Court File No.: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DCL CORPORATION

PRE-FILING REPORT OF THE PROPOSED MONITOR ALVAREZ & MARSAL CANADA INC.

DECEMBER 20, 2022

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APPENDICES

1.0 INTRODUCTION

1.1 Alvarez & Marsal Canada Inc. ("**A&M**" or the "**Proposed Monitor**") understands that DCL Corporation ("**DCL Canada**" or the "**Applicant**"), intends to make an application to the Ontario Superior Court of Justice (Commercial List) (the "**Court**") for an order (the "**Initial Order**") granting, among other things, a stay of proceedings pursuant to *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), and appointing A&M as Monitor of the Applicant (in such capacity, the "**Monitor**"). The proceedings to be commenced by the Applicant under the CCAA are referred to herein as the "**CCAA Proceedings**".

1.2 DCL Canada is a subsidiary of its U.S. parent, H.I.G. Colors Inc. ("**Colors**"), a direct wholly-owned subsidiary of the ultimate corporate parent, H.I.G. Colors Holdings, Inc. ("**Holdings**" and, together with Colors and its direct and indirect subsidiaries, including the Applicant and its subsidiaries, the "**DCL Group**"). DCL Canada is incorporated under the laws of Ontario and its head office is located in Toronto, Ontario.

1.3 The CCAA Proceedings are being commenced as part of a larger coordinated restructuring of the DCL Group. A&M understands that Holdings and certain of its U.S.-based subsidiaries (collectively, "**DCL US**" or the "**Chapter 11 Debtors**")[1] intend to file voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**", and such proceedings, the "**Chapter 11 Proceedings**", and together with the CCAA Proceedings, the "**Restructuring Proceedings**"). A corporate chart setting out the legal

[1] The Chapter 11 Debtors are: Holdings, Colors, DCL Holdings (USA), Inc. ("**DCL Holdings**"), DCL Corporation (USA) LLC ("**DCL USA LLC**"), DCL Corporation (BP), LLC ("**DCL BP**"), and Dominion Colour Corporation (USA).

structure of the DCL Group, is attached as Exhibit "B" to the Davido Affidavit (as defined below).

1.4 The objective of the Restructuring Proceedings is to stabilize and maintain the DCL Group's business and to commence a court-supervised marketing process for the business and assets of the DCL Group. The Proposed Monitor understands that, at a later date, to be coordinated with the Chapter 11 Proceedings, the Applicant intends to seek an order approving certain bidding procedures for the business and assets of the DCL Group (the "**Bidding Procedures**").

1.5 The purpose of this pre-filing report (the "**Report**") is to provide the Court with information, and where applicable, the Proposed Monitor's views, on:

(i) A&M's qualifications to act as Monitor;

(ii) background information with respect to DCL Canada;

(iii) events leading to the CCAA Proceedings;

(iv) the proposed debtor-in-possession financing facility (the "**DIP Facility**");

(v) DCL Canada's cash management system;

(vi) DCL Canada's weekly cash flow forecast;

(vii) intercompany transactions and arrangements among DCL Canada and other members of the DCL Group, and the proposed treatment of intercompany transfers during the Restructuring Proceedings;

(viii) the relief sought by the Applicant as part of the proposed Initial Order, including with respect to:

(a) the approval of the appointment of Mr. Scott Davido as the chief restructuring officer ("**CRO**");

(b) the stay of proceedings and extending the stay of proceedings to include the DCL USA LLC Inventory (as defined below) which is situated in Canada;

(c) the approval of the Intercompany Agreements (as defined below); and

(d) the priority Court-ordered charges over the property and assets of the Applicant (collectively, the "**Property**"); and

(ix) the Proposed Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Report, A&M, prior to or in its capacity as the Proposed Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by DCL Canada and the DCL Group (including information prepared by the Chapter 11 Debtors' restructuring advisor, Ankura LLC ("**Ankura**")) and has held discussions with management, Ankura and the DCL Group's Canadian and U.S. restructuring legal counsel (collectively, the "**Information**"). Except as otherwise described in this Report, in respect of DCL Canada's cash flow forecast:

(i) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

(ii) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this Report was prepared based on DCL Canada's and the DCL Group'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 may vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 This Report should be read in conjunction with the affidavit of Mr. Scott Davido, sworn December 20, 2022 (the "**Davido Affidavit**"), and filed in support of the Applicant's application for relief under the CCAA. Capitalized terms used but not defined in this Report shall have the meanings given to such terms in the Davido Affidavit.

2.4 Unless otherwise stated, all monetary amounts contained in this Report are expressed in U.S. dollars ("**USD**").

3.0 A&M'S QUALIFICATIONS TO ACT AS MONITOR

3.1 Alvarez & Marsal Canada Inc. was engaged to act as a consultant to DCL Canada on September 29, 2022, and as such, the Proposed Monitor is familiar with the business and operations of the Applicant, its personnel, and the key issues and stakeholders in the proposed CCAA Proceedings. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**") and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

3.2 A&M is related to Alvarez & Marsal Holdings, LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. The senior A&M personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees, and whom have previously acted in CCAA matters of a similar nature.

3.3 The Proposed Monitor has retained Osler, Hoskin & Harcourt LLP ("**Osler**") to act as its independent legal counsel.

3.4 A&M has consented to act as Monitor of the Applicant should the Court grant the Applicant's request to commence the CCAA Proceedings pursuant to the Initial Order.

4.0 BACKGROUND INFORMATION

Overview

4.1 A more extensive background of DCL Canada's business and operations is set out in the Davido Affidavit. Certain key points are summarized below.

4.2 The DCL Group, through its subsidiaries and affiliates, including DCL Canada, is an integrated global manufacturer and reseller of colour pigments and dispersions for the coatings, plastics, and ink industries.

4.3 DCL Canada maintains its head office in Toronto, Ontario (the "**DCL Head Office**") and operates out of three facilities in Ontario:

(i) a 67,000 square foot manufacturing and warehousing facility producing organics and basic dye products in Toronto, Ontario (the "**New Toronto Plant**");

(ii) a 54,000 square foot manufacturing facility producing organics and CYMO (Chrome Yellow & Molybdenum Orange) and an adjacent 58,000 square foot distribution centre in Ajax, Ontario (together, the "**Ajax Plant**"); and

(iii) a 15,000 square foot manufacturing facility producing dispersions and an adjacent office and manufacturing facility in Mississauga, Ontario (collectively the "**Mississauga Plant**").

DCL Canada owns the real property on which the New Toronto Plant and Ajax Plant are located and leases the DCL Head Office and the Mississauga Plant.

4.4 DCL Canada's operations are comprised of procurement, manufacturing, distribution and administrative support functions. As discussed in further detail below, DCL USA LLC owns all customer sales contracts and customer lists and maintains all customer relationships with the exception of a relatively small group of customers serviced out of the Mississauga Plant. Accordingly, substantially all DCL Canada's revenues are generated from Inventory Sales (as defined below) to DCL USA LLC.

4.5 During the fiscal year ended March 31, 2022 and year-to-date through September 30, 2022, DCL Canada reported revenues of $116.8 million and $35.1 million, respectively, and net income of $11.3 million and net loss of $3.3 million, respectively.[2]

Employees

4.6 DCL Canada currently employs approximately 206 people in Canada, including 46 at the DCL Head Office, 80 at the Ajax Plant, 62 at the New Toronto Plant and 18 at the Mississauga Plant. Certain employees at the Ajax Plant and the New Toronto Plant are unionized.

4.7 Payroll for employees of DCL Canada is processed in Canada through a third-party payroll processor (ADP, LLC) and paid through DCL Canada's Cash Management System (as defined below).

[2] DCL Canada's financial results do not take into account the go-forward impact of the Intercompany Balance Sheet Transactions described in Section 9.0 Intercompany Transactions, and are subject to further adjustment based on the DCL Group's Transfer Pricing Policy (as defined below).

4.8 DCL Canada sponsors five registered pension plans:

(i) two are defined benefit plans, one for salaried employees (the "**Salaried DB Plan**") and one for hourly employees (the "**Hourly DB Plan**"). The Salaried DB Plan is comprised of 95 members, including 59 retirees, and the Hourly DB Plan is comprised of 113 members, including 40 retirees. Both the Salaried DB Plan and the Hourly DB Plan were in a surplus position as of the date of the last actuarial valuation report, being December 31, 2021;

(ii) two are defined contribution plans, one for salaried employees (the "**Salaried DC Plan**") and one for hourly employees (the "**Hourly DC Plan**"), comprised of 89 members and 51 members, respectively; and

(iii) one legacy defined contribution plan for Monteith employees who work at the Mississauga Plant with a total of 17 members, including 1 retiree. No contributions are currently being made to this legacy plan and an application has been made to transfer the assets to the Salaried DC Plan and Hourly DC Plan, as applicable.

4.9 DCL Canada also sponsors a group benefits plan which provides medical, dental, vision, life, accidental death and dismemberment, business travel insurance, short-term disability and long-term disability for certain of its employees and their dependents.

4.10 The Proposed Monitor understands that, during the CCAA Proceedings, DCL Canada intends to continue funding all employee related costs and benefits in the normal course, and that DCL Canada is current in all of its funding obligations in respect of such costs and benefits.

Prepetition Secured Credit Facilities

4.11 The DCL Group maintains two secured credit facilities, each of which are joint facilities that include DCL US and DCL Canada entities as borrowers. As at the date of this Report, the DCL Group had approximately $132.2 million in outstanding funded secured debt:

(USD in millions)	**Total Outstanding**
Prepetition ABL Facility	**$41.7**
Prepetition Term Loan	**$90.5**
Total Prepetition Secured Debt Outstanding	**$132.2**

4.12 Each of the credit facilities is described in detail in the Davido Affidavit. Key terms and components of the facilities include the following:

Prepetition Secured Credit Facilities (Capitalized terms have the meaning ascribed thereto in this Report or in the applicable credit document, as applicable)	
Prepetition ABL Facility	
Agreement	• Credit agreement dated as of April 25, 2018 (as amended)
Borrowers	• DCL Canada, as Canadian Borrower • DCL USA LLC and DCL BP, as U.S. Borrowers
Guarantors	• Guarantors include Colors, DCL Holdings and Dominion Colour Corporation (USA)
Lender Parties	• Wells Fargo Bank, National Association, as Agent (the "**Prepetition ABL Agent")** and Lead Arranger • Lenders from time-to-time party thereto
Maximum Credit Amount	• $55 million • Maximum Credit Amount is the total maximum aggregate amount available under the US and Canadian revolving loan facilities, subject to applicable borrowing bases[3]
Interest	• US Revolving Loans: (A) the US Base Rate plus the Applicable Margin; or (B) the LIBOR Rate plus the Applicable Margin • Canadian Revolving Loans: (A) denominated in Canadian Dollars:

[3] As further described in the Davido Affidavit, the terms of the Prepetition Term Loan restrict the borrowers thereunder, including the Applicant, from incurring indebtedness under the Prepetition ABL Facility above a prescribed amount. The Proposed Monitor understands that the Applicant has received waiver letters regarding such cap from the Prepetition Term Loan Agent (as defined below), but such waivers were limited in time and have expired.

	(1) the Canadian Base Rate plus the Applicable Margin; or (2) the Canadian BA Rate plus the Applicable Margin; and (B) denominated in US Dollars: (1) the US Base Rate plus the Applicable Margin; or (2) the LIBOR Rate plus the Applicable Margin • Swingline Loans at the applicable Base Rate plus the Applicable Margin • Additional default interest of 2.0%
Maturity Date	• April 25, 2023
Security & Intercreditor Arrangements	• On a first-priority basis by liens on the ABL Priority Collateral, including accounts, inventory, and cash, other than Excluded Collateral (which includes real property) • Other than with respect to Excluded Collateral, on a second-priority basis by liens on the Term Loan Priority Collateral, which includes all collateral that does not constitute ABL Priority Collateral, including tangible personal property and intellectual property
Prepetition Term Loan	
Agreement	• Credit agreement dated as of April 6, 2018 (as amended)
Borrowers	• DCL Canada, as the Canadian Borrower • DCL Holdings, as the U.S. Borrower • Colors (added pursuant to the Fourth Amendment (as defined below))
Guarantors	• Canadian Loan Guarantors include Colors, U.S. Borrower, DCC USA LLC, DCL BP and Dominion Colours Corporation (USA) • U.S. Loan Guarantors include Colors, DCC USA LLC, DCL BP and Dominion Colour Corporation (USA)
Lender Parties	• Delaware Trust Company, as Administrative Agent and Collateral Agent (as successor to Virtus Group, LP) (the "**Prepetition Term Loan Agent")** • Lenders from time-to-time party thereto
Commitment	• $99 million initial commitment and delayed draw commitment of $25 million (which was never utilized), with additional $67 million pursuant to the Fourth Amendment
Interest	• ABR Loans: Alternate Base Rate plus Applicable Loan Margin (between 6.25% to 7.25%) • Eurodollar Loans: Adjusted LIBOR Rate for the relevant Interest Period in effect plus Applicable Loan Margin (between 7.25% to 8.25%) • Additional default interest of 2.0%
Maturity Date	• April 6, 2024
Security & Intercreditor Arrangements	• On a first-priority basis by liens on the Term Loan Priority Collateral • On a second-priority basis by liens on the ABL Priority Collateral

Unsecured Creditor Profile

4.13 Based on the Applicant's consolidated books and records, as at December 9, 2022, amounts payable to unsecured trade creditors were approximately $11.9 million, owing primarily to

third-party suppliers of chemicals and pigments used in the manufacturing process and suppliers of freight, logistics, brokerage, marketing and other general services.

4.14 In September 2016, the Colors corporate group acquired the shares of DCL Canada from KNRV Investments Inc. ("**KNRV**") pursuant to a share purchase agreement that contemplated an earnout payment to KNRV (the "**Earnout Payment**"). The Proposed Monitor understands that, as of November 18, 2022, the amount of the Earnout Payment of CAD$9.822 million has been agreed to with KNRV. The Applicant has not made any payments to KNRV in respect of the Earnout Payment.

4.15 Pursuant to the sponsor subordinated promissory note dated April 26, 2019, as amended and restated on July 31, 2021, DCL Canada and DCL Holdings are indebted to H.I.G. Dominion, LLC, in the total amount, as of March 31, 2022, of $9.8 million.

4.16 As further described in the Davido Affidavit, the Proposed Monitor understands that various environmental obligations associated with the property, plant and equipment exist at the Ajax Plant and the New Toronto Plant. DCL Canada has advised the Proposed Monitor that air testing has confirmed there is no threat to the public health. Following its appointment as Monitor, the Proposed Monitor intends to review and report on these obligations as necessary.

Security Review

4.17 As the same parties to the Prepetition ABL Facility are providing the DCL Group with the DIP Facility, the Proposed Monitor requested that Osler conduct a review of the security granted by the Applicant in respect of the Prepetition ABL Facility. Osler has provided the Proposed Monitor with a written opinion that provides that, in Osler's view, subject to

standard assumptions, qualifications and limitations customary in rendering security opinions of this nature, the security granted by the Applicant in respect of the Prepetition ABL Facility constitutes valid and enforceable[4] security perfected by registration in the Province of Ontario.

5.0 EVENTS LEADING TO THE CCAA PROCEEDINGS

5.1 As further described in the Davido Affidavit, on a consolidated basis, the DCL Group is incurring considerable operating losses and is facing significant liquidity constraints due to a combination of factors, including sharp increases in input and manufacturing costs resulting from inflationary factors, ongoing supply chain issues materially impacting its manufacturing operations, and challenges with retaining and recruiting employees (including certain critical executive roles).

5.2 The Applicant is also currently in default of various obligations under the Prepetition ABL Facility, and as noted above, a significant obligation with respect to the Earnout Payment is also due, and the Applicant does not have the financial resources to pay such amount at this time.

5.3 As a result of the DCL Group's outstanding secured debt and the magnitude of the above financial and liquidity issues, the Proposed Monitor understands that the DCL Group began exploring alternatives to deleverage its balance sheet or otherwise restructure its business.

5.4 In September 2022, certain entities within the DCL Group engaged TM Capital Corp. ("**TM Capital**") to assist with a sale process for the DCL Group, including DCL Canada

[4] The opinion assumes enforceability in instances where the governing law of the applicable credit document is not the Province of Ontario.

(the "**Pre-Filing Sale Process**"). TM Capital canvassed a select list of parties who had been identified as the most likely acquirers of the DCL Group ("**Potential Bidders**"). During the period between September and December of 2022, certain of these Potential Bidders performed diligence on the DCL Group's business and in early December 2022, certain parties submitted non-binding indications of interest to acquire the DCL Group. Notwithstanding the interest received during the Pre-Filing Sale Process, the DCL Group determined that it did not have sufficient liquidity to consummate a transaction with any of the Potential Bidders.

5.5 As part of the Restructuring Proceedings, the Proposed Monitor understands that DCL Canada and the Chapter 11 Debtors, with assistance from TM Capital, intend to commence a going concern marketing process for the business and assets of the DCL Group, and that DCL Canada and the Chapter 11 Debtors intend to serve motions in the Chapter 11 Proceedings and the CCAA Proceedings, respectively, seeking approval of the Bidding Procedures within approximately five to six weeks from the commencement of the Restructuring Proceedings.

5.6 During the interim period, the DCL Group will continue to seek to identify Potential Bidders, including a potential stalking horse bidder. The Proposed Monitor understands that, should a stalking horse bidder be selected by the Applicant and the Chapter 11 Debtors, each will bring a motion seeking approval of the stalking horse agreement by the applicable court, to be heard at the hearing to approve the Bidding Procedures. The Proposed Monitor intends to file a report with the Court in connection with such motion by the Applicant at the appropriate time.

6.0 DIP FACILITY

6.1 As described in the Davido Affidavit, the DCL Group, including DCL Canada, requires financing during the Restructuring Proceedings to provide the liquidity necessary to maintain their business as a going concern, preserve value of their assets for their stakeholders and to pursue and implement any transactions resulting from the process contemplated by the Bidding Procedures.

6.2 In order to obtain access to such liquidity, the DCL Group negotiated the terms of the DIP Facility. The DIP Facility and the process undertaken by the DCL Group to secure the DIP Facility are described in greater detail in the Davido Affidavit. Key terms and components of the DIP Facility include the following:[5]

DIP Facility (Capitalized terms have the meaning ascribed thereto in this Report or in the DIP Credit Agreement, as applicable)	
Agreement	• Senior Secured, Super-Priority Debtor-in-Possession Credit Agreement substantially in the form attached to the Davido Affidavit (the "**DIP Credit Agreement**")
Borrowers	• DCL USA LLC and DCL BP (as borrowers, the "**US Borrowers**") • DCL Canada (as borrower, the "**Canadian Borrower**", and collectively with the US Borrowers, the "**DIP Borrowers**")
Guarantors	• Guarantors of the obligations under the DIP Facility include DCL Canada and the Chapter 11 Debtors
Lender Parties	• Wells Fargo Bank, National Association, as administrative agent (the "**DIP Agent**") • Lenders from time-to-time party thereto (the "**DIP Lenders**")
Commitment & Borrowing Base	• $55 million revolving facility, subject to a borrowing base calculation based on eligible accounts receivable and inventory, less certain reserves, for both the US Borrowers and the Canadian Borrower • Canadian Borrower's borrowings will be limited to $5 million until the comeback hearing • Letter of Credit Sublimit of $2 million, subject to the applicable borrowing base
Interest	• SOFR Loan obligations and Letters of Credit: Adjusted Term SOFR or Canadian BA Rate, plus 4.00% • Base Rate obligations and Swingline Loans: US Base Rate or Canadian Base

[5] The discussion included herein is based on the most recent draft of the DIP Credit Agreement (as defined below) provided to the Proposed Monitor for review and is subject to change based upon the final, agreed upon terms of the DIP Credit Agreement.

	Rate, plus 3.00% • Unused line fee of 0.50% • Additional default interest of 2.0%
Maturity Date	The earlier of: • March 31, 2023 • the date of implementation of a confirmed Chapter 11 or CCAA plan • the closing date of a sale of all or substantially all of the business and/or assets of the DIP Borrowers • the date of termination of revolver commitments during the continuance of an event of default under the DIP Facility, including among other things, conversion of the Chapter 11 Proceedings to Chapter 7 proceedings, appointment of a trustee under Chapter 11, dismissal of any of the Chapter 11 Proceedings, a termination of the CCAA Proceedings, conversion of the CCAA Proceedings into a receivership or bankruptcy under the BIA *The above is a summary and not a comprehensive list*
Cash Flow Covenant	Tested weekly, on a rolling three-week basis, the DIP Borrowers shall not permit: • total disbursements (excluding professional fees and expenses) to exceed the DIP Budget by more than 15% • total collections to be less than 80% of the DIP Budget • Excess Availability as of the reporting date to be more than 15% less than the DIP Budget • Loan balance as of the reporting date to be more than 15% of the DIP Budget
DIP Milestones	• Within 1 Business Day after the Petition Date, the Loan Parties shall have filed with each Bankruptcy Court a motion seeking entry of the Bid Procedures Order • On or before January 31, 2023, the Loan Parties shall have filed the DIP Asset Purchase Agreement with each Bankruptcy Court, duly authorized, executed and delivered by the parties thereto, providing for the Sale Transaction (such Sale Transaction to act as the stalking horse bid) • On or before February 7, 2023, each Bankruptcy Court shall enter the Bid Procedures Order which shall provide that bids shall be due by no later than March 10, 2023 • On or before March 15, 2023, the Loan Parties shall have commenced the auction, if one is necessary, and shall have selected the winning bid(s) • On or before March 17, 2023, each Bankruptcy Court shall have entered the Sale Order with respect to the results of the auction, and with the proceeds to be applied to the obligations under the DIP Facility sufficient to repay such obligations in full in cash • On or before March 31, 2023, the Loan Parties shall have consummated the Sale Transaction • On or before March 31, 2023, the Loan Parties shall make payment in full in cash of all Obligations under the DIP Facility and the Prepetition ABL Facility (to the extent still outstanding) *The above is a summary and not a comprehensive list*
DIP Collateral	• To be secured in Canada by the DIP Charge (as defined below)

6.3 The Proposed Monitor notes the following with respect to the DIP Facility:

(i) the terms of the DIP Facility are the result of extensive negotiations as between the DCL Group, the DIP Agent and their respective advisors, and represents the best that the DCL Group could negotiate in the circumstances to seek a going concern outcome for its business;

(ii) Ankura has advised the Proposed Monitor that in light of the significant amount of existing secured debt, the DCL Group was unable to obtain acceptable debtor-in-possession financing proposals other than those reflected in the DIP Facility;

(iii) the DIP Facility is conditioned on the approval of the Court and the U.S. Bankruptcy Court. The Proposed Monitor understands that the Chapter 11 Debtors will seek approval of the DIP Facility from the U.S. Bankruptcy Court as part of the "First Day" hearings to be scheduled;

(iv) although: (A) DCL Canada is not a joint and several obligor, and guarantor of, the obligations of its U.S. affiliates under the Prepetition ABL Facility, such joint and several liability of, and guarantee by, DCL Canada, is required by the DIP Facility; and (B) the DIP Facility contemplates a "creeping roll up" of the Chapter 11 Debtors' obligations thereunder in the Chapter 11 Proceedings[6], the Proposed Monitor notes that:

[6] As the Applicant does not have obligations owing under the Prepetition ABL Facility at this time given the transfer of its indebtedness under the Prepetition ABL Facility discussed herein, the "roll-up" contemplated by the DIP Credit Agreement does not directly apply to the Applicant. However, the Proposed Monitor notes that, pursuant to the proposed DIP Facility, the Applicant will be joint and severally liable for, and guarantee, the rolled-up U.S. obligations under the DIP Facility.

(a) under the DIP Credit Agreement, the borrowing capacity of the US Borrowers is restricted by the US Borrowers' borrowing base, which is based on a percentage of the value of eligible inventory and receivables of the US Borrowers (and does not include the inventory and receivables of DCL Canada);

(b) the DIP Credit Agreement includes provisions[7] that require that, upon the maturity of the DIP Facility or an event of default thereunder, the proceeds of the collateral of DCL Canada shall be applied to satisfy obligations of the US Borrowers only after the proceeds of substantially all of the ABL Priority Collateral of the US Borrowers has been applied to such obligations. Accordingly, the chance that assets (or proceeds therefrom) of DCL Canada will be needed to satisfy obligations of the US Borrowers under the DIP Facility is reduced as a result of such provisions of the DIP Credit Agreement noted above and the fact that loans to the US Borrowers under the DIP Facility will be made based only on the US Borrowers' eligible inventory and receivables;

(c) as described in greater detail below, DCL Canada's previous indebtedness of approximately $40 million under the Prepetition ABL Facility was restructured to make DCL USA LLC the primary borrower thereof prior to the commencement of the Restructuring Proceedings, and had such

7 See sections 2.4(b)(ii) and (iii) of the DIP Credit Agreement.

restructuring not taken place, then DCL Canada would have continued to be liable for such amount; and

(d) the Proposed Monitor understands that: (A) DCL Canada being a joint and several borrower, and guarantor of the obligations of its U.S. affiliates, under the DIP Facility, was a requirement of the DIP Agent and the DIP Lenders in providing the DIP Facility to the DCL Group; and (B) DCL USA LLC is expected to provide intercompany funding to DCL Canada for the CCAA Proceedings from amounts that DCL USA LLC borrows under the DIP Facility;

(v) the DIP Facility is structured in a manner that is substantially similar to the Prepetition ABL Facility and provides DCL Canada with substantially the same borrowing availability, but not subject to the availability suppression in the Prepetition ABL Facility as detailed in the Davido Affidavit, and is being provided by the existing third-party lenders under the Prepetition ABL Facility;

(vi) the DIP Facility, together with the proposed Intercompany Transfers (as defined below), is projected to provide DCL Canada with sufficient liquidity during the CCAA Proceedings to allow the Applicant to continue to operate in the normal course and implement the process contemplated by the Bidding Procedures; and

(vii) in the Proposed Monitor's view, the DIP Milestones (as further defined in the DIP Credit Agreement and summarized above), including with respect to the commencement of the marketing process contemplated by the Bidding Procedures and the selection of a stalking horse bidder, and the pricing and other financial terms

of the DIP Facility, are reasonable in the circumstances. The Proposed Monitor notes that the DIP Milestones provide as little as two days between the proposed auction date and Canadian sale approval hearing date. The Proposed Monitor understands that the Applicant and the DIP Agent have discussed this matter and will work together to ensure that proper service of the Canadian sale approval hearing is made. If necessary, the Proposed Monitor will provide a further update to the Court at the relevant time.

7.0 CASH MANAGEMENT SYSTEM

7.1 As described in the Davido Affidavit, the Applicant's cash management system is operated through various accounts with HSBC Canada and Wells Fargo Canada (the "**Cash Management System**"). The Cash Management System is administered by the DCL Group's treasury department at DCL Head Office in Toronto.

7.2 DCL Canada utilizes 17 bank accounts, of which, 15 are held at HSBC Canada, and two are held at Wells Fargo Canada (collectively, the "**Bank Accounts**"). The Bank Accounts are in various currencies, including CAD, USD, GBP, EUR, and JPY. An overview of the Applicant's Bank Accounts is detailed in the Davido Affidavit.

7.3 The Applicant intends to continue using its existing Cash Management System in substantially the same manner as before the commencement of the CCAA Proceedings and is seeking approval of the Court to do so. Given the scale and nature of the Applicant's operations and the volume of transactions that are processed daily within the Cash Management System, the Proposed Monitor is of the view that the continued use of the

existing Cash Management System is required and appropriate during these CCAA Proceedings.

7.4 As part of its monitoring procedures, the Proposed Monitor will:

(i) review receipts and disbursements processed through the Bank Accounts;

(ii) review weekly receipts and disbursements summaries, compare the summaries to the corresponding cash flow forecasts and review variances with management; and

(iii) review disbursements, as reasonably appropriate, for compliance with provisions of the proposed Initial Order.

8.0 CASH FLOW FORECAST

8.1 The Applicant has prepared a weekly cash flow forecast (the "**Cash Flow Forecast**") for the 15-week period from December 17, 2022 to March 31, 2023 (the "**Cash Flow Period**"). A copy of the Cash Flow Forecast, together with a summary of assumptions (the "**Cash Flow Assumptions**") and management's report on the cash-flow statement required by section 10(2)(b) of the CCAA are attached hereto as **Appendices "A"** and **"B"**, respectively.

8.2 The following table provides a summary of the Cash Flow Forecast, including the period prior to the comeback hearing, being the two-week period ending December 30, 2022 (the "**Initial 2-Week Period**").[8]

[8] It is expected that the comeback hearing will be scheduled the week of December 26, 2022.

Cash Flow Forecast			USD$000's
	2-Week Period	**13-Week Period**	**15-Week Total**
	Dec-30	*Mar-31*	*Mar-31*
Receipts			
Third-party collections	185	842	1,027
Intercompany Transfers	--	20,337	20,337
	185	**21,179**	**21,364**
Disbursements			
Payroll & Benefits	(613)	(3,909)	(4,522)
Vendor Payments	(1,853)	(12,672)	(14,525)
Rent, Utilities, Insurance	(89)	(768)	(857)
Freight, Duties & Other	(306)	(3,073)	(3,379)
Professional Fees	(442)	(2,307)	(2,749)
DIP Interest & Fees	--	(49)	(49)
Other	(25)	(163)	(188)
KEIP	--	(40)	(40)
	(3,328)	(22,981)	(26,309)
Net Cash Flow	**(3,143)**	**(1,802)**	**(4,945)**
Cash balance, opening	313	--	313
Net Cash Flow	(3,143)	(1,802)	(4,945)
Revolving Facility draws	2,830	(2,830)	--
Exit Financing / Sale Proceeds (placeholder)[9]	--	4,632	4,632
Ending Cash Balance	**--**	**--**	**--**

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

(i) during the Initial 2-Week Period, net cash flows are projected to be negative $3.1 million, projected to be sufficiently funded by cash-on-hand of approximately $313,000 and draws on the DIP Facility of approximately $2.8 million;

(ii) during the entire Cash Flow Period, net cash flows (excluding Intercompany Transfers and the Exit Financing / Sale Proceeds (as defined below)) are projected

[9] See discussion note in Section 8.3(iv) herein.

to be negative $25.3 million, which is projected to be sufficiently funded by: (a) cash-on-hand; (b) draws on the DIP Facility which peak at approximately $3.5 million; and (c) Intercompany Transfers of approximately $20.3 million;

(iii) as described in the Intercompany Transactions section below, Intercompany Transfers are payments made by DCL USA LLC to DCL Canada for: (a) Inventory Sales to DCL USA LLC; (b) the net provision of Shared Services (as defined below); and (c) for any additional funding required to support the Applicant during the CCAA Proceedings to be made by way of Intercompany Loans (as defined below). As described in further detail below, it is proposed that amounts advanced for Intercompany Loans, if any, will be provided the benefit of the Intercompany Charge (as defined below) in the CCAA Proceedings; and

(iv) the "Exit Financing / Sale Proceeds" of $4.6 million is a placeholder balance only. As required by the DIP Agent, the DCL Group included this placeholder in the DIP Budget to reflect a hypothetical sale transaction closing on or before March 31, 2023, the proceeds of which would be used to repay obligations outstanding under the DIP Facility at that time. This placeholder amount is not indicative or representative of the total proceeds that may be generated by any actual sale transaction involving the DCL Group and the Applicant, nor does it contemplate a proper allocation of such proceeds as between DCL Canada and DCL US.

8.4 Based on the Proposed Monitor's review,[10] nothing has come to its attention that causes it to believe, in all material respects, that:

(i) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;

(ii) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or

(iii) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

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

8.5 As part of the Restructuring Proceedings, and as required by the DIP Facility, the DCL Group has prepared a cash flow forecast for its consolidated operations (the "**DIP Budget**"). DCL Canada's Cash Flow Forecast makes up one component of the DIP Budget.

[10] The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by the Applicant, Ankura and key members of DCL Canada's management. The Proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

9.0 INTERCOMPANY TRANSACTIONS

9.1 This section of the Report provides a preliminary overview of:

(i) certain intercompany balance sheet transactions that occurred within the DCL Group, as detailed below (the "**Intercompany Balance Sheet Transactions**");

(ii) the ordinary course intercompany transactions that DCL Canada is party to with other members within the DCL Group; and

(iii) the proposed intercompany arrangements during the Restructuring Proceedings.

Intercompany Balance Sheet Transactions

9.2 Over the last two fiscal years, the DCL Group effected the Intercompany Balance Sheet Transactions, resulting in certain balance sheet accounts being transferred between members of the DCL Group, including DCL Canada. The Proposed Monitor notes that it is continuing its review of the Intercompany Balance Sheet Transactions that relate to DCL Canada and will report to the Court when such review is complete. Accordingly, the overview provided below is preliminary and could be subject to updates when additional information is obtained and reviewed by the Proposed Monitor.

9.3 The primary purpose of the Intercompany Balance Sheet Transactions was to re-align the DCL Group's entity-level financial statements following: (i) the DCL Group's 2021 acquisition of the Bushy Park manufacturing facility in South Carolina, which substantially increased the DCL Group's U.S.-based operations and manufacturing capacity, and increased sales of DCL US by approximately $67 million over the last twelve months; and

(ii) an operational restructuring that was implemented to centralize all of the DCL Group's sales and commercialization processes through DCL US.

9.4 The Intercompany Balance Sheet Transactions as they relate to DCL Canada are summarized below:

Sale of DCL Canada's Customer Contracts and Working Capital Assets

9.5 Pursuant to an Order Book Purchase and Sale Agreement dated December 15, 2021, with an effective date of August 1, 2021 (the "**Working Capital Sale Effective Date**"), DCL Canada sold its non-Canadian customer sales contracts to DCL USA LLC (the "**Customer Contracts Sale**"). The Proposed Monitor understands that the purchase price for the Customer Contracts Sale was determined based on the fair market value of the underlying intangible assets, pursuant to a valuation by the DCL Group's tax advisor, Grant Thornton LLP, an independent international accounting firm (the "**DCL Group Tax Advisor**").

9.6 Consideration for the Customer Contracts Sale was provided by DCL USA LLC as part of the restructuring of the Prepetition Term Loan (as described below) in December 2021.

9.7 The Proposed Monitor understands that, following the Working Capital Sale Effective Date, Inventory Sales were made by DCL Canada to DCL USA LLC at arm's length prices as determined by the parties, in consultation with the DCL Group's Tax Advisor and consistent with the DCL Group's Transfer Pricing Policy.

9.8 However, the Proposed Monitor notes that, as a result of certain constraints within the DCL Group's financial reporting system, these Inventory Sales were not recorded in the DCL Group's books and records until July 1, 2022. Notwithstanding these system constraints,

the DCL Group made certain adjustments to the tax returns of the Applicant and DCL USA LLC for fiscal year end March 31, 2022, as if there were no system issues and the Inventory Sales had been recorded as of the Working Capital Sale Effective Date. These adjustments were made in consultation with the DCL Group Tax Advisor at pricing consistent with the DCL Group's Transfer Pricing Policy.

9.9 The Proposed Monitor also understands that on July 1, 2022, DCL Canada sold the following to DCL USA LLC: (i) all existing third-party accounts receivable of the Applicant relating to its customer contracts transferred to DCL USA LLC[11] (the "**July 2022 Receivables**"); (ii) all existing finished goods inventory manufactured for DCL USA LLC's third-party customers (the "**July 2022 Inventory**"); and (iii) substantially all of the Applicant's sales contracts with Canadian customers (other than a small group of sales contracts relating to the Monteith business) (the "**Non-Monteith Canadian Contracts**").

9.10 The Proposed Monitor understands that these transactions were recorded in the books and records of the Applicant as follows:

(i) the transfer of the July 2022 Receivables was recorded at book value;

(ii) the transfer of the July 2022 Inventory was recorded at book value; however, the Proposed Monitor understands that the DCL Group intends to make a retroactive adjustment to reflect an arm's length purchase price, to be consistent with the DCL Group's Transfer Pricing Policy; and

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[11] The accounts receivable transferred on the Applicant's and DCL USA LLC's books and records included both accounts receivable related to the Non-Monteith Canadian Contracts transferred on July 1, 2022 and also accounts receivables relating to the non-Canadian contracts transferred to DCL USA LLC on August 1, 2021, the latter due to systems issues that prevented the recording of the accounts receivables transfers until July 1, 2022.

(iii) the transfer of the Non-Monteith Canadian Contracts has not yet been recorded; however, the Proposed Monitor understands that the DCL Group intends to record a retroactive entry after a fair market valuation has been completed by the DCL Group Tax Advisor.

9.11 The books and records of the Applicant as at September 30, 2022 (i.e., after the July 1, 2022 transactions described above, but prior to the ABL Restructuring (as defined and described below)), showed an intercompany receivable owing from DCL USA LLC of approximately $40.9 million. However, as noted above, these intercompany transactions remain subject to further review and adjustment, including in respect of the July 1, 2022 transactions.

9.12 The Proposed Monitor understands that, during the period leading up to the Restructuring Proceedings and following discussions with the Prepetition ABL Agent and in cooperation therewith, in order to align the DCL Group's indebtedness outstanding under the Prepetition ABL Facility with the entity that owns the working capital assets that support those borrowings, the total balance owing under the Prepetition ABL Facility by DCL Canada of approximately $40 million was restructured to make DCL USA LLC the primary borrower of such amount. To affect this restructuring, DCL USA LLC drew approximately $40 million on the Prepetition ABL Facility and made an immediate payment to the Applicant, who in turn used the $40 million to repay all of its obligations owing under the Prepetition ABL Facility, reducing its obligations thereunder to $0. As a result of the foregoing transaction (the "**ABL Restructuring**"), the net intercompany balance owing to the Applicant by DCL USA LLC was reduced by $40 million. Accordingly, all else being

equal and subject to the anticipated adjustments noted above, the net intercompany balance owing to the Applicant by DCL USA LLC would be approximately $0.9 million.

Pre-Petition Term Loan Amendment and Related Transactions

9.13 In connection with the above Customer Contracts Sale and as documented in a fourth amendment to the Prepetition Term Loan dated December 16, 2021 (the "**Fourth Amendment**"), Colors (a U.S. entity) was added as a borrower under the Prepetition Term Loan in order to facilitate the internal restructuring of same.

9.14 The Davido Affidavit describes the series of intercompany transactions in more detail, however, in summary, the net effect was a transfer of $67 million of the Prepetition Term Loan that was owed directly by DCL Canada prior to the Fourth Amendment, to Colors. Following the series of transactions, DCL Canada continues to have an outstanding direct Prepetition Term Loan obligation of approximately $11.6 million.

<u>Operating Intercompany Transactions & Shared Services</u>

9.15 As part of its ordinary course operations, DCL Canada is party to a number of intercompany transactions within the DCL Group (the "**Operating Intercompany Transactions**"), consisting primarily of the following:

(i) as a result of the Customer Contracts Sale and the subsequent sale of the Canadian non-Monteith customer sales contracts to DCL USA LLC, DCL Canada sells substantially all of its goods manufactured at the Ajax Plant and the New Toronto Plant to DCL USA LLC, which DCL USA LLC then sells to its third-party customers (the "**Inventory Sales**");

(ii) DCL Canada provides DCL US and other affiliates with essential corporate functions, supply chain, human resources, global procurement, information technology, finance, sales and marketing, regulatory and research & development (collectively, "**Shared Services**"), primarily from its head office in Toronto, Ontario[12]; and

(iii) on a regular basis, cash transfers are made between DCL Canada, DCL US and their other affiliates to fund operating disbursements and to settle open balances as among the parties (the "**Intercompany Transfers**").

The costs and fees associated with the Operating Intercompany Transactions are charged through the intercompany accounts.

9.16 The DCL Group utilizes a transfer pricing policy (the "**Transfer Pricing Policy**") to record the Operating Intercompany Transactions on a "cost plus" basis. The Proposed Monitor understands that from time-to-time the DCL Group engages the DCL Group Tax Advisor to conduct a transfer pricing analysis of the Operating Intercompany Transactions. The Proposed Monitor reviewed the latest of such draft reports (dated November 8, 2022) and notes that the DCL Group Tax Advisor concluded the Operating Intercompany Transactions are being recorded on a basis consistent with industry standards and arm's-length principles.

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[12] DCL Canada is also the recipient of shared services from DCL USA LLC. Accordingly, amounts owing by DCL USA LLC to the DCL Canada in respect of Shared Services represent the net amount owing after deducting the value of the shared services provided by DCL USA LLC to DCL Canada.

9.17 The ongoing finished goods inventory sales by the Applicant to DCL USA LLC are reflected by way of book entries in the records of DCL USA LLC and the Applicant. Generally, these accounts are reconciled monthly, and are subject to adjustments from time to time pursuant to the DCL Group's Transfer Pricing Policy established in consultation with the DCL Group Tax Advisor. The transfer pricing adjustments are reflected in the pricing schedules to the US/Canada Intercompany Agreement (as defined and described below) and any adjustments are to be reflected retroactively on the Applicant's books and records.

Proposed Intercompany Arrangements During the Restructuring Proceedings

9.18 As further described in the Davido Affidavit, in connection with the Restructuring Proceedings and as required under the DIP Credit Agreement, DCL Canada and DCL USA LLC formalized and entered into: (i) an intercompany agreement between DCL Canada and DCL USA LLC (the "**US/Canada Intercompany Agreement**"); and (ii) an intercompany agreement between DCL Canada, DCL USA LLC and DCL Canada's European subsidiaries[13] (the "**European Intercompany Agreement**", and together with the US/Canada Intercompany Agreement, the "**Intercompany Agreements**"). The European Subsidiaries are not debtors in the CCAA Proceedings nor the Chapter 11 Proceedings. Substantially final form copies of the Intercompany Agreements are attached to the Davido Affidavit as Exhibit "C" and "D", respectively. The copies of the Intercompany Agreements are redacted to remove commercially sensitive pricing information. The Proposed Monitor has received unredacted copies of the Intercompany

[13] DCL Corporation (NL) B.V., located in the Netherlands ("**DCL NL**") and DCL Corporation (Europe) Limited located in the U.K. (together with the DCL NL, the "**European Subsidiaries**").

Agreements and understands that the Applicant has agreed to make unredacted versions available to the Court upon request.

US/Canada Intercompany Agreement

9.19 The proposed US/Canada Intercompany Agreement provides for the Operating Intercompany Transactions to continue in the normal course during the Restructuring Proceedings, including that DCL USA LLC will continue to make Intercompany Transfers to DCL Canada for the provision of Inventory Sales and net Shared Services.

9.20 To the extent that, during the Restructuring Proceedings, the value of Intercompany Transfers paid by DCL USA LLC exceeds: (i) the value of Inventory Sales and net Shared Services provided by DCL Canada; and (ii) the amount pre-funded by DCL USA LLC to DCL Canada for the payment of certain invoices on behalf of DCL NL (the "**DCL NL Supplier Invoices**"), such excess amount will be recorded as an intercompany loan ("**Intercompany Loan**"). As part of the proposed Initial Order, the Applicant is seeking the Court's approval of a charge in favour of DCL USA LLC as security for the Intercompany Loans (the "**Intercompany Charge**").

9.21 To the extent that the value of Intercompany Transfers paid by DCL USA LLC is less than the value of the Inventory Sales and the net Shared Services provided by DCL Canada during the Restructuring Proceedings and the amount of the DCL NL Supplier Invoices required to be pre-funded (i.e., if the Applicant is in a receivable position with DCL USA LLC), such amount will be recorded through the intercompany accounts as a DCL Canada receivable ("**DCL Canada Receivable**"). The Proposed Monitor understands that the Chapter 11 Debtors intend to seek approval from the U.S. Bankruptcy Court of an

administrative claim (the "**U.S. Administrative Claim**") in the Chapter 11 Proceedings for any such DCL Canada Receivable amount incurred during the pendency of the Restructuring Proceedings.

9.22 The Proposed Monitor notes that the Intercompany Charge and the U.S. Administrative Claim will be subordinate to certain other charges or liens, including those securing the DIP Facility, the Prepetition ABL Facility and the Prepetition Term Loan.

9.23 Pursuant to the US/Canada Intercompany Agreement, the DCL Group will continue to utilize the Transfer Pricing Policy and record Inventory Sales and the provision of Shared Services at arm's length prices as determined in consultation with the DCL Group Tax Advisor. Schedules "B" and "C" of the US/Canada Intercompany Agreement provide that from time to time the DCL Canada and DCL USA LLC will review the Transfer Pricing Policy and make any necessary adjustments to the prices, with corresponding retroactive adjustments to the intercompany accounts, including the Intercompany Loan or DCL Canada Receivable balances.

9.24 The Proposed Monitor will monitor the Operating Intercompany Transactions and the Intercompany Transfers that occur during the CCAA Proceedings and will provide regular updates to the Court, including details of any Intercompany Loans and any DCL Canada Receivable balances.

European Intercompany Agreement

9.25 The proposed European Intercompany Agreement sets out the arrangements between DCL Canada, DCL USA LLC and the European Subsidiaries, and is described in greater detail in the Davido Affidavit.

9.26 As it relates to the Applicant only, during the Restructuring Proceedings, DCL Canada will continue to: (i) provide Shared Services to the European Subsidiaries, the cost of which will be charged to the European Subsidiaries but will be paid for by DCL USA LLC; and (ii) pay the DCL NL Supplier Invoices, for which amounts will be advanced by DCL USA LLC prior to the Applicant making the supplier payment.

9.27 Similar to the US/Canada Intercompany Agreement, all intercompany transactions will be recorded through the intercompany accounts based on arm's length prices as determined in consultation with the DCL Group Tax Advisor, as calculated and adjusted in accordance with the schedules to the European Intercompany Agreement.

10.0 STAY OF PROCEEDINGS

10.1 The proposed Initial Order contemplates the granting of an initial 10-day stay of proceedings in respect of the Applicant, its business and the Property. The proposed stay of proceedings will provide the breathing space required for the Applicant to stabilize its business and preserve value for its stakeholders. Moreover, it will prevent the termination of key contracts and the commencement of enforcement steps, which would be detrimental to the Applicant's restructuring efforts.

10.2 Further, pursuant to the proposed Initial Order, the Applicant is seeking an extension of the stay of proceedings to provide that no action can be taken against the inventory owned by DCL USA LLC situated in Canada (the "**DCL USA LLC Inventory**"). As at November 30, 2022, the value of the DCL USA LLC Inventory was approximately $17.9 million.

10.3 As described in the Davido Affidavit, the DCL USA LLC Inventory forms an integral component of the DCL Group's operations, including forming a considerable portion of the inventory collateral included in the DCL US borrowing base of the DIP Facility.

10.4 The proposed extension of the limited stay of proceedings to the DCL USA LLC Inventory is a requirement of the DIP Facility and will assist in the uninterrupted operations during the Restructuring Proceedings. Accordingly, the Proposed Monitor supports the Applicant's request for the proposed extension of the stay of proceedings in respects of the DCL USA LLC Inventory.

11.0 CHIEF RESTRUCTURING OFFICER

11.1 The proposed Initial Order seeks the approval of the appointment of Mr. Scott Davido, a Senior Managing Director from Ankura, as CRO. The Proposed Monitor understands that Mr. Davido is an experienced restructuring professional having served many similar roles in prior large restructurings, including those with cross border elements. A summary of Mr. Davido's professional qualifications is attached hereto as **Appendix "C"**.

11.2 The engagement letter dated November 16, 2022 and attached hereto as **Appendix "D"** (the "**CRO Engagement Letter**") sets forth the terms of Mr. Davido's appointment as CRO of the DCL Group and provides that the CRO will be responsible for the following: (i) providing oversight and guidance to enhance and preserve the DCL Group's available liquidity; (ii) working with the DCL Group's management and external advisors to execute current and future financial restructuring; (iii) serving as the DCL Group's designee by engaging with internal and external stakeholders such as creditors, landlords and other restructuring-related interested parties; and (iv) leading the DCL Group's management and

advisors in informing and advising the DCL Group's board of directors or their designees on restructuring options and recommendations.

11.3 The Proposed Monitor notes that: (i) the CRO Engagement Letter sets out a chargeable rate of $1,195 per hour for the CRO's services; (ii) the CRO is limited to charging up to 40 hours in any calendar week; (iii) to avoid duplication, Ankura shall not be entitled to charge for any services rendered by Mr. Davido, whether as CRO or otherwise, under any agreement other than the CRO Engagement Letter; and (iv) Ankura shall be entitled to reimbursement of reasonable out-of-pocket and direct expenses incurred in connection with services provided under the CRO Engagement Letter. The Proposed Monitor understands that DCL USA LLC is expected to pay for service fees and expenses under the CRO Engagement Letter and such fees and expenses will be accounted for as part of the shared services being provided by DCL USA LLC under the US/Canada Intercompany Agreement.

12.0 COURT ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

12.1 The proposed Initial Order seeks the granting of the Administration Charge, DIP Charge, Intercompany Charge and Directors' Charge (each as defined below) over the Property (other than certain specified excluded collateral as set out below) (collectively, the "**Charges**").

12.2 The priorities of the Charges, the ABL Pre-Filing Security and the Term Loan Security on the ABL Priority Collateral, as between them, are proposed to be as follows:

Proposed Charges & Priorities	***$000's***
1. Administration Charge	$175,000
2. DIP Charge	*as described below*
3. ABL Pre-Filing Security	*as described below*
4. Term Loan Security	*as described below*
5. Intercompany Charge (if any)	*as described below*
6. Directors' Charge	CAD$1,000,000

12.3 The priorities of the Charges, the ABL Pre-Filing Security and the Term Loan Security on the Term Loan Priority Collateral, as between them, are proposed to be as follows:

Proposed Charges & Priorities	***$000's***
1. Administration Charge	$175,000
2. Term Loan Security	*as described below*
3. DIP Charge	*as described below*
4. ABL Pre-Filing Security	*as described below*
5. Intercompany Charge (if any)	*as described below*
6. Directors' Charge	CAD$1,000,000

12.4 The proposed Initial Order provides that the Charges are to rank behind all other existing security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise if a holder thereof is not served with notice of the application for the CCAA Proceedings.

Administration Charge

12.5 The proposed Initial Order provides for a charge over the Property other than the cash collateral held by HSBC (the "**HSBC Cash Collateral**") in an amount not to exceed $175,000 in favour of the Monitor, counsel to the Monitor and Canadian counsel to DCL

Canada (the "**Administration Charge**"). The Proposed Monitor understands that the Applicant intends to seek an increase in the amount of the Administration Charge to $1.1 million at the comeback hearing.

12.6 The Proposed Monitor assisted the Applicant in the calculation of the Administration Charge and is of the view that the amount of the charge for the initial 10-day period is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, potential work involved at peak times and the size of charges approved in similar CCAA proceedings.

DIP Charge

12.7 The proposed Initial Order provides for a charge on the Property (other than the Excluded Collateral[14]) as security for the outstanding obligations of the Applicant under the DIP Facility (the "**DIP Charge**").

12.8 It is a condition of the DIP Facility that the DIP Charge be granted by the Court. The Proposed Monitor's observations with respect to the DIP Facility are set out in Section 6.0 above. The Proposed Monitor is of the view that the DIP Charge is reasonable and appropriate in the circumstances.

[14] As described in the Davido Affidavit, Excluded Collateral is comprised of (i) the real property of the Applicant; (ii) the HSBC Cash Collateral; and (iii) the De Lage Landen Collateral.

Directors' Charge

12.9 The proposed Initial Order provides that DCL Canada will indemnify their directors and officers against obligations and liabilities that they may incur in their capacity as directors and officers of the Applicant from the commencement of the CCAA Proceedings, except to the extent that any obligation or liability was incurred as a result of gross negligence or wilful misconduct, and provides for a charge on the Property (other than the HSBC Cash Collateral) in the amount of CAD$1 million in favour of the Applicant's directors and officers as security for any such obligations or liabilities arising after the commencement of these CCAA Proceedings (the "**Directors' Charge**"). The Proposed Monitor understands that the Applicant intends to seek an increase in the amount of the Directors' Charge to CAD$1.7 million at the comeback hearing.

12.10 DCL Canada's directors and officers will only be entitled to the benefit of the Directors' Charge to the extent they do not have coverage under DCL Canada's directors' and officers' insurance policy or to the extent such coverage is insufficient to pay an indemnified amount.

12.11 The Proposed Monitor assisted the Applicant in the calculation of the Directors' Charge, taking into consideration the amount of the Applicant's payroll, vacation pay and federal and provincial sales tax liabilities during the initial 10-day stay period. The Proposed Monitor is of the view that the Directors' Charge is required and reasonable in the circumstances.

Intercompany Charge

12.12 As described above, the proposed Initial Order provides for the Intercompany Charge on the Property (other than the HSBC Cash Collateral) in favour of DCL USA LLC in the aggregate amount of any Intercompany Loan. In the Proposed Monitor's view, the Intercompany Charge is required and reasonable in the circumstances given the intention of the DCL Group to continue ordinary course Operating Intercompany Transactions during the Restructuring Proceedings and the anticipated need for DCL USA LLC to provide funding to DCL Canada during the pendency of the CCAA Proceedings.

12.13 As discussed above, the Proposed Monitor understands that pursuant to the U.S. Administrative Claim, the Chapter 11 Debtors intend to provide the Applicant with protections in event that amounts are owing by the Chapter 11 Debtors to the Applicant relating to the Inventory Sales or the provision of net Shared Services.

13.0 CONCLUSIONS AND RECOMMENDATIONS

13.1 For the reasons set out in this Report, if the Court is satisfied that the Applicant is a company to which the CCAA applies, the Proposed Monitor is of the view that the relief requested by the Applicant in the proposed Initial Order is reasonable, appropriate and necessary having regard to the current circumstances of the Applicant. As such, the Proposed Monitor supports the Applicant's application for CCAA protection and

respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicant.

All of which is respectfully submitted to this Court this 20th day of December, 2022.

ALVAREZ & MARSAL CANADA INC.,
solely in its capacity as Proposed Monitor of
DCL Corporation and not in its personal or corporate capacity

Per: _____
Josh Nevsky
Senior Vice-President

Per: _____
Stephen Ferguson
Senior Vice-President

APPENDIX "A"

CASH FLOW FORECAST

DCL Corporation
Cash Flow Forecast
(Unaudited, $ in 000s US Dollars)

		Canada DIP Budget																		
Pre / Post-Petition		Pre	Post	Post	Post	Post	Post	Post	Post	Post	Post	Post	Post	Post	Post	Post	Post	Pre	Post	All
Week Number		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		Post-Pet.	
		12/10	12/17	12/24	12/31	1/7	1/14	1/21	1/28	2/4	2/11	2/18	2/25	3/4	3/11	3/18	3/25	1-week	15-Week	16-week
Detail	Notes	12/16	12/23	12/30	1/6	1/13	1/20	1/27	2/3	2/10	2/17	2/24	3/3	3/10	3/17	3/24	3/31	Total	Total	Total
Receipts:																				
Sales Receipts	1	70	67	118	129	52	152	148	61	109	90	30	-	-	-	-	71	70	1,028	1,098
Intercompany Transfers	2	-	-	-	1,044	1,916	1,721	1,896	1,799	2,108	1,666	1,623	1,472	1,866	1,367	1,626	234	-	20,337	20,337
Exit Financing / Sale Proceeds	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,632	-	4,632	4,632
Total Receipts		**70**	**67**	**118**	**1,173**	**1,968**	**1,873**	**2,044**	**1,860**	**2,217**	**1,757**	**1,653**	**1,472**	**1,866**	**1,367**	**1,626**	**4,936**	**70**	**25,997**	**26,067**
Canada Operating Disbursements & Capex																				
Payroll & Benefits	4	(479)	(134)	(479)	(234)	(479)	(134)	(479)	(134)	(479)	(134)	(479)	(134)	(479)	(134)	(479)	(134)	(479)	(4,521)	(5,000)
Vendor Payments	5	(102)	(802)	(1,052)	(1,052)	(802)	(1,202)	(1,202)	(1,202)	(1,202)	(1,202)	(802)	(802)	(802)	(802)	(802)	(802)	(102)	(14,525)	(14,627)
Utilities	6	(99)	-	(2)	(53)	(56)	(42)	-	(53)	(57)	(44)	-	(53)	(57)	(44)	-	(2)	(99)	(465)	(563)
Rent	7	-	-	-	(15)	-	-	-	(15)	-	-	-	(15)	-	-	-	-	-	(45)	(45)
Insurance	8	-	-	(87)	-	-	-	(87)	-	-	-	(87)	-	-	-	(87)	-	-	(348)	(348)
Freight, Duties & Other	9	(181)	(59)	(247)	(189)	(311)	(206)	(247)	(189)	(311)	(206)	(273)	(189)	(311)	(206)	(247)	(188)	(181)	(3,379)	(3,560)
Total Operating Disbursements		**(859)**	**(995)**	**(1,866)**	**(1,543)**	**(1,648)**	**(1,583)**	**(2,014)**	**(1,593)**	**(2,048)**	**(1,586)**	**(1,640)**	**(1,193)**	**(1,648)**	**(1,186)**	**(1,614)**	**(1,126)**	**(859)**	**(23,283)**	**(24,142)**
Non-Operating Disbursements																				
Professional Fees	10	(158)	(442)	-	(305)	(307)	(277)	-	(254)	(157)	(159)	-	(249)	(205)	(169)	-	(226)	(158)	(2,750)	(2,907)
DIP Interest Payment / Fees	11	-	-	-	(14)	-	-	(18)	-	-	-	-	(18)	-	-	-	-	-	(49)	(49)
Other Non-Operating Outflows		-	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	-	(188)	(188)
KEIP		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(40)	-	(40)	(40)
Total - Non-Op. Disbursements		**(158)**	**(455)**	**(13)**	**(332)**	**(320)**	**(289)**	**(30)**	**(267)**	**(169)**	**(171)**	**(13)**	**(279)**	**(218)**	**(182)**	**(13)**	**(279)**	**(158)**	**(3,027)**	**(3,184)**
Net Cash Flow		**(947)**	**(1,382)**	**(1,760)**	**(702)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,532**	**(947)**	**(313)**	**(1,260)**
Cash Roll forward:																				
Beginning Balance		1,260	313	-	-	-	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	1,260	313	1,260
(+) Inflows		70	67	118	1,173	1,968	1,873	2,044	1,860	2,217	1,757	1,653	1,472	1,866	1,367	1,626	4,936	70	25,997	26,067
(-) Disbursements		(1,017)	(1,449)	(1,879)	(1,875)	(1,968)	(1,873)	(2,044)	(1,860)	(2,217)	(1,757)	(1,653)	(1,472)	(1,866)	(1,367)	(1,626)	(1,405)	(1,017)	(26,309)	(27,326)
(+/-) ABL Draws / (Sweeps)		-	1,069	1,760	702	-	-	-	-	-	-	-	-	-	-	-	(3,532)	-	-	-
Ending Balance		**313**	**-**	**-**	**-**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**313**	**-**	**(0)**
Revolver Summary:																				
Beginning Balance		[redacted]	-	1,069	2,830	3,532	3,532	3,532	3,532	3,532	3,532	3,532	3,532	3,532	3,532	3,532	3,532	-	-	-
(+) Draw			1,449	1,879	1,875	-	-	-	-	-	-	-	-	-	-	-	1,405	-	6,607	6,607
(-) Paydown			(380)	(118)	(1,173)	-	-	-	-	-	-	-	-	-	-	-	(4,936)	-	(6,607)	(6,607)
Ending Balance			**1,069**	**2,830**	**3,532**	**3,532**	**3,532**	**3,532**	**3,532**	**3,532**	**3,532**	**3,532**	**3,532**	**3,532**	**3,532**	**3,532**	**-**	**-**	**-**	**-**

Cash Flow Assumptions

DCL Corporation Cash Flow Forecast for the period ending March 31, 2023

Disclaimer

In preparing this cash flow forecast (the "Forecast"), DCL Corporation (the "Applicant" or "DCL Canada") has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Forecast is presented in thousands of U.S. dollars. Receipts and disbursements denominated in Canadian currency have been converted into U.S. dollars at an exchange rate of US$1.00:C$0.74.

Notes

1) **Sales Receipts**
   Sales Receipts are forecast based on Monteith's accounts receivable during the period, adjusted for certain collection timing assumptions.

2) **Intercompany Transfers**
   Intercompany Transfers includes inflows from DCL USA LLC, either: (a) as payment for Inventory Sales to DCL USA LLC or for the provision of Shared Services; or (b) as additional funding to support DCL Canada by way of Intercompany Loans.

   For additional information, see the Pre-Filing Report of the Proposed Monitor – Section 9 Intercompany Transactions.

3) **Exit Financing / Sale Proceeds**
   Exit Financing / Sale Proceeds of $4.6 million is a placeholder balance only. At the requirement of the DIP Lender, the DCL Group included this placeholder in the DIP Budget to reflect a hypothetical sale transaction and that such proceeds would be used to repay obligations outstanding under the DIP Facility at that time. This placeholder is not representative of any actual sale transaction, nor does it contemplate a proper allocation of valuation between DCL Canada and DCL US.

4) **Payroll & Benefits**
   Payroll and Benefits are forecast based on current manufacturing run-rates and include salaries, wages and benefits.

5) **Vendor Payments**
   Vendor Payments include trade, non-trade and capital expenditure and maintenance vendors, forecast based on purchasing requirements, adjusted for certain timing assumptions.

6) **Utilities**
   Utilities forecast based on current manufacturing run rates, adjusted for certain timing assumptions.

7) **Rent**
Rent includes disbursements for the DCL Head Office and the Mississauga Plant.

8) **Insurance**
Insurance includes the Applicant's monthly premium payments.

9) **Freight, Duties & Other**
Freight, Duties and Other include disbursements for freight, customs and excise duties, commissions related to Monteith and other fixed overhead expenses.

10) **Professional Fees**
Disbursements include the Applicant's Canadian counsel, the Monitor and its legal counsel, and the DIP Lender's legal counsel and financial advisor.

11) **DIP Interest Payment / Fees**
DIP Interest Payments are forecast based on projected drawings under the DIP Facility by the Applicant only.

APPENDIX "B"

MANAGEMENT'S REPRESENTATION LETTER REGARDING THE CASH FLOW FORECAST

See The Difference We Make

Alvarez & Marsal Canada Inc.
200 Bay Street, Suite 2900
Toronto ON M5J 2J1

Attention: Mr. Stephen Ferguson and Mr. Joshua Nevsky

December 16, 2022

Dear Sirs:

Re: DCL Corporation ("DCL Canada") – CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast

In connection with the application by DCL Canada for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, the management of DCL Canada have prepared the attached 15-week projected cash flow statement for the period December 17, 2022 to March 31, 2023 (the "**Cash Flow Forecast**") and the list of assumptions on which the Cash Flow Forecast is based. The purpose of the Cash Flow Forecast is to determine the liquidity requirements of DCL Canada during the CCAA proceedings.

DCL Canada confirms that the hypothetical assumptions on which the Cash Flow Forecast is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of DCL Canada and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Cash Flow Forecast (the "**Notes**").

Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Yours truly,

Per: Scott J. Davido
Chief Restructuring Officer

APPENDIX "C"

PROFESSIONAL QUALIFICATIONS OF SCOTT DAVIDO

Scott Davido

Senior Managing Director

485 Lexington Avenue, 10th Floor | New York, NY 10017

Contact

Direct +1.212.818.1555
Mobile +1.612.839.7013
scott.davido@ankura.com

Education

JD, Case Western Reserve University School of Law

BS, Accounting, Case Western Reserve University

Certifications

Attorney at Law, Ohio (inactive)

Certified Public Accountant, Ohio (inactive)

Scott Davido, Senior Managing Director at Ankura, has served companies and governments for more than 30 years in a wide array of roles, including as a sitting C-level executive, interim executive, and advisor. In these roles, he has led operations, finance, accounting, and strategic functions for entities undergoing operational and/or financial crisis/transition in a variety of industries, including energy, auto rental/mobility, retail, healthcare, and governmental services. He enjoys a national reputation as a restructuring expert and crisis manager forging consensual agreement among diverse parties.

Scott has successfully led companies and advised and assisted clients on all aspects of the workout process, including developing/evaluating business plans; developing, evaluating, and negotiating reorganization/restructuring plans; completing complex debt refinancings; supporting valuations; preparing/analyzing court and creditor reports; and performing due diligence procedures. He has served as a sitting CEO, president and COO, CFO, and chief legal officer; in interim roles as a chief restructuring officer and C-level executive; and as an independent member of boards of directors in a number of matters for companies undergoing crisis or transition.

Immediately prior to joining Ankura, Scott was the CEO and president of Advantage Rent a Car, one of the largest mobility providers in the U.S. While at Advantage, Scott developed and implemented a plan that grew sales in 2018 versus 2017 by $18 million, and improved EBITDA by $30 million, on a sales base of $325 million, through eight sales and operational initiatives. During this time, he also created culture focused on customer experience, improving the Net Promoter Score by thirty points, raising the Google Star Ratings to 3.6 from 1.4 stars, and obtaining an “A+” Better Business Bureau rating in 2018 in an industry with customer reputation challenges.

Scott’s professional experience includes:

- Chief Restructuring Officer for MDC Texas Energy, an independent oil and gas exploration and production company.
- Chief Implementation Officer at Baylor College of Medicine, where he oversaw more than $40 million in annual financial improvement, refinancing of $1 billion of bank and bond debt, and revitalization of the college’s stalled hospital construction project.

- Restructuring advisor to Energy Alloys, an oil field services company, leading the refinancing of $200 million of bank debt and a series of cash flow improvement initiatives.
- Restructuring advisor to UniversalPegasus International, Inc., an EPC company serving the oil and gas and power industries, assisting with the refinancing of more than $200 million of bank debt and a series of cash flow and operational improvements.
- Advisor to the Official Committees of Unsecured Creditors in the chapter 11 reorganizations of Energy Future Holdings (one of the largest integrated power utilities in the U.S.), and Edison Mission Energy, a large wholesale power generator.
- Interim CFO of Western Dental Services, Inc., an over $500 million revenue owner of more than 200 dental clinics; and interim CFO The Brock Group, Inc., an over $1billion industrial soft crafts/services company.
- Advisor to a number of governmental entities, including: the Puerto Rico Electric Power Authority (PREPA) and the Puerto Rico Water Authority (PRASA), as they sought to restructure billions in debt; Jefferson County (Birmingham), Alabama, in its financial crisis; bond insurers in the city of Detroit chapter 9 bankruptcy; pension obligation bondholders for the city of San Bernardino, California in its Chapter 9 bankruptcy; and the cities of Houston, Texas and Chicago, Illinois, as they evaluated their financial shortfall issues.

In addition, Scott has served as a sitting executive with:

- Calpine Corporation during its chapter 11 restructuring, as CFO and CRO, leading development of the company's strategic and financial plan, improving operations by $100 million annually, and overseeing a new $5 billion DIP and exit financing.
- NRG Energy, Inc., before, during and after its Chapter 11 restructuring, first as Chairman of the Board and General Counsel overseeing the Chapter 11 restructuring of several billion in debt, and later as President of the largest operating division of the company.
- The Elder-Beerman Stores Corp., as CFO, completing a $300 million bank refinancing, a revitalization of the company's supply chain, and rollout of a proprietary "smart" POS system.
- Prior to his corporate career, Scott was a partner in the business restructuring and reorganization group at the Jones Day law firm, and in public accounting with Ernst & Young.
- Scott has also served as an independent director on the boards of: Stage Stores, Inc. (NYSE), a retail department store company with more than $1 billion revenue, where he chaired the Audit Committee; Special Metals Corporation, a metal alloy manufacturer with more than $700 million revenue; and Lensar, Inc., a medical device company.

APPENDIX “D”

CRO ENGAGEMENT LETTER

Confidential

NOVEMBER 16, 2022

Ed Zhang
Vice President, Secretary and Treasurer
H.I.G. Colors, Inc.
1 Concorde Gate, Suite 608
Toronto, Ontario, Canada
M3C 3N6

Re: **Interim Chief Restructuring Officer Services Relating to DCL Corporation**

Dear Ed:

This letter agreement (this "Agreement"), entered into as of November 16, 2022 (the "Effective Date"), confirms the terms of the agreement among Ankura Consulting Group, LLC ("Ankura") and H.I.G. Colors, Inc. ("Parent"), pursuant to which Ankura has been engaged to act as an advisor to Parent and certain of its wholly-owned subsidiaries (collectively, the "Company," the "Client," or "you"), to provide interim management and restructuring advisory services as set forth below.

We have been retained by the Company and will report to the Board of Directors of the Parent (the "Board").

1. Scope of Engagement: On the terms and subject to the conditions of this Agreement, Ankura will provide to the Company the following interim management and restructuring advisory services (the "Services"), as requested by the Company and agreed to by Ankura:

A. Scott Davido to serve as Chief Restructuring Officer ("CRO") of the Company, which position will be a duly appointed officer of and a temporary member of the Company's senior executive team;

B. The CRO will report to the Board or any designated committee of the Board delegated with oversight of the financial and operational restructuring of the Company (the "Committee");

C. The CRO will be responsible for the following:

i) *Leading the Company's Liquidity and Working Capital Improvement, and Restructuring Activities* – Serve as the Company's designated officer in coordinating the Company's turnaround, restructuring and transaction activities, including the services set forth below and the services specified in the engagement letter between Ankura and the Company dated September 22, 2022 (the "September Engagement Letter"). The CRO will be supported by the Ankura team, as well as the Company's legal and other advisors, to facilitate, support, and implement the Company's restructuring and transaction options. The CRO will also be supported by the Ankura team, as well as the Company's management, in the execution of the current and any future Ankura initiatives relating to liquidity and working capital management, and the Company's financial restructuring. To the extent possible, the CRO

shall rely primarily on the skills and resources of the Company's existing management team prior to engaging Ankura staff.

ii) *Board Advisory* – The CRO will lead the Company's management and advisors in informing and advising the Committee and the Board and / or their designees, on restructuring options and recommendations. The Board is the ultimate decision-making body responsible for determining the restructuring path and method of implementation. The CRO will serve as the Company's designated officer responsible for leading the execution of the Board's restructuring decisions, subject to coordination with the CEO of DCL Corporation in order avoid conflicts in delegated authorities. The CRO will not serve as a member of the Board or Committee and would have no voting authority respecting Board or Committee decisions.

iii) *Stakeholder Communication* – The CRO will serve as the Company's designee regarding engagement with internal and external stakeholders such as any creditors' committee, individual creditors, landlords, and other restructuring-related interested parties. If any such stakeholders are involved in litigation with DCL, the CRO shall consult and coordinate with legal counsel.

iv) *Liquidity and Working Capital Improvement* – The CRO will provide oversight and guidance regarding actions to enhance and preserve the Company's available liquidity.

D. Provide additional resources as required and approved by the Board.

E. Subject to the terms of this letter, Ankura will continue to provide the liquidity and working capital improvement, and restructuring advisory services under the terms of the September Engagement Letter**.**

If there is a disagreement as to any direction, guidance, or instruction to be given to Ankura or the CRO in connection with the foregoing Services, Ankura and the CRO shall take such direction, guidance or instruction from the Board or Committee, as applicable.

It is our intention to work closely with you and management throughout the course of our engagement. Regular discussions with you regarding our progress should provide you with an opportunity to confirm or request that we modify the scope of our engagement to best serve your needs. The Services and compensation arrangements set forth herein do not encompass other advisory services not set forth in this Paragraph 1. If the Company and Ankura later determine to expand the scope of Services to include other services not otherwise set forth herein, such future agreement will be the subject of a further and separate written agreement of the parties.

Notwithstanding anything to the contrary in this Agreement, the Company and the Board agree that the CRO shall be authorized, in such capacity, to make decisions affecting the Company's business with respect to providing the Services as the CRO deems appropriate, subject only to appropriate governance by the Board or Committee, as applicable, in accordance with the Company's by-laws and applicable laws.

2. Fees and Expenses: For Ankura's Services hereunder, the Company agrees to pay to Ankura the following non-refundable fees (the "Fee"):

A. Fee: For the actual hours incurred by the CRO in rendering the Services, the hours multiplied by the hourly rate of $1,195.00 per hour; *provided, however,* that if the CRO's hours exceed 40 in any calendar week, the hours actually charged shall be limited to 40 hours. Ankura shall not be entitled to charge for any services rendered by Scott Davido, whether as CRO or otherwise, under any agreement (including the September Engagement Letter) other than this Agreement.

B. Expense Reimbursement: Ankura shall be entitled to reimbursement of reasonable out-of-pocket and direct expenses incurred in connection with the Services to be provided under this Agreement (including for Ankura's reasonable out-of-pocket fees and expenses for outside legal counsel and other third-party advisors) incurred in connection with this Agreement, including the negotiation and performance of this Agreement and the matters contemplated hereby (collectively, "Expenses"). In addition, each monthly invoice will include a charge equal to five percent (5%) of Fees (the "Administrative and Technology Fee") for Ankura costs related to administrative support, information and data security, data management and storage, certain software licenses, and technology/connectivity costs not specifically included in our hourly rates or direct expenses.

C. Reasonableness of Fees: The Company acknowledges that it believes that Ankura's general restructuring experience and expertise will inure to the benefit of the parties hereto, that the value to the parties hereto of Ankura's Services derives in substantial part from that experience and expertise and that, accordingly, the structure and amount of the Fees to be paid to Ankura hereunder are reasonable. The Company acknowledges that a substantial professional commitment of time and effort will be required of Ankura and its professionals hereunder, and that such commitment may foreclose other opportunities for Ankura. Given the numerous issues that may arise in engagements such as this, Ankura's commitment to the variable level of time and effort necessary to address such issues, the expertise and capabilities of Ankura that will be required in this engagement, and the market rate for Ankura's services of this nature, whether in-court or out-of-court, the parties agree that the fee arrangement provided for herein is reasonable, fairly compensates Ankura, and provides the requisite certainty to the parties hereto.

D. Testimony; Subpoena Requests. If Ankura is requested or required to appear as a witness in any action that is brought by, on behalf of, or against you or that otherwise relates to this Agreement or the Services rendered by Ankura hereunder, you agree to (i) compensate Ankura for its associated time charges at our regular rates in effect at the time and (ii) reimburse Ankura for all documented, actual out-of-pocket expenses incurred by Ankura in connection with such appearance or preparing to appear as a witness, including without limitation, the fees and disbursements of legal counsel of Ankura's choosing. In addition, Ankura will be compensated and reimbursed for any time and expense (including without limitation, fees and expenses of legal counsel of Ankura's choosing)

that Ankura may incur in considering or responding to discovery requests or other formal information requests for documents or information made in connection with any action or in connection with the Services.

3. Retainer:

A. In connection with the foregoing, it is Ankura's policy to receive an advance retainer for the Fees and Expenses. In light of the retainer previously received pursuant to the September Engagement Letter, Ankura is not asking for an additional retainer; *provided, however*, that the provisions for the retainer (the "Retainer") under the September Engagement Letter shall apply to the Fees as if those provisions were fully set forth herein.

B. If any of the Company's entities file a petition or any proceedings are commenced against such entities under Title 11 of the United States Code[1] (the "Bankruptcy Code"), or any proceedings are commenced on behalf of the Company under the Canadian Companies' Creditors Arrangement Act (the "CCAA"), some Fees and Expenses (whether or not billed) incurred before the filing of bankruptcy petitions (voluntary or involuntary) might remain unpaid as of the date of the filing. The unused portion, if any, of the Retainer will be applied to any such unpaid pre-petition Fees and Expenses. Ankura will hold any portion of the Retainer not otherwise properly applied for payment of any such unpaid pre-filing Fees and Expenses (whether or not billed) to be applied to Ankura's final invoice.

4. Invoices and Payment: The obligations of the Company under this Agreement shall be joint and several obligations. The payment of the Fees and Expenses hereunder are the exclusive obligations of the Company. Prior to commencing any proceedings under any insolvency regime, the Company shall pay all invoiced amounts, whether for Fees or Expenses or otherwise, to Ankura by wire transfer of immediately available funds. In the event that the Company does not pay Ankura's invoices in accordance with their terms, Ankura has the discretion to (i) terminate or suspend the engagement and the performance of Services, and (ii) deduct any outstanding amounts owed from monies held on the Company's behalf. Under these circumstances, the Company will also be responsible for any costs, including legal fees, associated with the collection of outstanding and overdue fees and expenses. If the Company does not pay Ankura's invoices within thirty (30) days of the date of such invoice, any accommodation offered shall not apply. Company agrees that it will pay the full amount of any invoices regardless of any deduction that it is required by law to make, and it will be responsible for any taxes, if required, that are due in relation to Ankura's goods and Services. Company is responsible for paying any local, state, or federal sales, use or ad valorem tax that

might be assessed on the Services. Ankura will pay any local, state, or federal income taxes due and payable by Ankura relating to the Services.

5. Term of Agreement: If either party hereto desires to terminate its relationship with the other or the engagement, it may do so at any time for any reason by giving written notice to the other party. In such event, Ankura will be paid for fees and expenses incurred through the termination date, as well as for reasonable engagement closing costs.

6. Nature of Services; Use of Advice:

A. The Services, including the deliverables and reports, are provided solely for your use for the purposes set forth herein. You may not disclose or discuss the Services or any deliverable or report or make the benefit of the Services available to anyone else or refer to the contents of a deliverable or report or the findings of our work except (i) as specifically stated herein, (ii) with our prior written consent on terms to be agreed in writing, or (iii) where required by law or regulation. The Services and all deliverables are not for a third party's use, benefit or reliance and Ankura disclaims any contractual or other responsibility or duty of care to any third party based upon the Services or deliverables. Client will indemnify and hold Ankura harmless from any and all claims asserted by a third party as a result of such unauthorized release of any deliverables or reliance on the Services. Nothing in this Agreement, express or implied, is intended to confer or does confer on any person or entity, other than the parties hereto, the Indemnified Persons (as such term is defined in Schedule I) and each of their respective successors, heirs and assigns, any rights or remedies under or by reason of this Agreement or as a result of the services to be rendered by Ankura hereunder.

B. At the direction of legal counsel, certain communications and correspondence between Ankura and reports and analyses prepared by Ankura, in connection with this Agreement and the matters contemplated hereby, will be considered in preparation for litigation, and accordingly, will be subject to the attorney-client privilege and work-product privilege between Ankura and the Company.

C. The Services and any deliverables, including any oral advice or comments, should not be associated with, referred to or quoted in any manner in any financial statements or any offering memorandum, prospectus, registration statement, public filing, loan, or other agreements.

7. Intellectual Property: Ankura owns the intellectual property rights in the deliverables and reports and any materials created under this Agreement. Ankura agrees that upon payment in full for the Services, you will have a non-exclusive, non-transferable license to use the deliverables for your own internal use in accordance with the terms of this Agreement. Notwithstanding the foregoing, (i) any patent, copyright, trademark, and other intellectual property rights of Ankura contained in any deliverable or report shall remain the sole and exclusive property of Ankura, and (ii) all methodologies, processes, techniques, ideas, concepts, trade secrets and know-how and other intellectual property embedded in the deliverable or reports that we may develop or supply in connection with our Services shall remain the sole and exclusive property

of Ankura.

8. Court Approval: If a filing under the Bankruptcy Code or CCAA is necessary or required, the Company will use its best efforts to ensure that the court authorizes the Company to continue to honor its obligations under this Agreement, including all indemnification obligations hereunder and payment by the Company of all Fees and Expenses in accordance with the terms hereunder (including Ankura's counsel's fees and expenses) and, if necessary, approves this Agreement, *nunc pro tunc* to the date the insolvency proceeding was commenced.

9. Confidentiality:

A. Generally. In connection with this engagement, either party (the "Receiving Party") may come into the possession, whether orally or in writing, of Confidential Information (as defined below) of the other party (the "Disclosing Party"). The Receiving Party hereby agrees that it will not disclose, publish or distribute such Confidential Information to any third party without the Disclosing Party's consent, which consent shall not be unreasonably withheld, other than (i) to the Receiving Party's affiliates and its and their employees, officers, directors, auditors, and advisors; (ii) if such disclosure is requested or required by a governmental agency having regulatory authority or other authority over the Receiving Party; (iii) pursuant to court order, subpoena or legal process requiring disclosure, provided that Receiving Party shall use its best efforts to promptly give Disclosing Party written prior notice (if legally permissible) of any disclosure under this clause (iii) so that Disclosing Party can seek a protective order; or (iv) to tax advisors regarding the tax treatment or tax structure of any transaction; provided that such advisors are informed of the confidential obligations hereunder.

B. Definition of Confidential Information. "Confidential Information" means any and all non-public, confidential or proprietary knowledge, data, or information of or concerning the Disclosing Party. For the avoidance of doubt, Confidential Information includes without limitation, research, analyses, names, business plans, valuations, databases and management systems. Confidential Information shall not include information that: (i) was publicly known and made generally available in the public domain prior to the time of disclosure; (ii) is already in the lawful possession of the Receiving Party at the time of disclosure; (iii) is lawfully obtained from a third party lawfully in possession of such information and without a breach of such third party's obligations of confidentiality; or (iv) is independently developed without use of or reference to any Confidential Information.

10. Company Access and Information: To fulfill the Services under this Agreement, it will be necessary for Ankura personnel to have access to the Company's facilities and certain books, records and reports of the Company. In addition, Ankura will need to have discussions with the Company's management and

certain other personnel. Ankura will perform the Services in a manner that will permit the business operations of the Company to proceed in an orderly fashion, subject to the requirements of this engagement. We understand that the Company has agreed it will furnish Ankura with such information as Ankura believes appropriate to its assignment (all such information so furnished being the "Information"). The Company recognizes and confirms that Ankura (i) will use and rely on the accuracy and completeness of the Information and on Information available from generally recognized public sources without independently verifying the same, (ii) does not assume responsibility for the accuracy, completeness or reasonableness of the Information and such other Information, and (iii) will not make an appraisal of any assets or liabilities (contingent or otherwise) of the Company. The Company shall advise Ankura promptly upon obtaining any actual knowledge of the occurrence of any event or any other change in fact or circumstance upon which Ankura formed part or all of its opinions, advice, or conclusions, or which could reasonably be expected to result in some or all of the Information being incorrect, inaccurate, or misleading. To the best of the Company's knowledge, the Information to be furnished by or on behalf of the Company, when delivered, will be true and correct in all material respects and will not contain any material misstatement of fact or omit to state any material fact necessary to make the statements contained therein not misleading.

Ankura will submit oral reports highlighting our findings and observations based upon the Services we perform pursuant to this Agreement. Our reports will encompass only matters that come to our attention in the course of our work that we perceive to be significant in relation to the objectives of our engagement. The depth of our analyses and extent of our authentication of the information on which our advice to you will be based may be limited in some respects due to the extent and sufficiency of available Information, time constraints dictated by the circumstances of our engagement, and other factors. We do not contemplate examining any such Information in accordance with generally accepted auditing or attestation standards. It is understood that, in general, we are to rely on Information disclosed or supplied to us by employees and representatives of the Company without audit or other detailed verification of their accuracy and validity. Accordingly, we will be unable to and will not provide assurances in our reports concerning the integrity of the Information used in our analyses and on which our findings and advice to you may be based. In addition, we will state that we have no obligation to, and will not update our reports or extend our activities beyond the scope set forth herein unless you request, and we agree to do so.

11. Indemnification; Limitation of Liability: The Company shall provide indemnification, contribution and reimbursement as set forth in Schedule I hereto. The terms and provisions of Schedule I are an integral part hereof, are hereby incorporated by reference, are subject in all respects to the provisions hereof and shall survive any termination or expiration of this Agreement. Further, if an Indemnified Person (as defined in Schedule I) is requested or required to appear as a witness in any Action (as defined in Schedule I) that is brought by or on behalf of or against the Company or that otherwise relates to this Agreement or the Services rendered by Ankura hereunder, the Company shall, jointly and severally, reimburse Ankura and the Indemnified Person for all documented, actual out-of-pocket expenses incurred by them in connection with such Indemnified Person appearing or preparing to appear as such a witness, including without limitation, the fees and disbursements of legal counsel. Neither the Client nor any other party acting on

their behalf shall hold Ankura liable for any matter in connection with the engagement or the Agreement, absent gross negligence, willful misconduct or bad faith, in each case as finally determined by a judgment of a court of competent jurisdiction. In no event shall Ankura be liable (i) under this Agreement or in connection with the Services or this engagement for damages in excess of the total amount of Fees collected; (ii) for loss or corruption of data from the Client's systems; or (iii) for any claim whatsoever for any loss of profit, goodwill, business opportunity, anticipated savings or benefits, special, consequential, exemplary, incidental, punitive or indirect damages of any kind.

12. Entire Agreement; Amendments: This Agreement represents the entire agreement between the parties in relation to the Services, supersedes all previous agreements relating to the subject matter hereof (should they exist) and may not be modified or amended except in writing signed by all of the parties hereto.

13. Counterparts: This Agreement may be executed in counterparts (and by facsimile or other electronic means), each of which shall constitute an original and all of which together will be deemed to be one and the same document.

14. Severability: The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

15. Announcements: Ankura shall be entitled to identify the Company and use the Company's name and logo in connection with marketing and pitch materials upon conclusion of the Services. In addition, if requested by Ankura, the Company agrees that in any press release related to the Services or outcome of the Services provided hereunder, the Company will include in such press release a mutually acceptable reference to Ankura's role as CRO and restructuring advisor to the Company.

16. Governing Law; Jury Trial Waiver; Jurisdiction: THIS AGREEMENT WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY IN SUCH STATE. ANKURA AND THE COMPANY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF OR IN CONNECTION WITH THE ENGAGEMENT OF ANKURA PURSUANT TO, OR THE PERFORMANCE BY ANKURA OF THE SERVICES CONTEMPLATED BY, THIS AGREEMENT. REGARDLESS OF ANY PRESENT OR FUTURE DOMICILE OR PRINCIPAL PLACE OF BUSINESS OF THE PARTIES HERETO, EACH PARTY HEREBY IRREVOCABLY CONSENTS AND AGREES THAT ANY CLAIMS OR DISPUTES BETWEEN OR AMONG THE PARTIES HERETO ARISING OUT OF OR RELATED TO THIS AGREEMENT SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN ANY FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN THE SOUTHERN DISTRICT OF NEW YORK, NEW YORK OR, IF SUCH COURTS DO NOT HAVE JURISDICTION, THEN THE COMMERCIAL DIVISION OF THE STATE COURTS SITTING IN THE

COUNTY OF NEW YORK IN THE STATE OF NEW YORK, WHICH COURTS SHALL HAVE EXCLUSIVE JURISDICTION OVER THE ADJUDICATION OF SUCH MATTERS; PROVIDED HOWEVER, THAT IF ANY ENTITY COMPRISING THE COMPANY BECOMES A DEBTOR UNDER CHAPTER 11 OF THE BANKRUPTCY CODE, AND IF A COMPANY ENTITY IS A PARTY TO SUCH DISPUTE WITH RESPECT TO THIS AGREEMENT, ANKURA AND THE COMPANY IRREVOCABLY AGREE TO SUBMIT TO THE EXCLUSIVE JURISDICTION AND FORUM OF THE BANKRUPTCY COURT IN WHICH SUCH CHAPTER 11 CASE IS PENDING. BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY HERETO FURTHER IRREVOCABLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND HEREBY WAIVES IN ALL RESPECTS ANY CLAIM OR OBJECTION THAT IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON-CONVENIENS. EACH PARTY HERETO AGREES THAT A FINAL NON-APPEALABLE JUDGMENT IN ANY SUCH ACTION BROUGHT IN ANY SUCH COURT SHALL BE CONCLUSIVE AND BINDING UPON IT AND MAY BE ENFORCED IN ANY OTHER COURT(S) HAVING JURISDICTION OVER IT BY SUIT UPON SUCH JUDGMENT. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN ALL SUCH DISPUTES BY THE MAILING OF COPIES OF SUCH PROCESS TO THE NOTICE ADDRESS FOR EACH SUCH PERSON AS SET FORTH IN THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF ANY OTHER PARTY HERETO HAS REPRESENTED EXPRESSLY OR OTHERWISE THAT SUCH PARTY WOULD NOT SEEK TO ENFORCE THE PROVISIONS OF THIS WAIVER. EACH OF THE PARTIES HERETO HEREBY ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY AND IN RELIANCE UPON, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.

17. Notices: Notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be mailed or delivered (including via email so long as the recipient acknowledges receipt) at the address set forth in the signature blocks of each such person below. Notices shall be deemed provided on the date sent.

18. Miscellaneous:

(a) Conflicts:

i. Ankura is involved in a wide range of other activities from which conflicting interests, or duties, may arise. We have undertaken an inquiry of our records in accordance with our standard business practices based on the parties identified to us and have determined that we may proceed. Due to the diversity of Ankura's experts and advisory services, Ankura cannot be certain all relationships have or will come to light. Should an actual conflict come to the attention of Ankura during the course of this engagement, we will notify you immediately and take appropriate actions, as necessary. The Company represents and warrants that it has informed Ankura of the parties-in-interest to this matter and agrees that it will inform Ankura of additions to, or name changes for, those parties-in-interest. Ankura is not restricted from

working on other engagements involving the parties in this matter; however, during the course of this engagement, services of the nature described in this Agreement that are directly adverse to the Company shall not be provided by personnel working on this engagement without prior written consent of the Company.

ii. The Company acknowledges that Ankura and its affiliates may have provided professional services to, may currently provide professional services to, or may in the future provide such services to other parties-in-interest. The Company agrees that Ankura, its affiliates, subsidiaries, subcontractors and their respective personnel will have no responsibility to the Company in relation to such professional services, nor any responsibility to use or disclose information Ankura possesses by reason of such services, whether or not such information might be considered material to the Company. Information which is held elsewhere within Ankura but is not publicly available will not for any purpose be taken into account in determining Ankura's responsibilities to the Company under this engagement. Ankura will not have any duty to disclose to the Company or any other party or utilize for the benefit of any such party's or any other party any non-public information, or the fact that Ankura is in possession of such information, acquired in the course of providing services to any other person, engaging in any transaction (on its own account or otherwise) or otherwise carrying on its business.

(b) Exculpation: You agree not to bring any claim against a direct or indirect holder of any equity interests or securities of Ankura whether such holder is a limited or general partner, member, stockholder or otherwise, affiliate of Ankura, or director, officer, employee, representative, or agent of Ankura, or of an affiliate of Ankura or of any such direct or indirect holder of any equity interests or securities of Ankura (collectively, the "Party Affiliates"). You further agree that no Party Affiliate shall have any liability or obligation of any nature whatsoever in connection with or under this Agreement or the Services contemplated thereby, and you waive and release all claims against such Party Affiliates related to any such liability or obligation.

(c) Authority; Due Authorization; Enforceability: The Company represents and warrants that the Board has duly approved the retention of Ankura and approved the terms of this Agreement, including the appointment and authorization of the CRO. Each party hereto represents and warrants that it has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder. Each party hereto further represents and warrants that this Agreement has been duly and validly authorized by all necessary corporate action and has been duly executed and delivered by each such party and constitutes the legal, valid and binding agreement of each such party, enforceable in accordance with its terms.

(d) Independent Contractors: In connection with the Services, Ankura may utilize employees, agents or independent contractors or its own affiliates (each of which is a separate and independent legal

entity) or its own agents or independent contractors. References in this Agreement to Ankura personnel shall apply equally to employees, agents or independent contractors of Ankura and its affiliates. Ankura shall act as an independent contractor under this Agreement, and not in any other capacity including as a fiduciary, and any obligations arising out of its engagement shall be owed solely to you. As an independent contractor, Ankura will have complete and exclusive charge of the management and operations of its business, including hiring and paying the wages and other compensation of all its employees and agents, and paying all bills, expenses and other charges incurred or payable with respect to the operations of its business. Ankura will remain solely responsible for the Services.

(e) Limitations of Engagement: The Company acknowledges that Ankura is being retained solely to assist the Company as described in this Agreement. The Company agrees that it will be solely responsible implementing any advice or recommendations and for ensuring that any such implementation complies with applicable law. The Company understands that Ankura is not undertaking to provide any legal, regulatory, accounting, insurance, tax or other similar professional advice and the Company confirms that it is relying on its own counsel, accountants and similar advisors for such advice. This engagement shall not constitute an audit or review, or any other type of financial statement reporting engagement. It is expressly agreed that, other than as set forth in this Agreement, Ankura will not evaluate or attest to the Company's internal controls, financial reporting, illegal acts or disclosure deficiencies and Ankura shall be under no obligation to provide formal fairness or solvency opinions with respect to any bankruptcy case or otherwise, or any transaction contemplated thereby or incidental thereto. In rendering its Services pursuant to this Agreement, and notwithstanding anything to the contrary herein, Ankura is not assuming any responsibility for any decision to pursue (or not to pursue) any business strategy or to effect (or not to effect) any transaction. Ankura shall not have any obligation or responsibility to provide legal, regulatory, accounting, tax, audit, "crisis management" or business consultant advice or services hereunder and shall have no responsibility for designing or implementing operating, organizational, administrative, cash management or liquidity improvements.

(f) Limitations on Actions. Except for an action for nonpayment of Fees and Expenses, no action, regardless of form, relating to the Engagement Letter or the Services provided thereunder, may be brought by either party more than one (1) year after the cause of action has accrued.

(g) Counsel Representation: The terms of this Agreement have been negotiated by the parties hereto, who have each been represented by counsel. There shall be no presumption that any of the provisions of this Agreement shall be construed adverse to any party as "drafter" in the event of a contention of ambiguity in this Agreement, and the parties waive any statute or rule of law to such effect.

(h) Assignment: This Agreement may not be assigned by any party hereto without the prior written consent of the other parties. Any attempted assignment of this Agreement made without such consent shall be void and of no effect, at the option of the non-assigning parties. Notwithstanding the foregoing, Ankura may assign or novate this Agreement to a transferee of all or part of its business upon written notice. Ankura may also transfer or deal with our rights in any unpaid invoice without notice.

(i) Headings: Headings used herein are for convenience of reference only and shall not affect the interpretation or construction of this Agreement.

(j) Survival: Those provisions that by their nature are intended to survive termination or expiration of this Agreement and any right or obligation of the parties in this Agreement which, by its express terms of nature and context is intended to survive termination or expiration of this Agreement, shall so survive any such termination or expiration. For the avoidance of doubt, upon any termination of this Agreement, Sections 2-12 and 14-18 shall survive such termination and shall remain in effect. Notwithstanding the foregoing, the obligations under Section 9 shall survive for two (2) years after termination of this Agreement.

(k) Force Majeure: Ankura shall not be liable for any delays or nonperformance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including but not limited to, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

(l) Non-Solicitation: The Client will not, during the term of the engagement or for twelve (12) months thereafter, solicit (directly or indirectly) any employee of Ankura or attempt to induce or cooperate with any other firm in an attempt to induce any employee to leave the employ of Ankura. In the event that an employee of Ankura is hired by the Client during the above-mentioned period, the Client agrees to pay to Ankura, no later than ten (10) days after the employees accepts a position with the Client, an amount equal to one hundred percent (100%) of the employee's annualized compensation; provided that the foregoing shall not be violated by general advertising not targeted at Ankura employees.

(m) Insurance: The Company shall maintain directors, officers and corporate liability insurance policy (the "Policy"), with at least $5.0 million in coverage to cover the CRO, in addition to the existing officers and directors serving in such positions. The Company shall cause its insurance broker to send copies of all documentation and other communications regarding the Policy, including without limitation any renewal or cancellation thereof to the attention of the [CRO/CFO/etc.]. Upon any cancellation or nonrenewal of the Policy by the insurer, the Company shall exercise their rights to extend the claim period to a six-year "discovery period" and shall exercise such rights and pay the premium required thereunder.

(n) Money Laundering. Ankura may, in addition to making searches of appropriate databases, request from you, your affiliates or your advisors, certain information and documentation for the purposes of verifying your identity in order to comply with our obligations under applicable money-laundering regulation, legislation and our internal policies. When you are acting on behalf of a third-party client, we may request from you, copies of any documentation you have obtained in relation to your client. If satisfactory evidence of identity is not provided within a reasonable time, it may be necessary for us to cease work. Where we believe that there are circumstances which may give rise to a money laundering offence under applicable legislation, we may consider it necessary to make a report to the appropriate authorities. We may not be able to discuss such reports with you and we will not be liable to you for any loss or damage which you may suffer or incur as a result of our making such a report, including, without limitation, as a result of any delay to any stage of a matter or as a result of completion being prohibited by such authorities.

[Signature pages follow.]

If the foregoing correctly sets forth our understanding, please indicate your acceptance thereof in the space provided below, whereupon this Agreement and your acceptance shall constitute a binding agreement between us.

If you have any questions, please call me at +1612.839.7013. We look forward to working with you on this matter.

Ankura Consulting Group, LLC
By: _____
Name: Scott J. Davido
Title: Senior Managing Director
Email: scott.davido@ankura.com
Address: 485 Lexington Avenue,
10th Floor
New York, NY 10017
With a copy to
Attn.: General Counsel

Accepted and agreed:

COMPANY:
H.I.G. Colors, Inc.
By: _____
Name: Ed Zhang
Title: Vice President, Secretary, and Treasurer
E-mail: ezhang@higcapital.com
Address: 1 Concorde Gate, Suite 608
Toronto, Ontario, Canada
M3C 3N6

Date: November 16, 2022

Schedule I

This Schedule I is a part of and incorporated into the Agreement, dated as of [____] between Ankura and the Company pursuant to which Ankura has been engaged to Services as set forth in the Agreement. Capitalized terms not defined herein shall have the same meaning assigned in the Agreement.

As a material part of the consideration for the agreement of Ankura to furnish its Services under the Agreement, the Company, jointly and severally, agrees that it shall indemnify and hold harmless Ankura and its affiliates and their respective directors, officers, employees, attorneys and other agents appointed by any of the foregoing and each other person, if any, controlling Ankura or any of its affiliates (Ankura and each such person and entity being referred to as an "Indemnified Person"), from and against any losses, claims, damages, judgments, assessments, costs and other liabilities (collectively, "Liabilities"), and will reimburse each Indemnified Person for all reasonable fees and expenses (including the reasonable fees and expenses of counsel) (collectively, "Indemnified Expenses") as they are incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation, whether or not in connection with pending or threatened litigation and whether or not any Indemnified Person is a party (collectively, "Actions"), in each case, related to or arising out of or in connection with the Services rendered or to be rendered by an Indemnified Person pursuant to the Agreement or any Indemnified Persons' actions or inactions in connection with any such Services; provided that the Company will not be responsible for any Liabilities or Indemnified Expenses of any Indemnified Person that are determined by a judgment of a court of competent jurisdiction, which judgment is no longer subject to appeal or further review, to have resulted primarily from such Indemnified Person's gross negligence or willful misconduct in connection with any of the Services. The Company shall also reimburse such Indemnified Person for all Indemnified Expenses as they are incurred in connection with enforcing such Indemnified Persons' rights under the Agreement (including without limitation its rights under this Schedule I). Such Indemnified Person shall reasonably cooperate with the defense of any Actions.

The Company shall, if requested by Ankura, assume the defense of any such Action including the employment of counsel reasonably satisfactory to Ankura. The Company will not, without prior written consent of Ankura (which shall not be unreasonably withheld), settle, compromise or consent to the entry of any judgment in or otherwise seek to terminate any pending or threatened Action in respect of which indemnification or contribution may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination (i) includes an unconditional release of such Indemnified Person from all Liabilities arising out of such Action and (ii) does not include any admission or assumption of fault or culpability on the part of any Indemnified Person.

In the event that the foregoing indemnity is not available, for any reason, to an Indemnified Person in accordance with the Agreement, the Company shall contribute to the Liabilities and Indemnified Expenses paid or payable by such Indemnified Person in such proportion as is appropriate to reflect (i) the relative benefits to the Company, on the one hand, and to Ankura, on the other hand, of the matters

contemplated by the Agreement, or (ii) if the allocation provided by the immediately preceding clause (i) is not permitted by applicable law, not only such relative benefits but also the relative fault of the Company, on the one hand, and Ankura, on the other hand, in connection with the matters as to which such Liabilities or Indemnified Expenses relate, as well as any other relevant equitable considerations. Notwithstanding the foregoing, in no event shall any Indemnified Persons be required to contribute an aggregate amount in excess of the amount of fees actually received by Ankura from the Company pursuant to the Agreement.

Prior to entering into any agreement or arrangement with respect to, or effecting, any (i) merger, statutory exchange or other business combination or proposed sale, exchange, dividend or other distribution or liquidation of all or a significant portion of its assets, or (ii) significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Company set forth in this Agreement, the Company will notify Ankura in writing thereof, if not previously so notified, and shall arrange in connection therewith alternative means of providing for the obligations of the Company set forth in this Agreement, including the assumption of such obligations by another party, insurance, surety bonds, the creation of an escrow, or other credit support arrangements, in each case in an amount and upon terms and conditions reasonably satisfactory to Ankura.

These indemnification, contribution and other provisions of this Schedule I shall (i) remain operative and in full force and effect regardless of any termination of the Agreement or completion of the engagement by Ankura; (ii) inure to the benefit of any successors, assigns, heirs or personal representative of any Indemnified Person; and (iii) be in addition to any other rights that any Indemnified Person may have.

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DCL CORPORATION

Court File No.: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

PRE-FILING REPORT OF THE PROPOSED MONITOR

OSLER, HOSKIN & HARCOURT LLP
1 First Canadian Place, P.O. Box 50
Toronto, ON M5X 1B8

Marc Wasserman (LSO# 44066M)
Email: MWasserman@osler.com

Martino Calvaruso (LSO# 57359Q)
Email: MCalvaruso@osler.com

Counsel for Alvarez & Marsal Canada Inc., solely in its capacity as the Proposed Monitor of DCL Corporation and not in its personal or corporate capacity