with its customers. Shoppers has discontinued a product line and under its supply agreement is entitled to charge back any losses it sustains in relation that discontinued product. The Company estimates that this amount will be approximately \$1.2 million. The Company is also indebted to former customers CVS and Target.

[14] The Company's revenues have decreased year over year for the past several years as a result of the increased costs to manufacture the Company's products which were passed on to consumers in the form of higher prices. Within the past two years, the Company has lost CVS and Target as customers. For the year ended December 31, 2024, the Company sustained a net loss of \$2,157,495. In 2023, the Company's net loss was \$2,283,301.

[15] The Company's losses have been funded by an affiliate of a shareholder that is no longer willing to provide funds outside of an insolvency process.

[16] As set out in the Cash Flow Forecast, the Company is not expected to have sufficient liquidity to continue operations and requires interim financing. If the Company is unable to obtain approval of the DIP Loan, the Company will be unable to meet its ordinary course obligations or pay the costs of these proceedings and will likely have to shut down its operations, liquidate its inventory and terminate its employees.

[17] The Company has obtained an interim debtor-in-possession financing commitment from the DIP Lender to fund the Company's operation and restructuring expenses during the restructuring pursuant to the DIP Term Sheet.

Issue

[18] The only issue to be determined today is whether the DIP Loan and DIP Lender's Charge (up to maximum amount of \$75,000) should be approved.

Analysis

[19] Pursuant to s. 50.6 of the BIA, the Court may make an order declaring that all or part of the Company's property is subject to a security or charge and order that the security or charge rank in priority over the claim of any secured creditor of the Company. Pursuant to s. 50.6 of the BIA, in deciding whether to make such an order, the Court is to consider the following:

- a. the period during which the debtor is expected to be subject to proceedings under this Act;
- b. how the debtor's business and financial affairs are to be managed during the proceedings;
- c. whether the debtor's management has the confidence of its major creditors;
- d. whether the loan would enhance the prospects of a viable proposal being made in respect of the debtor; and
- e. the nature and value of the debtor's property;

[20] The DIP Lender is the Company's largest secured creditor and is related to the Company's only other secured creditor. The key terms of the DIP Term Sheet include: a maximum loan amount of \$500,000; interest accruing at a rate of 8% per annum to be paid at the maturity date; no commitment fee; and advances under the DIP Loan are conditional upon Court approval of the DIP Term Sheet and the granting of the DIP Lender's Charge. The proposed DIP Lender's Charge will not secure any obligations incurred prior to the Filing Date.

[21] The Proposal Trustee is of the view that the Company's request for the approval of the DIP Loan and the DIP Lender's Charge are reasonable in the circumstances and are required to provide the Company with the necessary financing to complete its restructuring.

[22] Given that the motion material was only served yesterday, and that the Company will be returning to Court on May 2, 2025, the Proposal Trustee advised that only the amount of \$75,000 may be required prior to the next court attendance.

[23] In the circumstances, I am prepared to approve the DIP Loan and the DIP Term sheet on that basis.

Disposition

[24] Order to go in the form signed by me this day.



Justice J. Dietrich

April 24, 2025

APPENDIX II

District of Ontario
Division No. 09 - Mississauga
Court File No. 32-3213105
Estate No. 32-3213105

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY & INSOLVENCY)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.
OF THE CITY OF MISSISSAUGA,
IN THE REGIONAL MUNICIPALITY OF PEEL,
IN THE PROVINCE OF ONTARIO.

FIRST REPORT OF THE PROPOSAL TRUSTEE
April 23, 2025

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- Appendix I - Certificate of Filing at Notice of Intention to File a Proposal
- Appendix II - 15 Week Cash Flow and Management's Report Thereon
- Appendix III - Proposal Trustee's Report on the Cash Flow
- Appendix IV - Term Sheet dated April 22, 2025

INTRODUCTION

1. Indeed Laboratories Inc. (“**Indeed**” or the “**Company**”) is a privately held corporation incorporated pursuant to the *Canada Business Corporations Act* on December 19, 2008. Indeed operates as a developer and distributor of skincare products across Canada, the United States of America and the United Kingdom.
2. Indeed’s main office is located at 118 Avenue Road, Toronto, Ontario. The Company has warehouse space and offices located at 5181 Everest Drive, Mississauga, Ontario.
3. Michael B. Davidson (“**Michael**”) is the sole director of the Company.
4. On April 17, 2025, the Company filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to the *Bankruptcy & Insolvency Act* (the “**BIA**”). BDO Canada Limited (“**BDO**”) was named as the Licensed Insolvency Trustee (in such capacity, the “**Proposal Trustee**”) in these proceedings (the “**Proposal Proceedings**”). The Certificate of Filing of a Notice of Intention to Make a Proposal issued by the Office to the Superintendent of Bankruptcy is attached hereto as **Appendix ‘I’**.

PURPOSE

5. This is the first report of the Proposal Trustee (the “**First Report**”) to be filed in the Proposal Proceedings. The purpose of this First Report is to:
 - a) Provide this Court with information regarding:
 - (i) the background on the circumstances leading to the Company’s decision to commence the Proposal Proceedings;
 - (ii) the Company’s creditors;
 - (iii) the Proposal Trustee’s activities since its appointment;
 - (iv) an overview of the Company’s 15-week cash flow forecast for the periods ending April 27, 2025 to August 3, 2025 (the “**Cash Flow Forecast**”) and the Proposal Trustee’s comments regarding the reasonableness thereof; and
 - b) Support the Company’s motion seeking the following relief:
 - I. An ancillary order (the “**Ancillary Order**”) which:
 - (i) approves a \$250,000 first ranking priority charge over all of the Company’s assets, undertakings, and property (the “**Administration Charge**”) in favour of the Proposal Trustee, the Proposal Trustee’s legal counsel, the Company’s legal counsel and BDO Canada Transaction Advisory (the “**Sales Agent**” and collectively, the “**Professional**”

Group") to secure payment of their professional fees and disbursements. The Administration Charge shall rank in priority to all other charges;

- (ii) authorizes the Company to enter into an interim financing term sheet with 1000481370 Ontario Inc. (in such capacity, the **"DIP Lender"**, otherwise referred to as **"370 Ontario"**) dated about April 22, 2025 (the **"Term Sheet"**), to obtain interim financing of up to \$500,000 to facilitate the continued operations of the Company during these proceedings and approves a \$500,000 second ranking priority charge over all of the Company's assets, undertakings and property (the **"Interim Financing Charge"**) in favour of 370 Ontario to secure repayment of the financing. The Interim Financing Charge shall rank in priority to all other obligations other than the Administration Charge, statutory super priority deemed trusts and liens for unpaid source deductions and such other permitted priority encumbrances as may be agreed to in writing by 370 Ontario;
- (iii) approves an extension of the stay of proceedings of 45 days and the time by which to file a proposal from May 17, 2025 to July 1, 2025 (the **"Stay Extension"**); and
- (i) such further and other relief as the Court may deem just and equitable.

- 6. This First Report is to be read in conjunction with the affidavit of Kevin Watkinson sworn April 23, 2025 (the **"Watkinson Affidavit"**).
- 7. The Watkinson Affidavit, and all other materials filed with the Court in the Proposal Proceedings, are accessible on the Proposal Trustee's website at: <https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/IndeedLabs> (the **"Proposal Trustee's Website"**).

TERMS OF REFERENCE

- 8. In preparing this First Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Company, discussions with management of the Company (**"Management"**), and information from other third-party sources (collectively, the **"Information"**). Except as described in this First Report in respect of the Cash Flow Forecast:
 - (a) The Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Canadian Auditing Standards (**"CAS"**) pursuant to the Chartered Professional Accountants Canada

Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and

- (b) Some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
- 9. Future-oriented financial information referred to in this First Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variation could be significant.
- 10. Unless otherwise indicated, the Proposal Trustee's understanding of factual matters expressed in this First Report concerning the Company and their business is based on the Information, and not independent factual determinations made by the Proposal Trustee.
- 11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

BACKGROUND

- 12. Indeed operates as a developer and distributor of skincare products across Canada, the United States of America and the United Kingdom. The Company's main customers are Shoppers Drug Mart ("Shoppers"), Loblaws, Ulta, Amazon US and Amazon UK. The Company's products are manufactured by third-party contract manufacturers. Several trademarks and proprietary formulas are also owned by the Company.
- 13. Indeed currently employs approximately 17 (seventeen) people consisting mainly of administrative and sales staff. Payroll is paid to employees on a biweekly basis.

CIRCUMSTANCES LEADING TO THE PROPOSAL PROCEEDINGS

- 14. Indeed operates in the competitive cosmetics industry. According to Management, revenues have decreased over the past several years because of, among other things, the increased costs of manufacturing Indeed's products which costs were passed onto consumers in the form of higher prices, which resulted in decreased demand for certain of Indeed's products.
- 15. Additionally, Indeed incurred significant capital expenditures building out infrastructure for anticipated sales that either did not materialize or were not sustained while marketing efforts to

compete with global competition were undercapitalized.

16. For the year ended December 31, 2024, the Company sustained a net loss of \$2,157,495. In 2023, the Company's net loss was \$2,283,301.
17. Most recently Shoppers, the Company's largest customer, advised it will be discontinue carrying a specific product line resulting in a chargeback estimated at \$1.2 million. The chargeback is a result of the poor sales performance of the product line together with provisions in the sales agreement with Shoppers which allows it to return unsold product for a full refund or "chargeback" against future invoices.
18. The Company has received chargeback claims from its U.S. customers, CVS Health Corporation ("CVS") and Target Corporation ("Target"), in the amounts of approximately USD \$400,000 and USD \$800,000 respectively. CVS and Target ceased to be customers of Indeed within the past 2 years.
19. Indeed's losses and cash flow deficit have been funded by an affiliate of a shareholder that is no longer willing to fund the Company outside of an insolvency process.
20. Accordingly, on April 17, 2025, Indeed commenced the Proposal Proceedings to, among other things, create stability for the Company and permit the Proposal Trustee to conduct a sale process for the marketing and sale of the Company's Property.

SECURED LENDERS AND TRADE CREDITORS

1000481370 Ontario Inc.

21. The Company is currently indebted to 370 Ontario in the approximate amount of \$8,600,000 (the "370 Debt"). 370 Ontario holds a general security agreement and a secured convertible debenture against all of the Company's assets which has been registered under the *Personal Property Security Act (Ontario)* (the "PPSA").
22. Further, the principal amount of \$1,000,000 plus accruing interest, included in the 370 Debt, is subject to a secured convertible debenture.
23. Michael is the sole director and shareholder of 370 Ontario.

Cosmetic Synergies Incorporated

24. The Company is currently indebted to Cosmetic Synergies Incorporated ("CSI") in the principal amount of \$1,000,000 plus accruing interest, pursuant to a secured convertible debenture. CSI also holds a general security interest against all of the Company's assets which has been registered under the PPSA.

Other Creditors

25. In addition to the claims of Shoppers, CVS and Target, as at the date of the NOI, the Company's books and records report that the unsecured trade debt and other creditors are owed approximately \$90,948.
26. The Company's source deduction arrears owing to Canada Revenue Agency is approximately \$8,044. HST is current.
27. Employee wages and vacation pay are current to the last payroll.

PROPOSAL TRUSTEE'S ACTIVITIES TO DATE

28. The Proposal Trustee has established the Proposal Trustee's Website for the Proposal Proceedings. All court documents and other relevant documents will continue to be posted as they are made available.
29. In accordance with its obligations under BIA, the Proposal Trustee prepared and mailed a notice on April 23, 2025, which includes information about the Proposal Proceedings, to all known creditors who have a claim against the Company of more than \$250.
30. Further, the Proposal Trustee has, among other things:
 - (a) participated in various calls with Management and the Company's counsel;
 - (b) assisted the Company with stakeholder and customer communications;
 - (c) participated in various discussions with Management and certain stakeholders in connection with developing a sale and marketing process;
 - (d) reviewed and commented on the Cash Flow Projections;
 - (e) created a weekly monitoring protocol to review the Company's weekly cash receipts and disbursements; and
 - (f) prepared this First Report, including a preliminary review of the Company's assets, liabilities and operations.

CASH FLOW PROJECTION

31. The Company's cash flow projection and related assumptions for the 15-week period ending August 3, 2025, together with Management's report on the Cash Flow Projection (as required under

subsection 50.4(2)(c) of the BIA) are attached as **Appendix ‘II’**.

32. Based on the Proposal Trustee’s review of the Cash Flow Projection, there are no material assumptions which seem unreasonable in the present circumstances. The Proposal Trustee’s report on the Cash Flow Projection (as required under subsection 50.4(2)(b) of the BIA) is attached as **Appendix ‘III’**.
33. The Cash Flow Projection shows that the Company will experience a net cash outflow of approximately \$497,275 during the 15-week period covered by the Cash Flow Projection. As a result, the Company is seeking approval of interim financing and a charge to support such financing to pay its post-filing obligations, including the cost of these proceedings.
34. The Proposal Trustee has arranged reporting and monitoring processes with Management which includes reviewing, on a weekly basis, the budget versus actual cash-flow analysis, financial reporting and receipts and disbursements.

INTERIM FINANCING CHARGE

35. The Company is seeking approval of the Term Sheet pursuant to which the DIP Lender has agreed to make available to the Company a debtor-in-possession loan in the maximum principal amount of \$500,000 (the “**Facility**”). The Facility is intended to provide sufficient liquidity to the Company to pay its post-filing obligations, including the cost of these proceedings.
36. In addition to the approval of the Term Sheet, the Ancillary Order also provides for the creation of the Interim Financing Charge to a maximum of the permitted borrowings pursuant to the Term Sheet.
37. A copy of the Term Sheet is attached as **Appendix “IV”** to this First Report. The material items, terms and conditions of the Term Sheet are:
 - (a) **Principal Amount:** up to a maximum amount of \$500,000;
 - (b) **Interest Rate:** interest on the principal amount of the Facility outstanding from time to time shall be calculated at a rate of eight percent (8%) per annum, which interest shall be calculated on the daily outstanding balance owing under the Facility, not in advance, and shall accrue and be paid on the Maturity Date (defined below);
 - (c) **Interim Financing Charge and Court Approval:** the Facility is to be secured by a Court-ordered priority charge over all of the Company’s present and after-acquired property, assets and undertakings, subject only to the Administration Charge; and

(d) **Repayment:** the Facility is to be repaid on the Maturity Date, which is defined as the earliest of:

- (i) a demand;
 - (ii) the day on which the stay of proceedings under the Proposal Proceedings has been terminated; and
 - (iii) the date on which the Company becomes bankrupt
- (the “**Maturity Date**”).

- 38. The Company is entitled to repay all or any part of the Facility at any time and from time to time without notice or penalty.
- 39. The Proposal Trustee notes that there is no fee for the Facility.
- 40. The Proposal Trustee believes the terms offered by the DIP Lender are reasonable and competitive in the circumstances.
- 41. The Proposal Trustee is of the view that the Company’s request for approval of the Term Sheet and the Interim Financing Charge is appropriate, fair and reasonable in order to provide the Company with the necessary financing to maintain ongoing operations. Absent approval of this financing, the Company will be forced to cease operations and commence liquidation of its assets, resulting in lost jobs and lost value for the Company’s creditors and stakeholders.

EXTENSION OF STAY OF PROCEEDINGS

- 42. Given the date on which the NOI was filed, the Company is currently required to make a proposal by May 17, 2025.
- 43. The Company is seeking an extension of the stay of proceedings from May 17, 2025 to July 1, 2025.
- 44. In the Proposal Trustee’s view, based on the Cash Flow Forecast and provided that the Term Sheet is approved, the Company will have sufficient liquidity to satisfy its obligations as they come due during the proposed extension period.
- 45. The Proposal Trustee supports the Company’s request for the following reasons:
 - a) The extension of the stay would permit the Proposal Trustee and the Sales Agent, in consultation with the Company, to finalize a proposed sale process for the Company’s Property and, if approved by the Court, conduct the proposed sale process;
 - b) The Company has acted, and continues to act, in good faith and with due diligence;

- c) No creditor would be materially prejudiced if the extension being applied for is granted.

ADMINISTRATION CHARGE

46. The Company is seeking the Court's approval of a charge up to a maximum amount of \$250,000 (the "Administration Charge") in favour of the Professional Group as security for the professional fees and disbursements incurred during the Proposal Proceedings.
47. As set out in the Watkinson Affidavit, the Company believes the Administration Charge is essential to a successful restructuring.
48. The Proposal Trustee has considered the Company's request and supports the request on the basis that:
- (i) these charges are typical in restructuring proceedings pursuant to the BIA and the *Companies' Creditors Arrangement Act*, as the charges facilitate an orderly restructuring process;
 - (ii) the Administration Charge is required to protect the Professional Group who have been retained in these proceedings for their fees and disbursements, given the Company's current financial challenges and insolvency; and
 - (iii) the Professional Group requires the protection afforded by the Administration Charge in order to continue in their respective roles throughout the Proposal Proceedings.
49. The Proposal Trustee is of the view that the Administration Charge is reasonable and appropriate in these circumstances.

CONCLUSIONS AND RECOMMENDATIONS

50. Based on the above, the Proposal Trustee respectfully recommends that the Court grant an order providing the relief described in section 5(b) of this First Report.

All of which is respectfully submitted this 23rd day of April, 2025.

BDO CANADA LIMITED
in its capacity as Proposal
Trustee of Indeed Laboratories Inc.,
and not in its corporate or personal
capacity



Name: Peter Naumis, CIRP, LIT
Title: Vice President

APPENDIX III

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

THE HONOURABLE

)

FRIDAY, THE 2ND

)

JUSTICE STEELE

)

DAY OF MAY, 2025

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.,
IN THE CITY OF MISSISSAUGA, IN THE PROVINCE OF ONTARIO**

SALE PROCESS ORDER

THIS MOTION, made by Indeed Laboratories Inc. (“**Indeed Labs**” or the “**Company**”), for an order, *inter alia*: i) approving the marketing and sale process for the business and assets of the Company as set out in Appendix “III” to the Second Report of the Proposal Trustee dated April 30, 2025 (the “**Second Report**”); and ii) approving and authorizing the Company to enter into the Stalking Horse Asset Purchase Agreement dated April 29, 2025 (the “**Stalking Horse Agreement**”) between Indeed Labs and 1000481370 Ontario Inc. as purchaser (in such capacity, the “**Stalking Horse Bidder**”), solely for the purpose of acting as the stalking horse bid in the Sale Process, in the form attached as Appendix “V” to the Second Report, including approving the \$50,000 Expense Reimbursement Fee (as defined in the Stalking Horse Agreement) in favour of the Stalking Horse Bidder contemplated therein, was heard this day at 330 University Avenue, Toronto, Ontario via videoconference.

ON READING the Notice of Motion and the Motion Record dated April 30, 2025, and on hearing the submissions of counsel for the Company, and other parties listed on the Participant

Information Form, no one else appearing for any other person on the service list although properly served as appears from the Affidavit of Service of Laura Culleton sworn May 1, 2025, filed:

SALE PROCESS

1. **THIS COURT ORDERS** that the Sale Process in the form attached as Appendix “III” to the Second Report (the “**Sale Process**”) is hereby approved and the Proposal Trustee and its Sales Agent (as defined in the Sale Process) is hereby authorized and directed to perform its obligations under and in accordance with the Sale Process and to take such further steps as it considers necessary or desirable in carrying out the Sale Process.

2. **THIS COURT ORDERS** that the Proposal Trustee and its affiliates, partners, directors, officers, employees, legal advisors, representatives, agents and controlling personal shall have no liability with respect to any and all losses, claims, damages or liabilities of any nature or kind to any person in connection with or as a result of the Sale Process, except to the extent of losses, claims, damages or liabilities that arise or result from the gross negligence or wilful misconduct of the Proposal Trustee in performing its obligations under the Sale Process, as determined by this Court in a final order that is not subject to appeal or other review.

3. **THIS COURT ORDERS** that, in conducting the Sale Process, the Proposal Trustee shall have all of the benefits and protections granted to it under the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended and any other Order of this Court in the within proceeding.

STALKING HORSE AGREEMENT

4. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to enter into the Stalking Horse Agreement between the Company and the Stalking Horse Bidder in the

form attached as Appendix “V” to the Second Report, with such minor amendments as may be acceptable to each of the parties thereto; provided nothing herein approves the sale of the Property to the Stalking Horse Bidder pursuant to the Stalking Horse Agreement and that the approval of any sale of the Property shall be considered by this Court on a subsequent motion made to this Court.

5. **THIS COURT ORDERS** that the Expense Reimbursement Fee (as defined in the Stalking Horse Agreement) is hereby approved and the Proposal Trustee is hereby authorized and directed to pay the Expense Reimbursement Fee to the Stalking Horse Bidder in the manner and circumstances described in the Stalking Horse Agreement.

PIPEDA

6. **THIS COURT ORDERS** that pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5 and any similar legislation in any other applicable jurisdictions, the Proposal Trustee, its Sales Agent and its advisors are hereby authorized and permitted to disclose and transfer to prospective Sale Process participants that are party to a nondisclosure agreement with the Proposal Trustee (each, a “**Sale Process Participant**”) and their respective advisors personal information of identifiable individuals, but only to the extent required to negotiate or attempt to complete a transaction pursuant to the Sale Process (a “**Transaction**”). Each Sale Process Participant to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation for the purpose of effecting a Transaction, and, if it does not complete a Transaction, shall return all such information to the Proposal Trustee, or, in the alternative, destroy all such information and provide confirmation of its destruction if requested by the Proposal Trustee. The

bidder with a Successful Bid (as defined in the Sale Process) shall maintain and protect the privacy of such information and, upon closing of the Transaction(s) contemplated in the Successful Bid(s), shall be entitled to use the personal information provided to it that is related to the Company's business and/or property acquired pursuant to the Sale Process in a manner that is in all material respects identical to the prior use of such information by the Company, and shall return all other personal information to the Proposal Trustee, or ensure that all other personal information is destroyed and provide confirmation of its destruction if requested by the Proposal Trustee.

GENERAL

7. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

8. **THIS COURT ORDERS** that the Company or the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

9. **THIS COURT ORDERS** that this Order is effective from today's date and it is made and enforceable without any need for entry or filing.

**Jana
Steele** Digitally signed
by Jana Steele
Date: 2025.05.02
14:30:53 -04'00'

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.,
IN THE CITY OF MISSISSAUGA, IN THE PROVINCE OF ONTARIO**

Court File No.: BK-25-03213105-0032

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

SALE PROCESS ORDER

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Lawyers for Indeed Laboratories Inc.

APPENDIX IV

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

THE HONOURABLE

)

FRIDAY, THE 2ND

)

JUSTICE STEELE

)

DAY OF MAY, 2025

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.,
IN THE CITY OF MISSISSAUGA, IN THE PROVINCE OF ONTARIO**

ANCILLARY ORDER

THIS MOTION, made by Indeed Laboratories Inc. (“**Indeed Labs**” or the “**Company**”), for an order, *inter alia*: i) if necessary, abridging the time for service and filing of the Notice of Motion and the Motion Record of Indeed Labs or, in the alternative, dispensing with service thereof; ii) approving the activities and conduct of BDO Canada Limited in its capacity as proposal trustee of Indeed Labs (the “**Proposal Trustee**”) as set out and described in the First Report of the Proposal Trustee dated April 23, 2025 (the “**First Report**”) and the Second Report of the Proposal Trustee dated April 30, 2025 (the “**Second Report**”); iii) authorizing an increase in the amount the Company is authorized to borrow up to the maximum amount of \$500,000 under the interim financing term sheet between Indeed Labs and 1000481370 Ontario Inc. (the “**DIP Lender**”) dated April 22, 2025 (the “**Term Sheet**”); iv) granting a \$250,000 first ranking priority charge over all of the Company’s assets, undertakings, and property (the “**Administration Charge**”) in favour of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Company to secure payment of their professional fees and disbursements; and v) granting an extension of the time

required to file its proposal, from May 17, 2025, the date the current stay expires, to July 1, 2025 (the “**Stay Extension**”), was heard this day at 330 University Avenue, Toronto, Ontario via videoconference.

ON READING the Notice of Motion and the Motion Record dated April 30, 2025, and on hearing the submissions of counsel for the Company, and other parties listed on the Participant Information Form, no one else appearing for any other person on the service list although properly served as appears from the Affidavit of Service of Laura Culleton sworn May 1, 2025, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Motion and Motion Record of the Company is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPROVAL OF THE FIRST REPORT AND THE SECOND REPORT

2. **THIS COURT ORDERS** that the First Report and the Second Report and the actions, conduct and activities of the Proposal Trustee set out therein are hereby approved; provided however, in each case, that only the Proposal Trustee, in its personal capacity and only with respect to its own liability shall be entitled to rely upon or utilize in any way such approvals.

INTERIM FINANCING

3. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to borrow up to the amount of \$500,000 under the Term Sheet.

ADMINISTRATION CHARGE

4. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Company (collectively, the “**Administrative Professionals**”) shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings. The Company is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Company on a bi-weekly basis, or as they may otherwise agree.

5. **THIS COURT ORDERS** that the Administrative Professionals shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on all of the Company’s present and future assets, undertakings and property of every nature and kind whatsoever and wherever situate, including all proceeds thereof (collectively, the “**Property**”), which charge shall not exceed the amount of \$250,000 (before HST) on the Property, unless permitted by further Order of this Court, as security for payment of the Administrative Professionals professional fees and disbursements incurred at their respective standard rates and charges, both before and after the making of this Order, in respect of this proceeding. The Administration Charge shall have the priority set out in paragraphs 6 and 7 hereof.

6. **THIS COURT ORDERS** that the Administration Charge shall rank in priority to all other security interests, trusts, deemed trusts, liens, charges and encumbrances, claims of secured creditors (the “**Encumbrances**”) in favour of any Person, including the charge granted by this Court in favour of the DIP Lender on all present and future property and assets of the Company and the proceeds thereof (the “**Property**”) to secure the credit facility provided by the DIP Lender in the maximum amount of \$500,000 pursuant to the Term Sheet (the “**DIP Lender’s Charge**”).

7. **THIS COURT ORDERS** that, except as otherwise expressly provided for herein or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Administration Charge or the DIP Lender's Charge unless the Company also obtains the prior written consent of the Proposal Trustee, and the DIP Lender or further Order of this Court.

EXTENSION OF TIME TO FILE A PROPOSAL

8. **THIS COURT ORDERS** that, pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal is hereby extended to July 1, 2025 (as that date may be extended by further order of the Court).

GENERAL

9. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

10. **THIS COURT ORDERS** that the Company or the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

11. **THIS COURT ORDERS** that this Order is effective from today's date and it is made and enforceable without any need for entry or filing.

**Jana
Steele** Digitally signed
by Jana Steele
Date: 2025.05.02
14:32:41 -04'00'

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.,
IN THE CITY OF MISSISSAUGA, IN THE PROVINCE OF ONTARIO**

Court File No.: BK-25-03213105-0032

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

ANCILLARY ORDER

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Lawyers for Indeed Laboratories Inc.

APPENDIX V

District of Ontario
Division No. 09 - Mississauga
Court File No. 32-3213105
Estate No. 32-3213105

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY & INSOLVENCY)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.
OF THE CITY OF MISSISSAUGA,
IN THE REGIONAL MUNICIPALITY OF PEEL,
IN THE PROVINCE OF ONTARIO.

SECOND REPORT OF THE PROPOSAL TRUSTEE
April 30, 2025

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LIST OF APPENDICES

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- Appendix II - First Report of the Proposal Trustee without appendices
- Appendix III - Sale Process
- Appendix IV - The Watkinson Affidavit without exhibits
- Appendix V - Stalking Horse Agreement

INTRODUCTION

1. Indeed Laboratories Inc. (“Indeed” or the “Company”) is a privately-held corporation incorporated pursuant to the *Canada Business Corporations Act* on December 19, 2008. Indeed operates as a developer and distributor of skincare products across Canada, the United States of America and the United Kingdom.
2. Indeed’s main office is located at 118 Avenue Road, Toronto, Ontario. The Company has warehouse space and offices located at 5181 Everest Drive, Mississauga, Ontario.
3. Michael B. Davidson (“Michael”) is the sole director of the Company.
4. On April 17, 2025, the Company filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to the *Bankruptcy & Insolvency Act* (the “BIA”). BDO Canada Limited was named as the Licensed Insolvency Trustee (in such capacity, the “Proposal Trustee”) in these proceedings (the “Proposal Proceedings”).
5. The background and circumstances leading to the Company’s NOI filing is described in the First Report and the Affidavit of Kevin Watkinson sworn April 23, 2025.
6. On April 24, 2025, the Court granted an order (the “Apr 24 Order”), inter alia:
 - a) authorizing the Company to enter into an interim financing term sheet with 1000481370 Ontario Inc. (in such capacity, the “DIP Lender”, otherwise referred to as “370 Ontario”) dated April 22, 2025 (the “Term Sheet”), to obtain interim financing of up to \$500,000 to facilitate the continued operations of the Company during these proceedings and 370 Ontario was granted a \$500,000 second ranking priority charge over all of the Company’s assets, undertakings and property to secure repayment of the financing; and
 - b) authorizing interim advances under the Term Sheet of up to \$75,000 until further order of the Court.A copy of the Apr 24 Order and Endorsement are attached as Appendix ‘I’.
7. In support of the April 24, 2025 motion, the Proposal Trustee filed its First Report (the “First Report”) dated April 23, 2025. A copy of the First Report, without appendices, is attached as Appendix ‘II’.

PURPOSE

8. The purpose of this second report of the Proposal Trustee (the “Second Report”) is to:
 - a) Provide this Court with information regarding:
 - (i) the Proposal Trustee’s activities since the First Report;
 - (ii) the Company’s creditors; and
 - b) Support the Company’s motion seeking the following relief:

I. An order (the “Ancillary Order”) which:

- (i) approves the First Report, the Second Report and the conduct and activities of the Proposal Trustee;
- (ii) approves a \$250,000 first ranking priority charge over all of the Company’s assets, undertakings, and property (the “Administration Charge”) in favour of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Company to secure payment of their professional fees and disbursements. The Administration Charge shall rank in priority to all other charges;
- (iii) authorizes an increase in the amount the Company is authorized to borrow up to the maximum of the \$500,000 under the Term Sheet;
- (iv) approves an extension of the time required for the Company to file its proposal from May 17, 2025, the date the current stay expires to July 1, 2025 (the “Stay Extension”); and
- (v) such further and other relief as the Court may deem just and equitable; and

II. An order (the “Sale Process Order”) which:

- (i) approves and authorizes Indeed to enter into the stalking horse purchase agreement dated April 29, 2025 (the “Stalking Horse Bid”) with 370 Ontario, or its nominee (in such capacity, the “Stalking Horse Bidder”);
- (ii) approves the payment and priority of the Expense Reimbursement as provided for in the Stalking Horse Bid;
- (iii) approves the stalking horse sale process contemplated in Appendix ‘III’ attached hereto (the “Sale Process”) and authorizes the Proposal Trustee and BDO Transaction Advisory (the “Sales Agent”) to conduct the Sale Process for the Company’s business and assets (the “Property”); and
- (iv) such further and other relief as the Court may deem just and equitable.

9. The Second Report is to be read in conjunction with the affidavit of Kevin Watkinson sworn April 23, 2025 (the “Watkinson Affidavit”). The Watkinson Affidavit, without exhibits, is attached hereto as Appendix ‘IV’.

10. All materials filed with the Court in the Proposal Proceedings, are accessible on the Proposal Trustee’s website at: <https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/IndeedLabs> (the “Proposal Trustee’s Website”).

TERMS OF REFERENCE

11. In preparing the Second Report and making the comments herein, the Proposal Trustee has been provided with,

and has relied upon, unaudited financial information, books and records prepared by the Company, discussions with management of the Company ("Management"), and information from other third-party sources (collectively, the "Information"). Except as described in the First Report and the Second Report in respect of the Cash Flow Forecast:

- (a) The Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and
 - (b) Some of the information referred to in the Second Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
12. Future-oriented financial information referred to in the Second Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variation could be significant.
13. Unless otherwise indicated, the Proposal Trustee's understanding of factual matters expressed in the Second Report concerning the Company and its business is based on the Information, and not independent factual determinations made by the Proposal Trustee.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

Capitalized terms used herein and not defined in the Second Report shall have the meaning ascribed to them in the First Report or the Sale Process, as the case may be.

PROPOSAL TRUSTEE'S ACTIVITIES TO DATE

15. Since the First Report, the Proposal Trustee has, among other things:
- (a) created the Sale Process procedures and timelines;
 - (b) participated in various discussions with Management and certain stakeholders in connection with the marketing plan and timelines associated with the Sale Process;
 - (c) communicated with creditors;
 - (d) uploaded all court material and certain other relevant documents to the Proposal Trustee's Website;

- (e) arranged for, and obtained, a legal opinion on the validity and enforceability of 370 Ontario's security;
- (f) negotiated and finalized the Stalking Horse Agreement, subject to Court approval;
- (g) monitored the Company's weekly cash flow; and
- (h) prepared the Second Report, including a preliminary review of the Company's assets and operations.

INDEED'S RECEIPTS AND DISBURSEMENTS TO DATE

16. The Company's actual net cash flow for the period week ended April 27, 2025 was \$103,229 compared to a forecasted net cash outflow of \$43,021 over that same period as outlined in the Cash Flow Forecast. This positive variance is summarized below:

	Week ending April 27, 2025		
	Projection	Actual	Variance
<u>Receipts</u>			
CAD AR	\$ 21,853	\$ 154,666	\$ 132,813
US AR	5,964	2,919	(3,045)
Total receipts	\$ 27,817	\$ 157,585	\$ 129,768
<u>Disbursements</u>			
Salaries	36,040	36,432	(392)
Source Deductions	17,798	17,698	100
HST			
VAT			
Rent			
Property tax & Utilities			
Marketing Costs	10,000		10,000
Warehouse Costs			
Shipping costs	5,000		5,000
Inventory Purchases			
Miscellaneous	2,000	225	1,775
Professional fees			
Total disbursements	\$ 70,838	\$ 54,355	\$ 16,483
NET CASH FLOW	(\$43,021)	\$ 103,229	\$ 146,250
Opening bank position	\$ 206,615	\$ 83,492	
Closing cash (deficit)			
Funding from DIP Facility	-	-	
Closing cash (deficit) after DIP funding	\$ 163,594	\$ 186,722	\$ 23,128

17. An explanation of the key variances are:

Receipts

- (i) The Company's collection of approximately \$123,000 of accounts receivables was allocated to the week

ended April 20, 2025. The accounts receivable was not recorded in the Company's bank account until April 21, 2025, creating the positive variance.

Disbursements

- (i) The Company filed the NOI on Thursday, April 17, 2025. Accordingly, the Company did not incur marketing or shipping costs during the initial week ended April 27, 2025, to allow it time to communicate with customers in an effort to ensure satisfactory arrangements remain in place for the ongoing sales of Indeed's product line.

CASH FLOW AND REQUIREMENT FOR DIP FINANCING

18. The Company's 15-week cash flow (the "Cash Flow") shows that the Company's expenditures exceed its receipts in each week during the cash flow period.
19. Based upon the Cash Flow as presented below, the Company has sufficient cash on hand until the week-ending May 4, 2025 and then will require funding in order to continue operations. Accordingly, for the Company to continue to operate and complete the Sales Process, it will be necessary to draw upon the facility contemplated by the Term Sheet of approximately \$500,000 during the Cash Flow period.

	04-May	11-May	18-May	25-May	01-Jun	08-Jun	15-Jun	22-Jun	29-Jun	06-Jul	13-Jul	20-Jul	27-Jul	03-Aug	Total
<u>Receipts</u>															
CAD AR	\$ 24,255	\$ 30,255	\$ 24,255	\$ 30,255	\$ 29,217	\$ 35,217	\$ 29,217	\$ 35,217	\$ 28,860	\$ 28,860	\$ 28,860	\$ 28,860	\$ 28,860	\$ 28,860	\$ 411,048
US AR	7,062	7,062	7,062	7,062	7,062	7,062	7,062	7,062	7,062	7,062	7,062	7,062	7,062	7,062	98,868
Total receipts	\$ 31,317	\$ 37,317	\$ 31,317	\$ 37,317	\$ 36,279	\$ 42,279	\$ 36,279	\$ 42,279	\$ 35,922	\$ 35,922	\$ 35,922	\$ 35,922	\$ 35,922	\$ 35,922	\$ 509,916
<u>Disbursements</u>															
Salaries		36,040		24,000		24,000		20,000		20,000		20,000		20,000	164,040
Source Deductions	8,004	17,798		11,000		11,000		10,000		10,000		10,000		10,000	87,802
HST					15,000					15,000					30,000
VAT														20,000	20,000
Rent	10,600	21,200				21,200					21,200				74,200
Property tax & Utilities		7,280				1,200					7,200				15,680
Marketing Costs	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	140,000
Warehouse Costs	5,000	7,500		5,000		7,500	5,000			5,000	7,500		5,000		47,500
Shipping costs	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	70,000
Inventory Purchases		62,000	45,000	22,500		25,000	35,000				22,500				212,000
Miscellaneous	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	28,000
Professional fees		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	260,000
Total disbursements	\$ 40,604	\$ 188,818	\$ 82,000	\$ 99,500	\$ 52,000	\$ 126,900	\$ 77,000	\$ 67,000	\$ 37,000	\$ 87,000	\$ 95,400	\$ 67,000	\$ 42,000	\$ 87,000	\$ 1,149,222
NET CASH FLOW	(\$9,287)	(\$151,501)	(\$50,683)	(\$62,183)	(\$15,721)	(\$84,621)	(\$40,721)	(\$24,721)	(\$1,078)	(\$51,078)	(\$59,478)	(\$31,078)	(\$6,078)	(\$51,078)	(\$639,306)
Opening bank position	\$ 163,594	\$ 154,307	\$ 22,806	\$ 21,018	\$ 19,018	\$ 21,527	\$ 19,527	\$ 22,036	\$ 20,036	\$ 22,545	\$ 20,545	\$ 23,054	\$ 21,054	\$ 23,563	\$ 163,594
Closing cash (deficit)															
Funding from DIP Facility		20,000	48,895	60,183	18,230	82,621	43,230	22,721	3,587	49,078	61,987	29,078	8,587	49,078	497,275
Closing cash after DIP	\$ 154,307	\$ 22,806	\$ 21,018	\$ 19,018	\$ 21,527	\$ 19,527	\$ 22,036	\$ 20,036	\$ 22,545	\$ 20,545	\$ 23,054	\$ 21,054	\$ 23,563	\$ 21,563	\$ 21,563

PROPOSED SALE PROCESS

20. The Proposal Trustee, in consultation with the Company, developed the Sale Process intended to solicit interest in and opportunities for a sale of all, substantially all, or a portion of the Property. Any terms not expressly defined in this section are otherwise defined in the Sale Process. A copy of the Sale Process is attached hereto as Appendix 'III'.
21. The Proposal Trustee and the Sales Agent are qualified to administer the Sale Process for the following reasons:
- (i) they have considerable experience conducting similar sales processes;
 - (ii) they have industry and institutional contacts who they will ensure will be made aware of this opportunity;
 - (iii) they are independent of the Company; and
 - (iv) they will ensure that the Sale Process is conducted in a thorough, transparent, and efficient manner for the benefit of the Company's stakeholders.

Sale Process Summary & Proposed Timeline

22. The Sale Process shall commence within 5 business days following the issuance of the Sale Process Order. The table below sets out the key deadlines in the Sale Process (terms within the table are defined in subsequent paragraphs):

Milestone	Deadline
Commencement of Sale Process	Within 5 business days after receipt of Sale Process Order
Distribution of the Notice and Teaser Letter	May 13, 2025
Bid Deadline	June 13, 2025
Auction	No later than June 20, 2025
Sale Approval Hearing	No later than July 31, 2025
Outside Closing Date Deadline	August 31, 2025

23. The Sale Process serves to solicit and identify parties that wish to make a formal offer to purchase the Property or any portion thereof (the "Opportunity").
24. The Sales Agent, in conjunction with the Proposal Trustee, will develop a list of potential bidders (the "Known Potential Bidders"). This list will be comprised of those that have previously shown interest in transacting

with the Company, and other potential strategic and financial parties who the Company and the Sales Agent believe may be interested in the Opportunity.

25. The Sales Agent will also prepare a process summary describing the Opportunity (the “Teaser Letter”) and a non-disclosure agreement (the “NDA”).
26. The Sales Agent will send the Teaser Letter and the NDA to all Known Potential Bidders, and to any other party who requests a copy of the Teaser Letter and the NDA or who is identified to the Company or the Sales Agent as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.
27. Any party who wishes to participate in the Sale Process (“Potential Bidder(s)”) must provide to the Sales Agent an executed NDA and a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder.
28. The Sales Agent, with the approval of the Proposal Trustee, shall in their reasonable business judgment and subject to competitive and other business considerations, afford each Potential Bidder who has signed and delivered the NDA to the Sales Agent and met the minimum requirements set out in the Sale Process to be a qualified bidder (a “Qualified Bidder”), such access to due diligence material and information relating to the Property as the Sales Agent and the Proposal Trustee deem appropriate.
29. Qualified Bidders that wish to make a formal offer to purchase the Property or a portion thereof shall submit a binding offer (a “Bid”) on substantially the same terms and conditions (except as to price and payment terms) as the terms and conditions contained in the Stalking Horse Agreement. In order to be considered a “Qualified Bid”, a Bid must meet the following minimum criteria:
 - a) the Bid must be received by the Trustee at the address specified in Schedule “A” of the Sale Process (including by email or fax transmission), so as to be received by the Trustee no later than 5:00 p.m. (Eastern Time) on June 13, 2025 (the “Bid Deadline”);
 - b) the Qualified Bidder and the representatives thereof who are authorized to act on the Qualified Bidder’s behalf must be sufficiently identified;
 - c) the Bid must be submitted in writing and include a blackline of the Stalking Horse Agreement, reflecting the Qualified Bidder’s proposed changes;
 - d) the Bid must be accompanied by a deposit by way of certified cheque or wire transfer, in an amount equal to at least 10% of the aggregate purchase price payable under the Bid;
 - e) the Bid must be open for acceptance by the Trustee until the Court approves the execution by the Qualified Bidder of the agreement of purchase and sale in respect of the purchased assets subject to the Bid;

- f) the Bid must be on terms no less favourable and no more burdensome or conditional than the Stalking Horse Bid;
 - g) the Bid must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the Qualified Bidder's obligation to complete the Transaction that are not otherwise contained in the Stalking Horse Bid;
 - h) the Bid must be accompanied by written evidence of a commitment for financing or other evidence of the Qualified Bidder's ability to consummate the Transaction contemplated by the Bid;
 - i) the Bid must be for a purchase price equal to or greater than the sum of the Purchase Price (as defined in the Stalking Horse Bid), plus a minimum additional amount of \$100,000 and the Expense Reimbursement (as defined in the Stalking Horse Bid);
 - j) the Bid constitutes, in the reasonable business judgment of the Trustee, a Superior Bid (as defined in the Sale Process); and
 - k) the Bid contemplates closing the Transaction set out therein on or before the Outside Closing Date.
30. A Bid will be evaluated based upon several factors including, without limitation: (i) the Purchase Price and the net value provided by such Qualified Bid, (ii) the identity, circumstances and ability of the Qualified Bidder to successfully complete such Transaction, (iii) the proposed Transaction documents, (iv) factors affecting the speed, certainty and value of the Transaction, (v) the assets included or excluded from the Bid, (vi) the likelihood and timing of consummating such transaction, and (vii) whether the Transaction results in a Superior Bid.
31. On or before June 17, 2025, the Trustee will confirm those Qualified Bidders who submitted a Qualified Bid that they will be invited to the Auction.
32. Qualified Bidders with Qualified Bids shall proceed to an auction with the Stalking Horse Bidder to be held on or before June 20, 2025 (the "Auction"), which shall proceed according to the Auction Procedures set out in Schedule "B" to the Sale Process to identify the Successful Bid, and the bidder making such Successful Bid will be the Successful Bidder, in each case, as contemplated hereunder.
33. If no Superior Bid is received by the Bid Deadline, the Auction will not be held, and the Stalking Horse Bidder will be declared to be the Successful Bidder. The determination of any Successful Bid by the Proposal Trustee shall be subject to approval by the Court.
34. A Court date will be scheduled to hear a motion to approve any Transaction with the Successful Bidder (the "Sale Approval Motion"). At the Sale Approval Motion, the Proposal Trustee or the Company shall seek, among other things, approval from the Court to consummate the Successful Bid. All Qualified Bids other than the

Successful Bid, if any, shall be deemed to be rejected by the Proposal Trustee on and as of the date of approval of the Successful Bid by the Court.

Approval of Stalking Horse Bid

35. The Stalking Horse Bid will act as the minimum bid against which all other bids will be evaluated in the Sale Process. Unless other Superior Bids are received, it is contemplated that the Stalking Horse Bid will be selected as the Successful Bid in the Sale Process. A copy of the Stalking Horse Bid is attached hereto as Appendix 'V'. Capitalized terms used in this section and not otherwise defined have the meaning ascribed to them in the Stalking Horse Bid.
36. The Proposal Trustee provides a summary of certain material terms of the Stalking Horse Bid below but directs the reader to the Stalking Horse Bid for the full terms and conditions thereof:
- a) the Stalking Horse Bid is structured as an asset purchase;
 - b) the Stalking Horse Bidder is also the DIP Lender and a senior secured creditor;
 - c) the purchase price to be paid by the Stalking Horse Bidder is the sum of i) \$4,900,000 (the "Credit Bid Amount"), and ii) all amounts ranking in priority to the Stalking Horse Bidder's security on the Purchased Assets (the "Priority Payables", and together with the Credit Bid Amount, the "Purchase Price");
 - d) the Stalking Horse Bidder anticipates the retention of the majority of the Company's employees;
 - e) closing is scheduled 15 days, or sooner, after receipt from the Court of an approval and vesting order in respect of the Sale Approval Motion;
 - f) in the event a Qualified Bidder that is not the Stalking Horse Bidder is the successful bidder, the Stalking Horse Bidder is entitled to an expense reimbursement fee of \$50,000 inclusive of HST (the "Expense Reimbursement"). In addition, the Stalking Horse Bid requires that the Expense Reimbursement be paid out of the sale proceeds derived from and upon completion of the Successful Bid; and
 - g) if the Stalking Horse Bidder is the Successful Bidder under the Sale Process, the Expense Reimbursement will not be payable, and the amounts advanced under the Term Sheet will be credited towards the Purchase Price.
37. Management has advised the Proposal Trustee that Cosmetic Synergies Incorporated ("CSI"), the Company's subordinate secured creditor, is supportive of the Sale Process, the Term Sheet and the Stalking Horse Bid. The Company is indebted to 370 Ontario for approximately \$8.6 million (the "370 Ontario Debt"), not including any amounts advanced under the Term Sheet, and to CSI for \$1.34 million, as of March 31, 2025.
38. Over the past 18 months Management made reasonable efforts to secure a strategic partner or investor in the Company prior to the commencement of the Proposal Proceedings without success. The DIP Lender was the

only party that showed credible and timely interest in acquiring the Company's business and funding the Sale Process to allow the Company to effectively market and solicit offers for the sale of the Property for the benefit of Company's stakeholders. The Expense Reimbursement was required to adequately compensate the Stalking Horse Bidder

39. It is the Proposal Trustee's view that the stalking horse sale process will preserve the business and relationships with customers, suppliers and employees by signaling that the business of the Company will continue. In the view of the Proposal Trustee, the Expense Reimbursement amount is fair and reasonable and will not discourage third parties from submitting Bids.

370 ONTARIO SECURITY

40. The Proposal Trustee obtained a security opinion from Capstone Legal ("Capstone") with respect to the security documentation associated with the 370 Ontario Debt.
41. Capstone has advised the Proposal Trustee that, subject to the usual qualifications and assumptions contained, it is of the opinion that the security held by 370 Ontario constitutes a validly perfected security interest in the assets and business of the Indeed enforceable against the Company in accordance with their terms.
42. A copy of the security opinion is available upon request.

EXTENSION OF STAY OF PROCEEDINGS

43. The Company is currently required to make a proposal by May 17, 2025.
44. The Company is seeking an extension of the stay of proceedings from May 17, 2025 to July 1, 2025.
45. The Proposal Trustee supports the Company's request as:
- a) the extension of the stay would permit the Proposal Trustee and the Sales Agent to commence the Sale Process, if approved;
 - b) the Company has acted and continues to act in good faith and with due diligence; and
 - c) no creditor would be materially prejudiced if the extension being applied for is granted.

CONCLUSIONS AND RECOMMENDATIONS

46. Based on the above, the Proposal Trustee respectfully recommends that the Court grant an order providing the relief described in section 8 (b) of this Second Report.

All of which is respectfully submitted this 30th day of April, 2025.

BDO CANADA LIMITED
in its capacity as Proposal
Trustee of Indeed Laboratories Inc.,
and not in its corporate or personal
capacity



Name: Josie Parisi, CPA, CA, CBV, CIRP, LIT
Title: Senior Vice President

APPENDIX VI

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

THE HONOURABLE	)	FRIDAY, THE 27 TH DAY
	)	
JUSTICE W.D. BLACK	)	OF JUNE, 2025

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.,
IN THE CITY OF MISSISSAUGA, IN THE PROVINCE OF ONTARIO**

ORDER

THIS MOTION, made by Indeed Laboratories Inc. (“**Indeed Labs**” or the “**Company**”), for an order, *inter alia*: i) if necessary, abridging the time for service and filing of the Notice of Motion and the Motion Record of Indeed Labs or, in the alternative, dispensing with service thereof; ii) approving the activities and conduct of BDO Canada Limited in its capacity as proposal trustee of Indeed Labs (the “**Proposal Trustee**”) as set out and described in the Third Report of the Proposal Trustee dated June 26, 2025 (the “**Third Report**”); and iii) granting an extension of the time required to file its proposal, from July 1, 2025, the date the current stay expires, to August 15, 2025 (the “**Stay Extension**”), was heard this day at 330 University Avenue, Toronto, Ontario via videoconference.

ON READING the Notice of Motion and the Motion Record dated June 26, 2025, and on hearing the submissions of counsel for the Company, and other parties listed on the Participant Information Form, no one else appearing for any other person on the service list although properly served as appears from the Affidavit of Service of Antoinette DePinto sworn June 26, 2025, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Motion and Motion Record of the Company is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPROVAL OF THE THIRD REPORT

2. **THIS COURT ORDERS** that the Third Report and the actions, conduct and activities of the Proposal Trustee set out therein are hereby approved; provided however, in each case, that only the Proposal Trustee, in its personal capacity and only with respect to its own liability shall be entitled to rely upon or utilize in any way such approvals.

EXTENSION OF TIME TO FILE A PROPOSAL

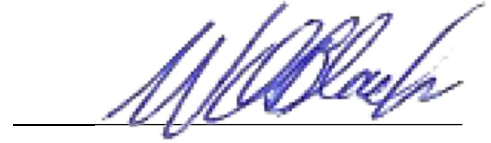
3. **THIS COURT ORDERS** that, pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal is hereby extended to August 15, 2025 (as that date may be extended by further order of the Court).

GENERAL

4. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

5. **THIS COURT ORDERS** that the Company or the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

6. **THIS COURT ORDERS** that this Order is effective from today's date and it is made and enforceable without any need for entry or filing.

A handwritten signature in blue ink, appearing to read "W. Blach", is written over a horizontal line.

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.,
IN THE CITY OF MISSISSAUGA, IN THE PROVINCE OF ONTARIO**

Court File No.: BK-25-03213105-0032

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

ORDER

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Lawyers for Indeed Laboratories Inc.

APPENDIX VII

District of Ontario
Division No. 09 - Mississauga
Court File No. 32-3213105
Estate No. 32-3213105

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY & INSOLVENCY)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
INDEED LABORATORIES INC.
OF THE CITY OF MISSISSAUGA,
IN THE REGIONAL MUNICIPALITY OF PEEL,
IN THE PROVINCE OF ONTARIO.

THIRD REPORT OF THE PROPOSAL TRUSTEE
JUNE 26, 2025

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Appendix II	-	First Report of the Proposal Trustee without appendices
Appendix III	-	May 2, 2025 Sales Process Order
Appendix IV	-	May 2, 2025 Ancillary Order
Appendix V	-	Second Report of the Proposal Trustee without appendices
Appendix VI	-	Amended Cash Flow

INTRODUCTION

1. On April 17, 2025, Indeed Laboratories Inc. (“**Indeed**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to the *Bankruptcy & Insolvency Act* (the “**BIA**”). BDO Canada Limited was named as the Licensed Insolvency Trustee (in such capacity, the “**Proposal Trustee**”) in these proceedings (the “**Proposal Proceedings**”).
2. Michael B. Davidson (“**Michael**”) is the sole director of the Company. The background and circumstances leading to the Company’s NOI filing are described in the First Report and the Affidavit of Kevin Watkinson sworn April 23, 2025.
3. On April 24, 2025, the Court granted an order (the “**Apr 24 Order**”), *inter alia*:
 - a) authorizing the Company to enter into an interim financing term sheet with 1000481370 Ontario Inc. (in such capacity, the “**DIP Lender**”, otherwise referred to as “**370 Ontario**”) dated April 22, 2025 (the “**Term Sheet**”), to obtain interim financing of up to \$500,000 to facilitate the continued operations of the Company during these proceedings and 370 Ontario was granted a \$500,000 second ranking priority charge over all of the Company’s assets, undertakings and property to secure repayment of the financing; and
 - b) authorizing interim advances under the Term Sheet of up to \$75,000 until further order of the Court.

A copy of the Apr 24 Order and Endorsement are attached as **Appendix ‘I’**.
4. In support of the April 24, 2025 motion, the Proposal Trustee filed its First Report (the “**First Report**”) dated April 23, 2025. A copy of the First Report, without appendices, is attached as **Appendix ‘II’**.
5. On May 2, 2025, the Court granted the following:
 - I. An order (the “**Sales Process Order**”) which, *inter alia*:
 - (i) approved a Sales Process for the Company’s Property, to be administered by the Proposal Trustee;
 - (ii) approved and authorized Indeed to enter into the stalking horse purchase agreement dated April 29, 2025 (the “**Stalking Horse Bid**”) with 370 Ontario, or its nominee (in such capacity, the “**Stalking Horse Bidder**”); and
 - (iii) approved the payment and priority of the Expense Reimbursement as provided for in the Stalking Horse Bid; and

II. An ancillary order (the “**Ancillary Order**”) which, *inter alia*:

- (i) approved the First Report, the Second Report and the conduct and activities of the Proposal Trustee contained therein;
- (ii) approved a \$250,000 first ranking priority charge over all of the Company’s assets, undertakings, and property (the “**Administration Charge**”) in favour of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Company to secure payment of their professional fees and disbursements;
- (iii) authorized an increase in the amount the Company is authorized to borrow up to the maximum of the \$500,000 under the Term Sheet; **and**
- (iv) approved an extension of the time required for the Company to file its proposal from May 17, 2025, to July 1, 2025.

A copy of the Sales Process Order is attached as **Appendix ‘III’** and a copy of the Ancillary Order is attached as **Appendix ‘IV’**.

6. In support of the May 2, 2025 motion, the Proposal Trustee filed its Second Report (the “**Second Report**”) dated April 30, 2025. A copy of the Second Report, without appendices, is attached as **Appendix ‘V’**.

PURPOSE

7. This is the third report of the Proposal Trustee (the “**Third Report**”) to be filed in the Proposal Proceedings. The purpose of the Third Report is to:
- a) provide this Court with information regarding:
 - (i) the Proposal Trustee’s activities since the Second Report; and
 - (ii) an update and results of the Sales Process; and
 - b) support the Company’s motion seeking an order (the “**Order**”):
 - (i) approving the Third Report, the appendices attached hereto, and the conduct and activities of the Proposal Trustee described herein;
 - (ii) granting an extension of the time required for the Company to file its proposal from July 1, 2025, the date the current stay expires, to August 15, 2025 (the “**Second Stay Extension**”); and
 - (iii) such further and other relief as the Court may deem just and equitable.

8. All materials filed with the Court in the Proposal Proceedings are accessible on the Proposal Trustee's website at: <https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/IndeedLabs> (the "Proposal Trustee's Website").

TERMS OF REFERENCE

9. In preparing the Third Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Company, discussions with management of the Company ("Management"), and information from other third-party sources (collectively, the "Information"). Except as described in the First Report, the Second Report and the Third Report in respect of the Cash Flow Forecast:
- (a) the Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and
 - (b) some of the information referred to in the Third Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
10. Future-oriented financial information referred to in the Third Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variation could be significant.
11. Unless otherwise indicated, the Proposal Trustee's understanding of factual matters expressed in the Third Report concerning the Company and its business is based on the Information, and not independent factual determinations made by the Proposal Trustee.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

13. Capitalized terms used herein and not defined in the Third Report shall have the meaning ascribed to them in the First Report, the Sales Process or the Second Report, as the case may be.

PROPOSAL TRUSTEE'S ACTIVITIES

14. Since the date of the Second Report, the Proposal Trustee has undertaken the following activities:

- a) attended the Company's second motion, which occurred on May 2, 2025;
- b) uploaded all court materials and certain other relevant documents, including the Sales Process update, to the Proposal Trustee's Website;
- c) engaged with its legal counsel, Chaitons LLP, regarding matters related to these Proposal Proceedings;
- d) participated in various calls with Management;
- e) continued to assist the Company with stakeholder communications;
- f) continued to respond to calls, e-mails and letters received from creditors and other parties;
- g) assisted the Company in maintaining and negotiating continued customer relationship with Shoppers Drug Mart;
- h) reviewed the Company's actual cash receipts and disbursements and variances to budget for the same time period as outlined in the Cash Flow Forecasts;
- i) assisted with the preparation of the Sales Process and related materials, including:
 - (i) supervised and assisted the Sales Agent with activities related to the Sales Process;
 - (ii) reviewed and assisted in drafting the teaser document, confidential information memorandum (the "**CIM**"), and non-disclosure agreement (the "**NDA**");
 - (iii) set up a virtual data room ("**VDR**"), and compiled financial and operational information to aid potential purchasers in their due diligence process;
 - (iv) reviewed and commented on draft Sales Process letter;

- (v) drafted and placed opportunity advertisement in Globe & Mail, consistent with the Sales Process Order;
- (vi) held various discussions with the Sales Agent to address any due diligence questions and Sales Process inquiries from interested parties; and
- (vii) provided updates to Management regarding the Sales Process;
- j) prepared this Third Report; and
- k) attended to other matters pertaining to the administration of these Proposal Proceedings.

SALES PROCESS UPDATE

15. The Sales Process, as approved by this Court, proposed the following timeline (subject to reasonable adjustment at the sole discretion of the Proposal Trustee):

Milestone	Deadline
Commencement of Sales Process	Within 5 business days after receipt of Sales Process Order
Distribution of the Notice and Teaser Letter	May 13, 2025
Bid Deadline	June 13, 2025
Auction	No later than June 20, 2025
Sale Approval Hearing	No later than July 31, 2025
Outside Closing Date Deadline	August 31, 2025

16. Immediately following the issuance of the Sales Process Order, the Proposal Trustee and Sales Agent, among other things, have:
- a) finalized and prepared a list of 110 potential bidders to approach regarding the Sales Process opportunity (the “**Opportunity**”). Included in the list were a number of potentially interested parties provided by Indeed, which Management had discussions with prior to these Proposal Proceedings;
 - b) prepared and distributed a teaser to the potential bidders setting out the opportunity, to be delivered to potential bidders to elicit interest in the Opportunity (the “**Teaser**”);
 - c) prepared the NDA which potential bidders were required to execute in order to receive confidential information regarding the Opportunity;

- d) prepared a CIM detailing the Company's assets and operations and which allows potential bidders to assess the Company's financial and operating situation and the Opportunity;
 - e) worked with the Sales Agent and Management to populate the VDR with financial and operational documents that may be required for the due diligence process; and
 - f) published an advertisement in the national edition of The Globe & Mail on May 26, 2025, to canvass further interested parties, all of whom would be added to the list of potential bidders.
17. The Sales Agent circulated the Teaser and NDA to the 110 potential bidders identified. Fourteen (14) interested parties signed the NDA and were provided access to the VDR for their review and due diligence.
 18. The Sales Agent followed up with the identified parties a second and third time during the Sales Process. A total of fifty-seven (57) parties passed on the Opportunity and thirty-nine (39) did not respond.
 19. Leading up to the June 13, 2025 Bid Deadline, three (3) parties actively continued with their due diligence in the VDR. Accordingly, the Proposal Trustee and Management determined it was necessary to extend the Bid Deadline to allow the parties to complete their due diligence without the pressure of the looming deadline. The Sales Agent communicated to the remaining parties that the Bid Deadline would be extended to June 18, 2025 @ 5 p.m. (the **"Extended Bid Deadline"**).
 20. The remaining parties subsequently communicated with the Sales Agent stating they would not be submitting an offer. No Bids were received by the Extended Bid Deadline.
 21. Pursuant to the Sales Process, with no Superior Bid received, the Stalking Horse Bidder is declared to be the Successful Bidder, subject to court approval.
 22. Considering the current proposal period lapses July 1, 2025, the Stalking Horse Bidder has insufficient time to close the transaction in an orderly fashion, including the transitioning of the employees and customers of the Company. Accordingly, the Company is seeking the Second Stay Extension to allow for a smooth transaction and return to this Court at a later date for approval of the Successful Bid.

INDEED'S RECEIPTS AND DISBURSEMENTS TO DATE

23. The Company's actual net cash outflow for the nine (9) week period ended June 22, 2025, was \$73,825 compared to a forecasted net cash outflow of \$482,459 over that same period as outlined in the Cash Flow Forecast. This positive variance is summarized below:

	Week ending June 22, 2025		
	Projection	Actual	Variance
<u>Receipts</u>			
CAD AR	\$ 259,741	\$ 404,822	\$ 145,081
US AR	62,460	59,625	(\$2,835)
Total receipts	\$ 322,201	\$ 464,448	\$ 142,247
<u>Disbursements</u>			
Salaries	140,080	153,864	13,784
Source Deductions	75,600	80,818	5,218
HST	15,000	-	(15,000)
Rent	53,000	52,794	(206)
Property tax & Utilities	8,480	9,842	1,362
Marketing Costs	90,000	33,988	(56,012)
Warehouse Costs	30,000	29,539	(461)
Shipping costs	45,000	13,357	(31,643)
Inventory Purchases	189,500	-	(189,500)
Miscellaneous	18,000	25,493	7,493
Professional fees	140,000	138,578	(1,422)
Total disbursements	\$ 804,660	\$ 538,273	(\$266,387)
NET CASH FLOW	(\$482,459)	(\$73,825)	\$408,634
Opening bank position	\$ 206,615	\$ 83,492	\$ -
Closing cash (deficit)			
Funding from DIP Facility	295,880	-	(\$295,880)
Closing cash (deficit) after DIP funding	\$ 20,036	\$ 9,667	(\$10,369)

24. An explanation of the key variances are:

Receipts

- (i) The Company's collection of approximately \$123,000 of accounts receivables was allocated to the week ended April 20, 2025. The accounts receivable was not recorded in the Company's bank account until April 21, 2025, creating a positive variance.

Disbursements

- (i) The Company filed the NOI on Thursday, April 17, 2025. Accordingly, the Company did not incur marketing or shipping costs during the initial week ended April 27, 2025, to allow it time to communicate with customers in an effort to ensure satisfactory arrangements remain in place for the ongoing sales of Indeed's product line;

- (ii) The Company has had sufficient inventory to fill orders and has not been required to supplement with new purchases; and
 - (iii) Management has actively managed its marketing costs to reduce expenses that they determine would not result in an immediate return on investment.
25. Considering the improved actual operational receipts and disbursements, the Company has not had to borrow the projected \$295,880 from the Court-approved Dip Financing under the Term Sheet.

EXTENDED CASH FLOW PROJECTIONS

26. The Company's initial 15-week cash flow (the "**Cash Flow**") was up to and including the period ending August 3, 2025.
27. The Company has amended and extended its cash flow projections to the period ending September 28, 2025 (the "**Amended Cash Flow**"). A copy of the Amended Cash Flow is attached as **Appendix "VI"**.
28. Based upon the Amended Cash Flow as presented, and the ability to draw upon the Court-approved DIP Financing of approximately \$500,000 during the Amended Cash Flow period, the Company has sufficient cash on hand for the term of the Amended Cash Flow.

EXTENSION OF STAY OF PROCEEDINGS

29. As reported above, the Stalking Horse Bidder was ultimately determined to be the Successful Bidder pursuant to the Court-approved Sales Process undertaken by the Proposal Trustee and the Sales agent.
30. The Ancillary Order provided the Company with an extension of the stay of proceedings from May 17, 2025 to July 1, 2025.
31. The Stalking Horse Bidder has requested additional time to arrange its affairs and prepare for the closing of the Transaction. Accordingly, the Company is seeking the Second Stay Extension to allow for a seamless transition.
32. In the Proposal Trustee's view, based on the Amended Cash Flow, the Company will have sufficient liquidity to satisfy its obligations as they come due during the proposed extension period.
33. The Proposal Trustee supports the Company's request for the following reasons:

- a) the extension of the stay would permit the Stalking Horse Bidder and the Company to arrange their affairs to allow for the transition of the business, the Company's Property and employees and facilitate a seamless closing of the Transaction;
- b) the Company has acted and continues to act, in good faith and with due diligence; and
- c) no creditor would be materially prejudiced if the extension being applied for is granted.

CONCLUSIONS AND RECOMMENDATIONS

34. Based on the above, the Proposal Trustee respectfully recommends that the Court grant an order providing the relief described in section 7(b) of this Third Report.

All of which is respectfully submitted this 26th day of June 2025.

BDO CANADA LIMITED
in its capacity as Proposal
Trustee of Indeed Laboratories Inc.,
and not in its corporate or personal
capacity



Name: Peter Naumis, CIRP, LIT
Title: Vice President