

**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 MAV
BEAUTY BRANDS INC., MARC ANTHONY COSMETICS LTD., MARC ANTHONY US
HOLDINGS, INC., MARC ANTHONY COSMETICS USA, INC., MAC PURE HOLDINGS,
INC., MAV MIDCO HOLDINGS, LLC, RENPURE, LLC, ONESTA HAIR CARE, LLC,
AND THE MANE CHOICE HAIR SOLUTION LLC**

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

NOVEMBER 13, 2023

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1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that MAV Beauty Brands Inc. (“**MAV Brands**”), Marc Anthony Cosmetics Ltd. (“**MAV Cosmetics**”), Marc Anthony US Holdings, Inc. (“**MAV US Holdings**”), Marc Anthony Cosmetics USA, Inc. (“**MAV Cosmetics USA**”), MAC Pure Holdings, Inc. (“**MAC Holdings**”), MAV Midco Holdings, LLC (“**MAV Midco**”), Renpure, LLC (“**Renpure**”), Onesta Hair Care, LLC (“**Onesta**”), and The Mane Choice Hair Solution LLC (“**Mane Choice**”) (collectively, the “**Applicants**” or the “**MAV Group**”) intend 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 the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing A&M as the Court-appointed Monitor (the “**Monitor**”). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 The MAV Group’s business is the marketing and distribution of hair care and personal care products to retailers globally, with a portfolio of four independent brands: “Marc Anthony”, “Cake Beauty”, “Renpure” and “The Mane Choice” (collectively, the “**Brands**”).
- 1.3 MAV Brands is a non-operating holding company that wholly owns, either directly or indirectly, all of the other Applicants. MAV Brands was amalgamated under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) and is a publicly traded company whose common shares are listed on the Toronto Stock Exchange (TSX:MAV).

- 1.4 MAV Cosmetics, amalgamated under the BCBCA, is the Applicants’ primary operating company focused on selling “Marc Anthony” and “Cake Beauty” branded products and acts as the effective cost centre for the majority of shared services between the Applicants.
- 1.5 Renpure is an operating company focused on selling “Renpure” branded hair and body care products to retailers. Renpure was incorporated under the laws of the State of Delaware as a limited liability company.
- 1.6 Mane Choice is an operating company focused on selling “The Mane Choice” branded hair and body care products to retailers. Mane Choice was incorporated under the laws of the State of Delaware as a limited liability company.
- 1.7 The remaining Applicants are all non-operating companies incorporated under the laws of the State of Delaware. A corporate chart setting out the legal structure of the MAV Group is attached as Exhibit “A” of the MacKay-Lee Affidavit (as defined below).
- 1.8 The principal purpose of these CCAA Proceedings is to stabilize and maintain the MAV Group’s business, obtain additional required liquidity for the business, and implement a sale of the MAV Group’s assets and business (the “**Proposed Transaction**”) to MAV USA, LLC and/or one or more of its designees (collectively, the “**Purchaser**”), an affiliate of Nexus Capital Management LP. The Proposed Transaction is further discussed in section 6.0 hereof.
- 1.9 This pre-filing report (the “**Report**”) should be read in conjunction with the affidavit of Laurel MacKay-Lee, the Chief Financial Officer of each of the Applicants, sworn November 13, 2023 (the “**MacKay-Lee Affidavit**”), and filed in support of the MAV

Group's application for relief under the CCAA. The MacKay-Lee Affidavit, which among other things, provides a detailed summary of the Applicants' background, including the events leading up to, and reasons for, the commencement of these CCAA Proceedings.

2.0 PURPOSE OF THIS PRE-FILING REPORT

2.1 The purpose of this 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 (if appointed);
- (ii) background information in respect of the Applicants;
- (iii) the Applicants' cash flow projection for the period November 4, 2023, through to December 22, 2023 (the "**Cash Flow Forecast**");
- (iv) the relief sought by the Applicants as part of the proposed Initial Order, including:
 - (a) approval of the proposed interim debtor-in-possession financing facility (the "**DIP Facility**") and the Interim Financing Term Sheet (the "**DIP Facility Agreement**") entered into on November 13, 2023 among MAV Cosmetics and MAC Holdings, as borrowers, MAV Cosmetics, MAC Holdings, MAV Brands, MAV US Holdings, MAV Cosmetics USA, MAV Midco, Renpure, Onesta and Mane Choice, as guarantors, Royal Bank of Canada ("**RBC**"), as administrative agent (in such capacity, the "**DIP Agent**") and certain of the lenders party to the Credit Agreement (as defined below), as interim lenders (in such capacity, the "**DIP Lenders**");

- (b) subject to the DIP Facility Agreement and the consent of the Monitor (if appointed), authorizing the Applicants to make certain pre-filing payments on account of goods or services provided to the Applicants;
- (c) authorizing the Applicants to continue to utilize their Cash Management System (as defined herein);
- (d) granting the proposed Court-ordered Charges (as defined herein) over the Applicants' current and future assets, property and undertakings (collectively, the "**Property**");
- (v) the intended next steps in the CCAA Proceedings; and
- (vi) the Proposed Monitor's conclusions and recommendations in connection with the foregoing.

2.2 If the Initial Order is granted, the Applicants intend to return to Court on or before November 24, 2023, for a hearing (the "**Comeback Hearing**") to seek the Court's approval of an Amended and Restated Initial Order (the "**ARIO**") which, among other things, would:

- (i) extend the stay of proceedings;
- (ii) increase the amounts of the Administration Charge, D&O Charge and DIP Charge (as defined herein);

- (iii) approve the engagement of the Applicants' financial advisor, Piper Sandler & Co. ("**Piper Sandler**"), and grant a charge on the Property in favour of Piper Sandler for transaction fees payable by the Applicants pursuant to such engagement; and
- (iv) approve a key employee retention plan ("**KERP**") and grant a charge on the Property in favour of the KERP participants.

2.3 The Proposed Monitor also understands that at the Comeback Hearing, the Applicants intend to seek relief in respect of the Proposed Transaction, including, among other things, a sale approval, vesting and distribution order (the "**AVO**") and a contract assignment order (the "**Assignment Order**"). If appointed, the Monitor intends to serve a first report of the Monitor (the "**First Report**") in respect of the relief that will be sought at the Comeback Hearing.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Report, A&M, 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 the Applicants, and has had discussions with management of the Applicants, their legal counsel and Piper Sandler (collectively, the "**Information**"). Except as otherwise described in this Report, in respect of the Applicants' 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.

3.2 Future oriented financial information referred to in this Report was prepared based on the Applicants’ management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars (“**USD**”).

4.0 A&M’S QUALIFICATIONS TO ACT AS MONITOR

4.1 Alvarez & Marsal Canada ULC (“**A&M Canada**”), an affiliate of the Proposed Monitor, was engaged to act as a consultant to the Applicants on June 19, 2023, and as such, the Proposed Monitor is familiar with the business and operations of the Applicants, its personnel, and the key issues and stakeholders in these 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, and is not subject to any of the restrictions on who may be appointed as monitor set out in subsection 11.7(2) of the CCAA.

- 4.2 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 who have previously acted in CCAA matters of a similar nature.
- 4.3 The Proposed Monitor has retained Goodmans LLP (“**Goodmans**”) to act as its independent legal counsel.
- 4.4 A&M has consented to act as Monitor of the Applicants should the Court grant the Applicants’ request to commence CCAA Proceedings pursuant to the Initial Order.

5.0 BACKGROUND INFORMATION

Overview

- 5.1 The MacKay-Lee Affidavit provides an extensive description of the MAV Group’s business and background. Certain key details are summarized below.
- 5.2 The MAV Group maintains its head office from leased premises located in Vaughan, Ontario (the “**Head Office**”). The Applicants do not own any real property.
- 5.3 The MAV Group supplies a variety of brick-and-mortar chains and e-commerce retailers, including, among others, Walmart, Shoppers Drug Mart, Target, Costco, Walgreens and Amazon.
- 5.4 Each of the MAV Group’s Brands target a distinct consumer base with limited competitive overlap. The Brands are registered trademarks in Canada with the Canadian Intellectual

Property Office, in the United States with the Patent and Trademarks Office, and in various other jurisdictions where the Applicants sell their product.

5.5 The MAV Group does not own or operate any manufacturing facilities. The MAV Group's operating companies contract and maintain direct relationships with a diversified network of independent third-party suppliers and manufacturers located primarily in North America to produce and test their products.

5.6 The MAV Group's products are shipped from their third-party manufacturers to their third-party distribution centres. These third-party distributors are responsible for the warehousing of products prior to sale and the management of outbound freight to fulfill orders placed by the MAV Groups' retail and distribution partners.

Senior Secured Credit Facility

5.7 On July 10, 2018, concurrent with the initial public offering of MAV Brands' common shares, MAV Brands, as issuer, and MAV Cosmetics and MAC Holdings, as borrowers (collectively, the "**Borrowers**"), entered into a credit agreement (as amended from time to time, the "**Credit Agreement**") with, among others, a syndicate of lenders, as lenders (the "**Lenders**") and RBC as the administrative agent and collateral agent (in such capacity, the "**Agent**").

5.8 Key terms and components of the Credit Agreement include the following:

- (i) the Borrowers' obligations under the Credit Agreement are guaranteed by each of the Applicants;

- (ii) the credit facilities currently provided under the Credit Agreement include a revolving credit facility limited to \$5 million (the “**Revolving Facility**”) and a non-revolving term loan credit facility in the aggregate principal amount of up to \$138.5 million (together with the Revolving Facility, the “**Credit Facility**”);
- (ii) the interest rate for outstanding borrowings is the Secured Overnight Financing Rate plus 5.1% per annum, including 1.6% per annum of incremental interest payable-in-kind and added to the principal amount;
- (iii) the Credit Facility provides for mandatory pre-payments of the Revolving Facility with certain excess liquidity; and
- (iv) certain financial covenants, including the requirement to maintain weekly minimum liquidity levels.

5.9 As of the date of this Report, the principal amount outstanding under the Credit Agreement totals approximately \$122.7 million.

5.10 The Proposed Monitor requested that its counsel, Goodmans, conduct an independent review of the security granted by the Applicants in respect of the Credit Facility, and if appointed, will report on same in the First Report.

Other Secured Obligations

5.11 Pursuant to recent searches obtained by the Applicants of registrations under the *Personal Property Security Act* (the “**PPSA**”) in Ontario and British Columbia, aside from registrations by the Agent for obligations under the Credit Agreement, Xerox Financial

Services Canada Ltd. holds a registered security interest against a commercial printer located in the Head Office. Summaries of the PPSA search results are attached as Exhibit “T” to the MacKay-Lee Affidavit.

Employees

- 5.12 The Applicants currently employ approximately 72 individuals, comprised of 67 Canadian residents and 4 residents of the United States. Canadian employees are employed by MAV Cosmetics, and United States employees are employed by MAV Cosmetics USA. In addition, the Applicants engage one contractor residing in Mexico.
- 5.13 The Applicants’ payroll is processed by Ceridian HCM in Canada and PayChex in the United States, both third-party payroll processors, and is paid utilizing the MAV Group’s Cash Management System (as described below in section 10.0).
- 5.14 The Applicants’ employees are entitled to participate in a Canadian Group Retirement Savings Plan and a 401K plan in the United States, both of which are funded solely by employee contributions. The Applicants also sponsor employee benefits plans, which provide medical, dental, vision and other benefits for eligible employees. The Applicants do not have any pension plans.
- 5.15 The Applicants maintain a performance-based bonus plan for certain employees. As of the date of this Report, approximately \$290,000 is owed to certain executives for the six-month period ending June 30, 2023, which becomes due and payable upon execution of the Asset Purchase Agreement (as defined herein). The Proposed Monitor understands that the Lenders are supportive of the Applicants making such payments.

5.16 As of October 31, 2023, the Applicants' books and records reflect accrued vacation pay of approximately \$75,000.

5.17 The Proposed Monitor understands that the Applicants remain current in all of their payments in respect of payroll and the remittance of other employee source deductions, and that during the CCAA Proceedings, the Applicants intend to continue funding the benefit plans and all other employee related costs and benefits in the normal course.

Unsecured Obligations

5.18 Based on the Applicants' consolidated books and records, as at September 30, 2023, amounts owed to unsecured trade creditors total approximately \$6.7 million, inclusive of a \$4.0 million payable balance and a \$2.7 million accrued balance. Amounts are owing primarily to third-party suppliers of inventory, product components, logistics, marketing services and other general goods and services located in the United States and Canada.

5.19 Other accrued liabilities of the Applicants include approximately \$230,000 claimed by the Canada Revenue Agency in respect of disputed withholding taxes.

5.20 MAV Cosmetics and MAV Brands are party to one Canadian lease agreement in respect of the Head Office. The Proposed Monitor understands that all lease obligations are current.

5.21 One or more of the Applicants have received notices of being named as defendants or are named as defendants in certain litigation matters. In the aggregate, the amounts claimed against the Applicants are approximately \$1.79 million, however, due to the nature of such claims, limited amounts have been accrued on the Applicants' financial statements.

6.0 EVENTS LEADING TO THE CCAA PROCEEDINGS

6.1 As detailed in the MacKay-Lee Affidavit, the MAV Group has faced a number of challenges as a result of, among other things, increased financing costs in light of rapidly accelerating interest rates, increased competition in the personal care industry, and disruption to retail sales following brick-and-mortar store closures and shifts in end-consumer purchasing preferences toward e-commerce and online platforms during the COVID-19 pandemic.

6.2 The following table provides a summary of the Applicants' income statement for the fiscal years 2020, 2021, and 2022 and the nine months ended September 30, 2023, highlighting the negative trend in the business and the material impact resulting from the aforementioned factors:

\$'000s	YTD Sept 23	FY 2022	FY 2021	FY2020
Consolidated Revenue	\$81,403	\$90,692	\$107,156	\$114,906
Adjusted EBITDA ¹	\$6,610	\$12,433	\$16,506	\$28,470
Impairment Charge	Nil	(\$145,479)	(\$129,033)	Nil
Net Loss	\$(9,333)	\$(155,839)	\$(97,636)	\$6,506

6.3 As reflected above, the Applicants have incurred losses of approximately \$262.8 million since the beginning of 2021.

6.4 During fiscal years 2021 and 2022, the Applicants determined that there was a material impairment to the carrying value of the MAV Group's intangible assets due to: (i) a sharp decline in MAV Brands' share price; (ii) a lower than forecast revenue outlook; (iii) higher

¹ Represents EBITDA net of impairment expenses and restructuring related expenses.

than forecast supply chain input costs; and (iv) higher than forecast interest costs. As a result, the Applicants recorded impairment charges totaling \$274 million during fiscal years 2021 and 2022.

6.5 The Applicants' statement of cash flow for the fiscal years 2020, 2021, and 2022 and the nine months ending September 30, 2023 are summarized below:

\$'000s	YTD Sept 23	FY 2022	FY 2021	FY2020
Cash flow from operating activities	\$3,661	\$8,090	\$6,406	\$14,781
Cash flow from financing activities	(\$5,935)	(\$8,490)	(\$10,352)	\$4,500
Cash flow from investing activities	(\$216)	(\$1,099)	(\$3,146)	(\$5,879)
Increase (Decrease) in Cash	(\$2,490)	(\$1,499)	(\$7,092)	\$13,402

6.6 As reflected above, the Applicants' overall cash position has declined by approximately \$11.1 million since the beginning of 2021.

6.7 While the Applicants' cash flow from operations has remained positive over the past few years, they have not been able to generate sufficient cash flow to continue to service ongoing debt obligations.

6.8 To address the significant operational and financial challenges encountered by the Applicants, the MAV Group undertook significant measures attempting to improve its operations and liquidity position, including but not limited to:

- (i) product engineering improvements to reduce production costs;
- (ii) select product price increases;

- (iii) significant reduction of customer penalties through a comprehensive root-cause analysis;
- (iv) negotiated reduction of logistic and warehousing costs with vendors;
- (v) reduction of non-restructuring related professional fee expenditures;
- (vi) reduction of bonus payments; and
- (vii) a headcount reduction from over 100 employees to approximately 72 employees in under two years.

6.9 Despite the efforts described above, the Applicants' liquidity position continues to deteriorate in the face of declining operating performance, high interest costs and tightening vendor payment terms as a result of supplier concerns over the Applicants' financial position.

6.10 Considering the magnitude of the Applicants' financial and liquidity issues, in Q1 of 2023, the MAV Group initiated a strategic review process to identify, review and evaluate potential strategic alternatives that may be available to the Applicants, including, without limitation, the sale of all or substantially all of the MAV Group's securities and/or assets, or the raising of additional debt or equity capital (the "**Strategic Review Process**").

6.11 As part of the Strategic Review Process, the Applicants took the following steps:

- (i) on January 23, 2023, MAV Brands engaged Piper Sandler as its financial advisor to assist with, among other things, the Strategic Review Process;

- (ii) on March 31, 2023, MAV Brands issued a press release announcing that it had initiated a Strategic Review Process. A copy of the press release is attached to the MacKay-Lee Affidavit as Exhibit “J”;
- (iii) on April 10, 2023, the MAV Group formed a special committee comprised of certain independent directors of MAV Brands to oversee the Strategic Review Process and the negotiation of any amendments, extensions, forbearances or waivers to the Applicants’ debt facilities, as and if required, and to consider all matters related to the Strategic Review Process;
- (iv) on June 19, 2023, MAV Brands engaged A&M Canada to provide consulting services in connection with the Applicants’ efforts to improve financial and operating performance, assess strategic alternatives, and assist with the Strategic Review Process, if and as required; and
- (v) between January 2023 and March 2023, negotiated with the Lenders and their advisors in relation to the Sixth Amendment of the Credit Agreement, which among other things, extended the Credit Agreement to July 10, 2024.

6.12 While the Applicants explored various potential options and alternatives as part of the Strategic Review Process, due to the Applicants’ declining financial performance and unsustainable levels of leverage, the Applicants were unable to achieve a refinancing or amendment of the Applicants’ existing debt. As part of the Strategic Review Process, Piper Sandler worked on assisting the Applicants with a sale process in respect of the MAV Group.

- 6.13 Piper Sandler, in consultation with the Applicants, broadly canvassed the market for potential bidders and ultimately five parties submitted non-binding letters of intent or expressions of interest during the Strategic Review Process. The Lenders and their advisors were consulted in connection with the Strategic Review Process and the bids received.
- 6.14 Ultimately, the Strategic Review Process resulted in MAV Brands, along with certain of its subsidiaries, entering into an Asset Purchase Agreement with the Purchaser on November 13, 2023 (the “**Asset Purchase Agreement**”), pursuant to which the Purchaser is to acquire substantially all of the MAV Brands assets and business.
- 6.15 Following the completion of the Strategic Review Process, the Boards of Directors of the Applicants determined that entering into the Asset Purchase Agreement and commencing the CCAA Proceedings to implement the Proposed Transaction are in the best interests of the Applicants, taking into consideration all available alternatives and the Applicants’ declining liquidity position.
- 6.16 The Proposed Monitor understands that the Applicants are not seeking any specific relief in the proposed Initial Order in respect of the Proposed Transaction and the Asset Purchase Agreement but intend to do so at the Comeback Hearing.
- 6.17 If the Initial Order is granted by the Court, the Monitor (if appointed) will file a subsequent report to the Court in respect of the Strategic Review Process, the Proposed Transaction and the Asset Purchase Agreement.

7.0 DIP FACILITY

- 7.1 As described in the MacKay-Lee Affidavit, the MAV Group requires financing during these CCAA Proceedings to provide the liquidity necessary to maintain their business as a going concern, preserve the value of their assets for their stakeholders, and implement the Proposed Transaction.
- 7.2 In order to obtain access to such liquidity, the MAV Group negotiated the terms of the DIP Facility with the DIP Lenders. The DIP Facility and the process undertaken by the MAV Group to secure the DIP Facility are described in greater detail in the MacKay-Lee Affidavit.
- 7.3 Pursuant to the Initial Order, the Applicants are seeking approval to borrow up to \$250,000 under the DIP Facility during the initial 10-day period until the Comeback Hearing.
- 7.4 A summary of certain of the key terms and components of the DIP Facility is set out in the table below. Reference should be made to the DIP Facility Agreement for the full detailed terms and conditions of the DIP Facility.

DIP Facility (Capitalized terms not otherwise defined herein have the meaning ascribed thereto in the DIP Facility Agreement)	
Parties	<ul style="list-style-type: none">• Borrowers: MAV Cosmetics and MAC Holdings• Guarantors: MAV Cosmetics, MAC Holdings, MAV Brands, MAV US Holdings, MAV Cosmetics USA, MAV Midco, Renpure, Onesta and Mane Choice• Interim Agent: RBC, as administrative agent• Interim Lenders: certain of the lenders party to the Credit Agreement

Maximum Availability	<ul style="list-style-type: none"> • Non-revolving loan up to the maximum principal amount of \$3.9 million
Advances	<ul style="list-style-type: none"> • The DIP Facility shall be available in multiple advances, as follows: <ul style="list-style-type: none"> (i) an initial advance in the amount of \$250,000; and (ii) subsequent advances to be drawn based on the funding needs of the Applicants as set forth in the DIP Budget and as agreed among the Applicants and the DIP Lenders. Each subsequent advance shall be in a principal amount of not less than \$250,000.
Interest	<ul style="list-style-type: none"> • Interest is payable on each advance at Adjusted Term SOFR for the SOFR Interest Period in effect for such advance plus 5.1% Accrued Interest on each advance.
Fees	<ul style="list-style-type: none"> • \$100,000 exit fee on the Maturity Date.
Costs and Expenses	<ul style="list-style-type: none"> • Reimbursement for the Interim Agent and the Interim Lenders expenses in connection with the negotiation, development, and implementation of the Interim Facility (including the administration of the Interim Facility) and in connection with the Restructuring Proceedings. The Interim Lender Expenses shall form part of the Interim Financing Obligations secured by the Interim Agent's Charge.
Use of Funds	<ul style="list-style-type: none"> • The Loan Parties shall use proceeds of the Interim Facility solely for the following purposes and subject to the DIP Budget and the Court Orders: <ul style="list-style-type: none"> (i) to pay the reasonable and documented legal and financial advisory fees and expenses of (i) the Loan Parties, (ii) the Monitor, and (iii) the Interim Agent and the Interim Lenders; (ii) to pay the interest, fees and other amounts owing to the Interim Agent and the Interim Lenders, and for greater certainty, the Borrowers shall not pay the interest or fees owing on the Existing Credit Agreement; (iii) to fund, in accordance with the DIP Budget, the Loan Parties' operating and capital expenditures; and (iv) to fund operating costs, expenses and ordinary course liabilities (including, without limitation, wages, vacation pay,

	active employee benefits and ongoing director remuneration) of the Loan Parties.
Maturity	<ul style="list-style-type: none"> • The Interim Facility and the Interim Financing Obligations shall be due and repayable in full on the earlier of: (a) the occurrence of any Event of Default which is continuing and has not been cured within the time permitted under the DIP Facility Agreement, (b) the completion of a Restructuring Transaction, and (c) the Outside Date (the earliest of such dates being the “Maturity Date”). • “Outside Date” means December 22, 2023, or such later date agreed to by both the Loan Parties and the Interim Lenders in writing, in consultation with the Monitor.
Certain Key Conditions Precedent to Initial Availability	<ul style="list-style-type: none"> • The Court shall have issued the Initial Order in form and substance acceptable to the Interim Lender Majority, in their reasonable discretion, which, among other things, (i) approves of the DIP Facility Agreement; (ii) authorizes the Borrowers to borrow up to \$250,000 under the Interim Facility; and (iii) grants the Interim Agent’s Charge on the CCAA Applicants’ Collateral as security for all Interim Financing Obligations, which Interim Agent’s Charge shall have priority over all Liens on the CCAA Applicants’ Collateral other than the Permitted Priority Liens. • The Loan Parties shall reimburse the Interim Agent and the Interim Lenders for all reasonable and documented fees and expenses incurred in relation to pre-filing expenses and restructuring costs.
Certain Key Conditions Precedent to Subsequent Availability	<ul style="list-style-type: none"> • The Court shall have issued the ARIO, the AVO and the Assignment Order, which ARIO, AVO and Assignment Order shall each be in form and substance acceptable to the Interim Lender Majority, in their reasonable discretion. • There shall be no Liens ranking in priority to or <i>pari passu</i> with the Interim Agent’s Charge over the CCAA Applicants’ Collateral other than the Permitted Priority Liens. • No Default or Event of Default shall have occurred or will occur as a result of the requested Advance. • Payment of all Interim Lender Expenses incurred to the date of Advance.

DIP Budget and Variance Reporting	<ul style="list-style-type: none"> • Every two weeks beginning November 23, 2023, and also upon a material change reasonably anticipated by the Borrowers to result in the DIP Facility amount to be insufficient, the Borrowers shall propose an Updated DIP Budget to the Interim Lenders for acceptance. • On or before 5:00 p.m. Eastern Time on the Wednesday of every week, the Borrowers shall deliver to the Monitor and the Interim Agent and their legal and financial advisors a Variance Report.
Events of Default	<p>Certain key Events of Default include, among others:</p> <ul style="list-style-type: none"> • Failure of the Borrowers to pay principal, interest or other amounts when due. • Failure of any Loan Party to perform or comply with any term, condition, covenant or obligation pursuant to the DIP Facility Agreement or any other Credit Document and such failure remains unremedied for more than three (3) Business Days at receipt of written notice by the Loan Parties. • A Variance Report or Updated DIP Budget is not delivered when due, or, in respect of any Testing Period, there shall exist a variance in excess of the Permitted Variance. • Except as stayed by order of the Court or consented to by the Interim Lender Majority, a default under, revocation or cancellation of, any Material Contract. • Failure of any Loan Party to meet any of the following milestones: <ul style="list-style-type: none"> ○ The Loan Parties shall have obtained the Initial Order on or prior to November 14, 2023; ○ The Loan Parties shall have obtained the ARIQ and AVO on or prior to November 24, 2023; and ○ Closing by the Outside Date (December 22, 2023).
Permitted Restructuring Transaction	<ul style="list-style-type: none"> • “Permitted Restructuring Transaction” means such Restructuring Transaction that is acceptable to the Interim Lenders in their sole discretion. <ul style="list-style-type: none"> ○ “Restructuring Transaction” means any restructuring, financing, refinancing, recapitalization, sale, liquidation, workout, plan of arrangement or other material transaction of, or in respect of, all or any of the Loan Parties or their respective assets and liabilities.

Proposed Monitor's Views on the DIP Facility

7.5 The Proposed Monitor respectfully recommends that the Court approve the DIP Facility for the following reasons:

- (i) the DIP Facility being provided by the DIP Lenders is the result of extensive negotiations as between the Applicants, the DIP Lenders and their respective advisors, and represents the best that the Applicants could negotiate in the circumstances in seeking a going concern outcome for its business;
- (ii) Piper Sandler has advised the Proposed Monitor that the terms contemplated by the DIP Facility Agreement are, in their opinion, fair and in line with market standards for facilities of a similar nature. In addition, the Proposed Monitor has reviewed comparable DIP transactions and is satisfied that the terms of the DIP Facility, including the interest rate and fees charged, are reasonable and within market parameters;
- (iii) the results of the Strategic Review Process demonstrate that there is insufficient value in respect of the Applicants' assets and business to repay the Lenders in full, and the Lenders are the fulcrum creditors in these circumstances;
- (iv) the Proposed Monitor is of the view that there is no material prejudice to other creditors as a result of the Applicants' obtaining the DIP Facility; and
- (v) as discussed in section 8.0 hereof, the DIP Facility, together with cash generated from ongoing operations, is forecast to provide the Applicants with sufficient

liquidity during these CCAA Proceedings to allow the MAV Group to continue to operate in the normal course and implement the Proposed Transaction.

8.0 CASH FLOW FORECAST

8.1 As part of these CCAA Proceedings, and as required by the DIP Facility, the Applicants have prepared the Cash Flow Forecast for the 7-week² period from November 4, 2023, through to December 22, 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 subsection 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 segregated by: (i) the three-week period up to the anticipated Comeback Hearing³, being November 4, 2023 to November 24, 2023 (the “**Initial Period**”); and (ii) the four-week period subsequent to the Initial Period:

² The Cash Flow Period utilized reflects the Outside Date contemplated in the Proposed Transaction

³ The Comeback Hearing is anticipated to be heard on or before November 24, 2023.

Cash Flow Forecast		USD \$'000s		
	3-Week Period	4-Week Period	7-Week Total	
	<i>11/24/2023</i>	<i>12/22/2023</i>	<i>12/22/2023</i>	
Receipts				
AR collections	3,546	5,120	8,666	
Sales tax & other receipts	-	-	-	
Total Receipts	3,546	5,120	8,666	
Operating Disbursements				
Inventory purchases	(4,353)	(3,742)	(8,095)	
Freight / warehousing	(913)	(916)	(1,829)	
Other SG&A	(1,296)	(1,860)	(3,156)	
Payroll & benefits	(942)	(875)	(1,817)	
Total Operating Disbursements	(7,504)	(7,394)	(14,898)	
Operating Net Cash Flow	(3,958)	(2,274)	(6,232)	
Non-Operating Disbursements				
Professional fees	(1,905)	(1,336)	(3,240)	
DIP interest	-	(1)	(1)	
Total Non-Operating Disbursements	(1,905)	(1,336)	(3,241)	
Net Cash Flow	(5,863)	(3,610)	(9,473)	
Opening Cash	5,629	16	5,629	
Net cash flow	(5,863)	(3,610)	(9,473)	
DIP advance / (paydown)	250	3,625	3,875	
Closing Cash	16	31	31	

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

- (i) during the Initial Period, net cash flows of negative \$5.9 million are forecast to be funded by the Applicants' cash-on-hand, the collection of accounts receivable and an initial advance under the DIP Facility totalling \$250,000;
- (ii) during the Cash Flow Period, total net cash flows are forecast to be approximately negative \$9.5 million, which are expected to be funded by the Company's cash on hand, accounts receivable receipts and advances under the DIP Facility totalling approximately \$3.9 million; and

- (iii) forecast disbursements include payments to operate the Applicants' business in the normal course, and include an estimate for certain pre-filing payments in respect of goods and services provided to the Applicants and payment of the Deferred H1 Bonuses as described in section 5.15 herein.

8.4 The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor by subsection 23(1)(b) of the CCAA. Subsection 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 certain key members of 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.

8.5 Based on the Proposed Monitor's review, 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 Applicants 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.

8.6 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.

9.0 CERTAIN PRE-FILING PAYMENTS

9.1 As part of the proposed Initial Order, the Applicants are seeking authorization to pay certain pre-filing arrears to vendors and suppliers whose products and/or services are important to the Applicants' ongoing operations and/or to the implementation of the Proposed Transaction.

9.2 The proposed Initial Order provides that any such payments are subject to both the DIP budget and the consent of the Monitor. The Asset Purchase Agreement in respect of the Proposed Transaction requires the Applicants to satisfy such payments in accordance with the DIP budget.

10.0 CASH MANAGEMENT SYSTEM

10.1 As described in the MacKay-Lee Affidavit, the Applicants' cash management system is operated through various accounts with RBC, RBC Bank (Georgia), Regions Bank, and Choice Bank (together, the "**Cash Management System**"). The Cash Management System is administered by the Applicants' finance department at the Head Office.

10.2 The MAV Group utilizes thirteen bank accounts, of which nine are held at RBC, two are held at RBC Bank (Georgia) and one is held at each of Regions Bank and Choice Bank (collectively, the "**Bank Accounts**"). The Bank Accounts are denominated in CAD and USD.

10.3 The Applicants intend to continue using their existing Cash Management System in substantially the same manner as before the commencement of the CCAA Proceedings and are seeking approval of the Court to do so. Given the scale and nature of the Applicants' 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.

10.4 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;
- (iii) review disbursements, as reasonably appropriate, for compliance with provisions of the proposed Initial Order; and
- (iv) review and track the ordinary intercompany cash transfers that occur among the Bank Accounts.

11.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

11.1 The proposed Initial Order seeks the granting of the Administration Charge, the DIP Charge and the D&O Charge (each as defined below) over the Property (collectively, the “**Charges**”), and provides that the Charges are to rank ahead of all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise (collectively, the “**Encumbrances**”) against the Property, provided that the

Charges shall rank behind Encumbrances in favour of any Persons that have not been served with notice of the application for the Initial Order.

Administration Charge

- 11.2 The proposed Initial Order provides for a charge in an initial amount not to exceed \$450,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicants (the “**Administration Charge**”).
- 11.3 The Proposed Monitor assisted the Applicants with the calculation of the Administration Charge and is of the view that the amount of the charge for the initial 10-day stay period is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, the anticipated professional costs to be incurred during the initial 10-day stay period, and the size of charges approved in similar CCAA proceedings.

D&O Charge

- 11.4 The proposed Initial Order provides that the Applicants will indemnify their directors and officers against obligations and liabilities that they may incur in their capacity as directors or officers of the Applicants from the commencement of the CCAA Proceedings, except to the extent that any such obligation or liability was incurred as a result of gross negligence or wilful misconduct, and provides for a charge on the Property in the initial amount of \$600,000 in favour of the Applicants’ directors and officers as security for such indemnity (the “**D&O Charge**”).
- 11.5 The Proposed Monitor understands that the MAV Group holds a directors’ and officers’ insurance policy that provides coverage for certain obligations. However, this policy contains certain exceptions, exclusions and carve-outs, and as a result, the policy may not

provide adequate coverage to the MAV Group's directors and officers during the CCAA Proceedings.

11.6 The Applicants' directors and officers will only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under the MAV Group's directors' and officers' insurance policy or to the extent that such coverage is insufficient to pay an indemnified amount.

11.7 The amount of the D&O Charge was estimated by the Applicants, in consultation with the Proposed Monitor, taking into consideration the Applicants' payroll, vacation pay, statutory employee obligations and sales tax liabilities, during the 10-day period prior to the Comeback Hearing.

DIP Charge

11.8 The proposed Initial Order provides for a charge on the Property in favour of the DIP Lenders as security for outstanding obligations of the Applicants under the DIP Facility (the "**DIP Charge**"). As noted above, pursuant to the Initial Order, the borrowings under the DIP Facility Agreement cannot exceed \$250,000, unless permitted by further Order of the Court.

11.9 It is a condition of the DIP Facility Agreement 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 7.0 above. The Proposed Monitor is of the view that the DIP Charge is reasonable and appropriate in the circumstances and will provide the Applicants with sufficient liquidity to operate the business until the Comeback Hearing.

Priority of Charges

11.10 The priorities of the Charges are proposed to be as follows:

- (i) First – Administration Charge (to the maximum amount of \$450,000);
- (ii) Second – D&O Charge (to the maximum amount of \$600,000); and
- (iii) Third – DIP Charge.

11.11 As set out above, the Proposed Monitor believes that the Charges are reasonable in the circumstances. The Proposed Monitor understands that the Applicants will seek to increase the Charges at the Comeback Hearing.

12.0 INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS

12.1 The Proposed Monitor understands that, subject to obtaining the proposed Initial Order, the Applicants intend to: (i) continue to operate the MAV Group's business in the normal course; and (ii) return to Court at the Comeback Hearing to seek the ARIO, the AVO and the Assignment Order, as described in sections 2.2 and 2.3 hereof.

13.0 STAY OF PROCEEDINGS

13.1 The proposed Initial Order contemplates the granting of an initial 10-day stay of proceedings in respect of the Applicants, their business and the Property, as well as in respect of the Applicants' directors and officers.


13.2 The proposed stay of proceedings will provide the Applicants with stability for their business and enable them to operate in the normal course and to work to implement the Proposed Transaction, which is intended to maximize value for stakeholders.

14.0 CONCLUSIONS AND RECOMMENDATIONS

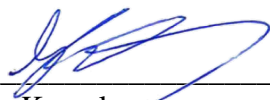
- 14.1 For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Applicants in the proposed Initial Order is reasonable, appropriate and necessary, having regard to the current circumstances of the Applicants. As such, the Proposed Monitor supports the Applicants' application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicants.

All of which is respectfully submitted to the Court this 13th day of November, 2023.

**Alvarez & Marsal Canada Inc., in its capacity as
Proposed Monitor of MAV Beauty Brands Inc., Marc Anthony Cosmetics Ltd., Marc
Anthony US Holdings, Inc., Marc Anthony Cosmetics USA, Inc., MAC Pure Holdings, Inc.,
MAV Midco Holdings, LLC, Renpure, LLC, Onesta Hair Care, LLC, and The Mane Choice
Hair Solution LLC**

Per: 

Stephen Ferguson
Senior Vice-President

Per: 

Greg Karpel
Senior Vice-President

APPENDIX “A”

7-WEEK CASH FLOW FORECAST

Appendix A

MAV Group
7-Week Cash Flow Forecast ending December 22, 2023
\$USD '000's

Cash Flow Week:			Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	7-Week
Week Ending:		Notes	10-Nov-23	17-Nov-23	24-Nov-23	1-Dec-23	8-Dec-23	15-Dec-23	22-Dec-23	Total
Receipts										
AR collections	1		1,788	806	951	986	1,037	1,611	1,486	8,666
Sales tax & other receipts			-	-	-	-	-	-	-	-
Total Receipts			1,788	806	951	986	1,037	1,611	1,486	8,666
Operating Disbursements										
Inventory purchases	2		(1,604)	(2,040)	(709)	(600)	(247)	(1,912)	(982)	(8,095)
Freight / warehousing	3		(288)	(389)	(236)	(250)	(230)	(229)	(207)	(1,829)
Other SG&A	4		(581)	(435)	(281)	(466)	(554)	(484)	(357)	(3,156)
Payroll & benefits	5		(300)	(292)	(350)	-	(525)	-	(350)	(1,817)
Total Operating Disbursements			(2,772)	(3,155)	(1,577)	(1,316)	(1,556)	(2,626)	(1,895)	(14,898)
Operating Net Cash Flow			(984)	(2,349)	(625)	(330)	(519)	(1,015)	(410)	(6,232)
Non-Operating Disbursements										
Professional fees	6		(1,606)	-	(298)	(82)	(510)	-	(744)	(3,240)
DIP interest	7		-	-	-	(1)	-	-	-	(1)
Total Non-Operating Disbursements			(1,606)	-	(298)	(82)	(510)	-	(744)	(3,241)
Net Cash Flow			(2,590)	(2,349)	(923)	(413)	(1,029)	(1,015)	(1,154)	(9,473)
Opening Cash			5,629	3,039	689	16	28	49	35	5,629
Net cash flow			(2,590)	(2,349)	(923)	(413)	(1,029)	(1,015)	(1,154)	(9,473)
DIP advance / (paydown)	8		-	-	250	425	1,050	1,000	1,150	3,875
Closing Cash			3,039	689	16	28	49	35	31	31

Appendix A

MAV Group

7-Week Cash Flow Forecast ending December 22, 2023

Notes

Disclaimer

*In preparing this illustrative cash flow forecast (the “**Forecast**”), MAV Group has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast reflects assumptions including those discussed below with respect to the requirements and impact of a potential filing in Canada 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.

Notes

Note 1 AR collections

AR collections are forecast based on the Company’s accounts receivable ledger as of November 3, 2023. Collection on forecast new sales are based on historical customer collection terms.

Note 2 Inventory purchases

Inventory payments are forecast based the Company’s accounts payable ledger as of November 3, 2023. New purchases are based on the MAV Group’s open orders, purchase requirements, and expected vendor payment terms.

Note 3 Freight / warehousing

Freight / warehousing disbursements are forecast based on current run-rates.

Note 4 Other SG&A

Other SG&A disbursements include: insurance, marketing, broker fees, rent, taxes and other general and admin expenses.

Note 5 Payroll & benefits

Payroll & benefits include salaries, wages, remittances and employee benefits for salaried employees in Canada and the U.S. Payroll & benefits also include approximately \$290,000 owed to certain executives for the six-month period ending June 30, 2023, which becomes due and payable upon execution of the Asset Purchase Agreement.

Note 6 Professional fees

Professional fees disbursements include fees paid to the Applicant’s legal counsel and financial advisor; the Monitor and its legal counsel; the Lender’s/DIP Lender’s counsel and financial advisor; and fees related to the Special Committee.

Note 7 DIP interest

DIP interest disbursements are in accordance to the terms of the DIP Facility.

Note 8 DIP advance / (paydown)

Represents draw on the DIP Facility based on the anticipated cash requirements of the Applicant.

APPENDIX “B”

**MANAGEMENT’S REPRESENTATION LETTER
REGARDING THE CASH FLOW FORECAST**



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

Attention: Mr. Stephen Ferguson and Mr. Greg Karpel

November 12, 2023

Dear Sirs:

Re: MAV Beauty Brands Inc., Marc Anthony Cosmetics Ltd., Marc Anthony US Holdings, Inc., Marc Anthony Cosmetics USA Inc., MAC Pure Holdings, Inc., MAV Midco Holdings, LLC, Renpure LLC, Onesta Hair Care, LLC, The Mane Choice Hair Solution LLC (collectively, the “Applicants” or the “MAV Group”) – CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast

In connection with the application by MAV Group for the commencement of proceedings under the *Companies’ Creditors Arrangement Act*, the management of MAV Group have prepared the attached 7-week projected cash flow statement for the period November 4, 2023 to December 22, 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 the MAV Group during the CCAA proceedings.

MAV Group 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 the MAV Group 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,

A handwritten signature in black ink that reads 'Laurel MacKay-Lee'.

Per: _____
Name: Laurel MacKay-Lee
Title: Chief Financial Officer

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

Court File No.: CV-23-00709610-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAV
BEAUTY BRANDS INC., MARC ANTHONY COSMETICS LTD., MARC ANTHONY US
HOLDINGS, INC., MARC ANTHONY COSMETICS USA, INC., MAC PURE HOLDINGS,
INC., MAV MIDCO HOLDINGS, LLC, RENPURE, LLC, ONESTA HAIR CARE, LLC, and
THE MANE CHOICE HAIR SOLUTIONS LLC**

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

**PRE-FILING REPORT OF THE PROPOSED
MONITOR**

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Lawyers for Alvarez & Marsal Canada Inc.
as Proposed CCAA Monitor of the Applicants