

**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**

**SECOND REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

DECEMBER 14, 2023

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1.0 INTRODUCTION

- 1.1 On November 14, 2023 (the “**Filing Date**”), 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**”) commenced these proceedings (the “**CCAA Proceedings**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and obtained an initial order (the “**Initial Order**”) from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”).
- 1.2 The principal purpose of these CCAA Proceedings has been to stabilize the MAV Group’s business, obtain the additional liquidity required to operate the business, and implement the sale of the MAV Group’s assets and business (the “**Transaction**”) to MAV USA, LLC (the “**US Purchaser**”), an affiliate of Nexus Capital Management LP, and/or one or more of its designees, including MAV Beauty Canada, Inc. (the “**Canadian Purchaser**” and, together with the US Purchaser, the “**Purchasers**”).
- 1.3 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as monitor of the Applicants (in such capacity, the “**Monitor**”) in these CCAA Proceedings.
- 1.4 The Monitor previously filed a copy of the First Report of the Monitor dated November 20, 2023 (the “**First Report**”) which is attached hereto as **Appendix “A”** (without appendices). A&M also filed a Pre-Filing Report of the Proposed Monitor dated November

13, 2023 (the “**Pre-Filing Report**” and together with the First Report, the “**Prior Reports**”). The Prior Reports and other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor’s case website at: www.alvarezandmarsal.com/MAV (the “**Case Website**”).

- 1.5 The Initial Order, among other things: (i) granted a stay of proceedings in respect of the Applicants and their respective directors and officers until and including November 24, 2023 (the “**Stay Period**”); (ii) granted approval of the 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 the Applicants, 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 herein), as interim lenders (in such capacity, the “**DIP Lenders**”); and (iii) granted the Administration Charge, the D&O Charge and the DIP Lenders Charge (each as defined in the Initial Order) over the Applicants’ current and future assets, properties and undertakings (collectively, the “**Property**”).
- 1.6 At a hearing held on November 24, 2023 (the “**Comeback Hearing**”), the Applicants sought and obtained:

- (i) an amended and restated Initial Order (the “**ARIO**”) which, among other things, (a) extended the Stay Period until and including December 21, 2023; (b) authorized the payment of certain retention bonus amounts pursuant to a retention bonus plan (the “**Retention Bonus Plan**”) to certain key employees of the Applicants (the “**Key Employees**”); (c) approved the Piper Sandler

Engagement Letter and the Transaction Fee Charge (each as defined in the ARIIO) up to a maximum amount of \$1.7 million; (d) authorized the Applicants to borrow up to \$3.9 million under the DIP Facility Agreement; and (e) increased the amounts of the Administration Charge and the D&O Charge to \$700,000 and \$725,000, respectively;

- (ii) an approval, vesting and distribution order (the “**AVO**”) which, among other things, (a) approved the asset purchase agreement dated November 13, 2023, among MAV Brands and MAV Cosmetics (together, the “**Canadian Sellers**”), MAV Cosmetics USA, MAV Midco, Renpure and Mane Choice (collectively, the “**US Sellers**” and together with the Canadian Sellers, the “**Sellers**”) and the US Purchaser (the “**Asset Purchase Agreement**”) and the Transaction contemplated thereby; and (b) approved certain distributions (collectively, the “**Distributions**”) to RBC in its capacity as DIP Agent on behalf of the DIP Lenders, and as administrative agent and collateral agent (the “**Agent**”) on behalf of the lenders (the “**Lenders**”) under the credit agreement entered into on July 10, 2018 (as amended from time to time, the “**Credit Agreement**”); and
- (iii) an assignment order (the “**Assignment Order**”), which among other things, approved the assignment of the contracts listed on Schedule “A” to the Assignment Order to the Purchasers, as applicable, in connection with the completion of the Transaction.

- 1.7 This second report (the “**Second Report**”) should be read in conjunction with the affidavit of Laurel MacKay-Lee, the Chief Financial Officer of each of the Applicants, sworn December 7, 2023 (the “**Third MacKay-Lee Affidavit**”). Unless otherwise indicated, capitalized terms used and not defined in this Second Report shall have the meanings given to them in the Third MacKay-Lee Affidavit.
- 1.8 The purpose of this Second Report is to provide the Court with information and, where applicable, the Monitor’s views on:
- (i) the closing of the Transaction and related matters;
 - (ii) the Applicants’ cash flow results for the five-week period ended December 8, 2023;
 - (iii) the Wind-Down Reserve (as defined below) and Distributions to the DIP Lenders and the Lenders;
 - (iv) the Applicants’ motion for a proposed Order (the “**Monitor Expanded Powers Order**”), which among other things would:
 - (a) grant to the Monitor the Expanded Powers (as defined below) and certain additional related protections;
 - (b) grant certain releases in favour of the directors and officers of the Applicants as of the Closing Date (as defined below) (the “**D&Os**”);
 - (c) terminate, release and discharge the D&O Charge, the DIP Lenders Charge and the Transaction Fee Charge; and

- (d) extend the Stay Period until and including June 21, 2024;
- (v) the activities of the Monitor since the date of the First Report;
- (vi) the activities remaining to complete these CCAA Proceedings (the **“Remaining Activities”**); and
- (vii) the Monitor’s conclusions and recommendations in connection with the foregoing, where applicable.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Second Report, the Monitor has been provided with, and has relied upon, unaudited financial information and the books and records prepared by the Applicants, and has held discussions with management of the Applicants and their legal counsel (collectively, the **“Information”**). Except as otherwise described in this Second Report in respect of the Applicants’ Cash Flow Forecast (as defined in the Pre-Filing Report):

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 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 Second 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 Second 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.

2.3 Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.

3.0 SALE TRANSACTION

3.1 Capitalized terms used and not defined in this section shall have the meanings given to them in the Asset Purchase Agreement.

Closing Matters

3.2 Since the Comeback Hearing, the Applicants, with the assistance of the Monitor and their respective advisors, completed the steps necessary to close the Transaction, including but not limited to:

- (i) working with the Purchasers to amend and restate the Disclosure Letter in relation to the list of Assumed Contracts and Intellectual Property to be conveyed pursuant to the Asset Purchase Agreement;

- (ii) finalizing the list of employees to be offered continued employment with the Purchasers, and preparing notices of termination to those employees who did not receive an offer of employment from the Purchasers;
- (iii) preparing and sending the Closing Statement setting forth the Estimated Purchase Price;
- (iv) preparing bills of sale and assignment and assumption agreements relating to the Assumed Assets and Assumed Liabilities;
- (v) preparing assignment agreements relating to intellectual property held by the Sellers; and
- (vi) updating and finalizing the Transition Services Agreement (as defined below) between the Sellers and the US Purchaser (which is further described herein and became effective on closing).

3.3 Pursuant to the Asset Purchase Agreement, the Purchase Price is comprised of the following:

- (i) \$30 million (the “**Base Purchase Price Amount**”);
- (ii) plus the amount (the “**Working Capital Overage**”), if any, by which the Closing Working Capital exceeds the sum of (a) the Working Capital Target Amount (\$28.3 million) plus (b) the Working Capital Collar Amount (\$527,000);

- (iii) minus the amount (the “**Working Capital Underage**”), if any, by which the sum of (a) the Working Capital Target Amount (\$28.3 million) plus (b) the Working Capital Collar Amount (\$527,000) exceeds the Closing Working Capital;
- (iv) minus any Cure Costs;
- (v) plus \$105,000 representing the Purchaser’s economic contribution to the payout of all accrued vacation pay to the Applicants’ employees (the “**Buyer Vacation Contribution**”).

3.4 A summary of the Estimated Purchase Price calculated pursuant to the Asset Purchase Agreement and related flow of funds with respect to amounts paid on Closing are set out in the table below.

\$'000s	
Base Purchase Price Amount	30,000
Add: Estimated Working Capital Overage	nil
Less: Estimated Working Capital Underage	nil
Less: Estimated Cure Costs	nil
Add: Buyer Vacation Contribution	105
Estimated Purchase Price	\$30,105
Deposit held in trust – Monitor funded to Sellers	1,000
Escrow Amount – Purchasers funded to Monitor	3,000
Remaining – Purchasers funded to Sellers	26,105
Total Funded on the Closing Date	\$30,105

3.5 On December 8, 2023 (the “**Closing Date**”), following (a) confirmation from both the Sellers and the Purchasers that all conditions of closing the transaction contemplated under

the Asset Purchase Agreement had been satisfied or waived, and (b) the receipt of the Estimated Purchase Price, the Transaction closed and the Monitor delivered a copy of the Monitor's certificate (the "**Monitor's Certificate**") to the Sellers and the Purchasers, as contemplated by the AVO. Thereafter, the Monitor filed a copy of the Monitor's Certificate with this Court, served a copy on the service list in these CCAA Proceedings, and posted a copy to the Case Website.

- 3.6 Pursuant to the AVO, upon delivery of the Monitor's Certificate, (a) all of the Canadian Sellers' right, title and interest in and to the Canadian Purchased Assets vested in the Canadian Purchaser; and (b) all of the US Sellers' right, title and interest in and to the US Purchased Assets vested in the US Purchaser, free and clear of any security, lien, charge or other restrictions, other than the Permitted Encumbrances (as defined in the AVO).

Post-Closing Adjustments

- 3.7 The Purchase Price is subject to certain post-closing adjustments, which shall be based on the difference between the Final Purchase Price and the Estimated Purchase Price in accordance with the terms of the Asset Purchase Agreement (the "**Post-Closing Adjustments**").
- 3.8 As outlined in the table above, on closing of the Transaction, the Monitor received \$3 million, in escrow, to satisfy any Post-Closing Adjustments pursuant to the terms of the Escrow Agreement (as defined in the Asset Purchase Agreement).

Transaction Fee

- 3.9 As described in the First Report, the Piper Sandler Engagement Letter sets out certain fees payable to Piper Sandler & Co. (“**Piper Sandler**”), the Applicants’ financial advisor, upon the close of a transaction resulting from the Strategic Review Process.
- 3.10 Leading up to the Comeback Hearing, Piper Sandler, the Applicants and the Lenders, with the assistance of the Monitor, engaged in discussions in respect of the quantum of the fees that would be payable to Piper Sandler on closing of the Transaction. The Applicants and Piper Sandler, with the consent of the Lenders, agreed upon a revised transaction fee of \$2.05 million payable upon the close of the Transaction, subject to a 50% credit on monthly advisory fees paid to Piper Sandler on and after May 1, 2023 (the “**Transaction Fee**”).
- 3.11 Following the closing of the Transaction, the Applicants paid Piper Sandler \$1.596 million in respect of the Transaction Fee, as calculated below:

\$'000s	
Transaction Fee	2,050
Less: 50% of monthly advisory fees	(454)
Transaction Fee Payable on Closing	\$1,596

Employees

- 3.12 The Monitor understands that the Purchasers offered employment to 66 of the Applicants’ 72 employees. All employees who were not offered employment with the Purchasers (the “**Terminated Employees**”) were terminated on December 8, 2023 and will be paid their

unpaid wages and vacation pay by the Applicants, as well as a gratuitous severance payment funded by the Purchasers.

3.13 The Monitor understands that as of the date of this Second Report, the Applicants have funded the following employee payments (the “**Employee Payments**”) to the MAV Group’s third-party payroll providers:

- (i) all accrued wages and vacation pay owing to all employees up to the Closing Date, as required by the Asset Purchase Agreement;
- (ii) payments to Key Employees pursuant to the Retention Bonus Plan (the “**Employee Retention Bonuses**”) in accordance with the ARIIO, totalling approximately \$1.2 million plus applicable payroll taxes and remittances, consistent with the Applicants’ existing compensation policies and arrangements; and
- (iii) severance payments to the Terminated Employees (who all executed releases in favour of the applicable Applicant), funding of which was provided by the Purchasers pursuant to the Asset Purchase Agreement.

Employees, including the Terminated Employees, are expected to receive the applicable Employee Payments which they are entitled to on or before December 15, 2023.

Transition Services Agreement

- 3.14 On closing of the Transaction, pursuant to the Asset Purchase Agreement, the Sellers and the US Purchaser entered into an agreement to facilitate an orderly transition of the Applicants' business to the Purchasers (the "**Transition Services Agreement**").
- 3.15 In connection with the closing, the Sellers and the Purchasers negotiated and finalized the terms of the Transition Services Agreement with respect to the provision of payroll, employee benefit plan, and bank account transition services for a maximum of 120 days, as well as providing the Purchasers with access to the Sellers' office space (the "**Head Office**") until February 29, 2024. A copy of the Transition Services Agreement is attached hereto as **Appendix "B"**.
- 3.16 The Applicants' Head Office is located in Vaughan, Ontario. The premises are leased by the Applicants pursuant to a lease agreement among Penguin-Calloway (Vaughan) Inc. (the "**Landlord**"), MAV Cosmetics and MAV Brands dated July 27, 2018, as amended by the Lease Amending Agreement dated October 19, 2018 (the "**Lease**"). The Monitor understands that as of the date of this Second Report, all obligations under the Lease are current.
- 3.17 Pursuant to the Transition Services Agreement, the Purchasers shall have access to the Office Space and shall reimburse the Sellers for all financial obligations and remittances to the Landlord in respect of the Lease for the period December 8, 2023 to February 29, 2024. In addition, the Purchasers shall pay the cost of the insurance maintained by the Sellers for the period of the Purchasers' access to the Head Office.

3.18 The Monitor understands that the Purchasers are in discussions with the Landlord with respect to the potential assignment and assumption of the Lease to the Purchasers, subject to the parties reaching terms acceptable to the parties. If the Purchasers do not reach an agreement with the Landlord to assign and assume the Lease, it is the Applicants' expectation that they would seek to terminate or disclaim the Lease as part of the wind-down of these CCAA Proceedings.

4.0 CASH FLOW RESULTS

4.1 Receipts and disbursements for the cumulative five-week period from November 4, 2023 to December 8, 2023 (the “**Reporting Period**”), as compared to the “Cash Flow Forecast” that was attached as Appendix “A” to the Pre-Filing Report, are summarized in the table below:

Cash Flow Variance Reporting			
Cumulative 5-Week Period Ended December 8, 2023 (US \$000s, unaudited)			
	Actual	Budget	Variance
Receipts			
AR collections	7,715	5,569	2,146
Sales tax & other receipts	76	-	76
Total Receipts	\$ 7,791	\$ 5,569	\$ 2,222
Operating Disbursements			
Inventory purchases	(5,285)	(5,201)	(83)
Freight / warehousing	(1,403)	(1,393)	(10)
Other SG&A	(1,790)	(2,316)	526
Payroll & benefits	(1,101)	(1,467)	365
Total Operating Disbursements	(9,579)	(10,377)	798
Operating Net Cash Flow	\$ (1,788)	\$ (4,808)	\$ 3,020
Non-Operating Disbursements			
Professional fees	(2,700)	(2,496)	(204)
DIP interest	-	(1)	1
Sale Proceeds	27,105	-	27,105
Piper Transaction Fee	(1,596)	-	(1,596)
Net Cash Flow	\$ 21,021	\$ (7,305)	\$ 28,326
Opening Cash	5,629	5,629	-
Net cash flow	21,021	(7,305)	28,326
DIP advance / (paydown)	1,800	1,725	75
Closing Cash	\$ 28,450	\$ 49	\$ 28,401

4.2 During the Reporting Period:

- (i) accounts receivable receipts were approximately \$2.1 million higher than forecast primarily due to collection of aged receivables that had not previously been forecast and certain timing differences;
- (ii) as outlined in Section 3.4, the Applicants received approximately \$27.1 million in sales proceeds in connection with the closing of the Transaction, comprised of: (a) approximately \$26.1 million in proceeds from the Purchasers; plus (b) a \$1.0 million deposit that had been held in trust by the Monitor. The Applicants paid approximately \$1.6 million to Piper Sandler to satisfy the Transaction Fee; and
- (iii) other variances in disbursements are considered by management to be timing in nature.

5.0 WIND-DOWN RESERVE

5.1 Since the First Report, the Applicants, the Monitor and the Lenders have agreed to reserve approximately \$1.96 million from the sale proceeds paid to the Sellers (the “**Wind-Down Reserve**”) pursuant to the AVO.

5.2 As described in the First Report, the Wind-Down Reserve will be used to pay the following costs (the “**Wind-Down Costs**”):

- (i) the reasonable and documented fees and expenses of the Monitor and its professional advisors;

- (ii) the reasonable and documented fees and expenses of the legal advisors of the Applicants for services performed after the closing of the Transaction with respect to the wind-down, dissolution and/or bankruptcy of the Applicants, including for matters related to any Post-Closing Adjustments;
- (iii) amounts secured by the Administration Charge and the D&O Charge;
- (iv) any amounts that rank in priority to the obligations under the Credit Agreement; and
- (v) other expenses incurred by the Applicants after the Filing Date.

5.3 The Wind-Down Reserve is comprised of the following:

\$'000s	
Admin Charge	700
D&O Charge	725
Other Wind-Down Costs	530
Wind-Down Reserve	\$1,955

5.4 The Monitor expects that following the payment of professional fees accrued to date (including fees of the Lenders' advisors) along with the release of the D&O Charge as contemplated in Section 8.0 below, the Wind-Down Reserve can be reduced to approximately \$1.03 million as summarized in the table below:

\$'000s	
Initial Wind-Down Reserve	1,955
Payment of accrued professional fees	(200)
Release of D&O Charge	(725)
Reduced Wind-Down Reserve	\$1,030

5.5 In determining the aggregate amount of the Wind-Down Reserve, the Monitor worked with the Applicants to estimate the anticipated Wind-Down Costs, including, without limitation, determining any amounts that may rank in priority to the obligations under the Credit Agreement.

5.6 The Monitor is of the view that the Wind-Down Reserve is sufficient to provide the funding necessary to administer the Applicants' wind-down activities through to the end of the Stay Period.

6.0 DISTRIBUTIONS

DIP Repayment

6.1 As of the Closing Date, the Applicants had drawn a total of \$1.8 million under the DIP Facility which had been used to fund operations during, and costs of, these CCAA Proceedings. On December 12, 2023, the Applicants paid a total of approximately \$1.9 million to the DIP Agent, on behalf of the DIP Lenders, representing the full repayment of the principal balance owing under the DIP Facility (\$1.8 million) as well as all accrued interest and fees owing (approximately \$100,000) in accordance with the DIP Facility Agreement (the "**DIP Repayment**").

First Interim Distribution

- 6.2 On December 8, 2023, the Agent provided the Monitor with a calculation of the outstanding debt under the Credit Agreement totaling approximately \$123.3 million, inclusive of accrued interest and fees up to December 8, 2023, pursuant to the Credit Agreement. The Monitor notes that the calculation is consistent with the Applicants' books and records.
- 6.3 Pursuant to the AVO, the Applicants received approval and were directed to make the Distributions to the Agent, on behalf of the Lenders, after payment of the Employee Retention Bonuses.
- 6.4 The Monitor understands that the Applicants intend to make an interim distribution on or before December 18, 2023, in the amount of approximately \$23.0 million to the Agent on behalf of the Lenders (the "**First Interim Distribution**") calculated as follows:

\$'000s	
Cash on hand, December 8, 2023	28,450
Less: DIP Repayment	(1,904)
Less: Employee Payments (including Employee Retention Bonuses) ¹	(1,580)
Less: Wind-Down Reserve	(1,955)
First Interim Distribution	\$23,010

¹ As described in Section 3.13, as of the date of this Second Report, Employee Payments have been funded to the Applicants' third-party payroll providers, including amounts for accrued wages and vacation pay up to the Closing Date and the Employee Retention Bonuses.

7.0 MONITOR EXPANDED POWERS ORDER

Expanded Powers

- 7.1 Subsequent to the close of the Transaction, the Applicants have ongoing obligations under the Asset Purchase Agreement, the Transition Services Agreement and the Escrow Agreement, including but not limited to: (i) providing transition services pursuant to the Transition Services Agreement; (ii) determining the Post-Closing Adjustments, if any, pursuant to the process set forth in the Asset Purchase Agreement; and (iii) providing the applicable directions pursuant to the Escrow Agreement in respect of the funds being held by the Monitor, in its capacity as escrow agent, pursuant thereto.
- 7.2 As described in the Third MacKay-Lee Affidavit, on the Closing Date, the Applicants' Chief Executive Officer and Chief Financial Officer, as well as most of their employees, resigned from their roles with the Applicants and were subsequently hired by the Purchasers. In addition, the employment of the six employees of the Applicants who were not offered employment with the Purchasers was terminated as of the Closing Date. As such, there are no remaining employees employed by the Applicants subsequent to the Closing Date.
- 7.3 The Monitor understands that the Applicants' directors also intend to resign in the near term. As a result, the Applicants will lack the representatives necessary to fulfil their ongoing legal obligations.
- 7.4 In light of the foregoing, the Applicants are seeking the Monitor Expanded Powers Order to provide the Monitor with the power and authority necessary to effectively and efficiently

administer the Applicants' estate following the closing of the Transaction and to complete the CCAA Proceedings (or any subsequent proceeding) and any related wind-down activities.

7.5 Pursuant to the proposed Monitor Expanded Powers Order, and in addition to the powers and duties of the Monitor set out in the ARIO or any other Order of this Court in these CCAA Proceedings, the Monitor shall be authorized and empowered, but not required, to, among other things:

- (i) cause the Applicants to take, or take on behalf of, and in the name of the Applicants, any and all actions and steps, and execute any and all documents and writings, on behalf of, and in the name of, the Applicants, under the Asset Purchase Agreement, the Transition Services Agreement, the Escrow Agreement and any other ancillary agreement to the Asset Purchase Agreement to facilitate any post-closing matters;
- (ii) take any and all actions and steps, and execute any and all documents and writings, on behalf of, and in the name of, the Applicants to facilitate the performance of any ongoing obligations of the Applicants;
- (iii) exercise any and all powers which may be properly exercised by the boards of directors of the Applicants, with the Monitor being authorized to take such actions without requiring any further action or approval by any person, including any former directors or officers of the Applicants;

- (iv) cause the Applicants to remit or file, or take such actions necessary for the preparation and remittance or filing of, on behalf of and in the name of the Applicants, (i) any tax returns; and (ii) the Applicants' employee-related remittances, T4 statements and records of employment for the Applicants' former employees;
- (v) consult with the Canada Revenue Agency (the "**CRA**") with respect to any issues arising in respect of these CCAA Proceedings, and act as an authorized representative of the Applicants and/or their affiliates in respect of dealings with the CRA, with the Monitor being entitled to execute any appointment or authorization form on behalf of the Applicants and/or their affiliates that the CRA may require in order to confirm the Monitor's appointment as an authorized representative for such purposes;
- (vi) engage, retain or terminate the services of, or cause the Applicants to engage, retain or terminate the services of, any officer, employee, consultant, agent, representative, advisor, or other persons or entities;
- (vii) enter into any agreement or disclaim any agreements on behalf of the Applicants;
- (viii) cause the Applicants to claim, or to claim on behalf of, and in the name of, the Applicants, any and all insurance refunds or tax refunds, rebates or other amounts, including refunds of harmonized sales taxes, to which the Applicants are entitled;

- (ix) receive, collect and take control of all Property and assets owned or hereafter owned or owing to the Applicants: (a) which are not Purchased Assets (as defined in the Asset Purchase Agreement) for and on behalf of the Applicants and to sell or dispose of such Property and assets in accordance with Orders of this Court; and (b) which are Purchased Assets for and on behalf of the Purchasers to provide such Property and assets to the Purchasers as applicable;
- (x) conduct, supervise and direct the commencement or continuation of any process or effort to recover any Property or other assets of the Applicants and their affiliates;
- (xi) engage, deal, communicate, negotiate, agree and settle with any creditor or other stakeholder of the Applicants on behalf of, and in the name of, the Applicants;
- (xii) take control of the existing bank accounts of the Applicants (the “**Bank Accounts**”) and the funds credited thereto or deposited therein, including, but not limited to, closing any or all Bank Accounts, subject to the Transition Services Agreement, and/or transferring any funds received into the Bank Accounts (a) which are not Purchased Assets (as defined in the Asset Purchase Agreement) to accounts held by the Monitor for and on behalf of the Applicants, or (b) which are Purchased Assets to the Purchasers, subject to the Transition Services Agreement;

- (xiii) open new bank accounts on behalf of or for the benefit of the Applicants, including, without limitation, to hold the Wind-Down Reserve;
- (xiv) hold the Wind-Down Reserve in an account of the Monitor on behalf of the Applicants, and pay or cause to be paid from the Wind-Down Reserve, in the name of and on behalf of the Applicants, or in its own name, the Wind-Down Costs. Subject to further Order of this Court, the Monitor shall have the sole discretion to administer the Wind-Down Reserve in accordance with the Monitor Expanded Powers Order and any other Order of this Court in these CCAA Proceedings;
- (xv) cause the Applicants to make, or make on behalf of, and in the name of, the Applicants, the Distributions authorized by this Court pursuant to the AVO;
- (xvi) cause the Applicants to take, or take on behalf of, and in the name of, the Applicants, any and all actions and steps, and execute any and all documents and writings, on behalf of, and in the name of, the Applicants, and seek any additional orders, to facilitate the winding-down, dissolution or liquidation of the Applicants, including in connection with the termination of these CCAA Proceedings, including without limitation, withdrawing the Applicants from qualification in any jurisdiction to do business and executing, acknowledging or filing all necessary or appropriate certificates or other documents with the appropriate governmental agency or unit on behalf of the Applicants;

(xvii) assign the Applicants, or cause the Applicants to be assigned, into bankruptcy, and A&M is authorized and empowered, but not directed, to act as trustee in bankruptcy of each of the Applicants; and

(xviii) have full and complete access to all books, records, data, including data in electronic form, and other financial documents of the Applicants in the Applicants' possession or control and the same access as the Sellers under the Asset Purchase Agreement to any books and records no longer in the Applicants' control or possession;

and, in each case where the Monitor takes any such actions or steps, or signs or enters into any documentation, it shall be exclusively authorized and empowered to do so, to the exclusion of all other persons, including the Applicants, and without interference from any person (collectively, the "**Expanded Powers**").

7.6 The Monitor Expanded Powers Order also seeks additional protections for the Monitor with respect to it carrying out the Expanded Powers, including in connection with any and all potential employment and tax related liabilities.

7.7 The Monitor is of the view that the matters contemplated by the Expanded Powers are matters that the Monitor would be in a position to supervise and administer given that, as of the Closing Date, the Applicants no longer conduct business operations and no longer have any remaining employees.

7.8 In the Monitor's view, granting the Expanded Powers to the Monitor is reasonable and appropriate in the circumstances.

8.0 D&O RELEASES

8.1 The proposed Monitor Expanded Powers Order provides for releases (the “**D&O Releases**”) for the D&Os, from any and all present and future claims based upon any act or omission, transaction, dealing or other occurrence existing or taking place prior to the date of the granting of the Monitor Expanded Powers Order in any way relating to, arising out of, or in respect of:

(i) these CCAA Proceedings (which includes, without limitation, the pre-filing Strategic Review Process), the Asset Purchase Agreement and the Transaction, and any other matters that were raised in these CCAA Proceedings; and

(ii) acting in their capacity as a director or officer of an Applicant,

subject to a carve out of claims: (a) resulting from gross negligence or wilful misconduct; (b) that are not permitted to be released pursuant to section 5.1(2) of the CCAA; and (c) any insured claim under an insurance policy maintained by the Applicants (each, an “**Insured Claim**”).

8.2 The Monitor understands that the Applicants’ directors and officers insurance policy has a policy limit of \$25 million.

8.3 As of the date of this Second Report, the Monitor is aware that MAV Brands reported to its insurers a notice of circumstances which may give rise to a claim. The notice is related to outstanding notices of assessment filed by the CRA against MAV Brands related to the 2017 and 2018 taxation years in the amount of approximately \$500,000, including penalties

and interest accrued to date. This amount is subject to ongoing accrual of interest. As described in the Third MacKay-Lee Affidavit, the Applicants believe that the reassessments are without merit. MAV Brands filed a notice of objection on June 12, 2023, and to date, MAV Brands has not been contacted by an appeals officer for any further information pertaining to the notice of objection. Moreover, it is the Monitor's understanding from the Applicants that if there is director liability in respect of such reassessments, it would be an Insured Claim, and thus would not be released by the D&O Release but would be subject to recovery solely from any proceeds under the insurance policies of the Applicants, to the extent available in respect of any such Insured Claim. The CRA is on the service list in these CCAA Proceedings and was provided with notice of the Applicants' motion for the Monitor Expanded Powers Order.

8.4 As a public company, MAV Brands issued press releases announcing that the Applicants had filed for CCAA protection and the closing of the Transaction. Further, the Monitor has been advised that the Applicants have provided notice of the motion for the Monitor Expanded Powers Order to each of the parties who has commenced or threatened litigation against the Applicants. The Monitor understands that none of the D&Os are named parties in any of the existing or threatened litigation involving the Applicants.

8.5 As of the date of this Second Report, all outstanding amounts in respect of employee salary, wages and vacation pay up to the Closing Date have been funded by the Applicants to their third-party payroll service providers, including remittances for all employer payroll contributions and source deductions. The Monitor understands that while the MAV Group

have yet to file all sales tax returns up to the Closing Date, the Applicants expect to be in an overall net receivable position.

8.6 In the Monitor's view:

- (i) the scope of the releases are proportionate given the contributions and efforts by the D&Os to the Strategic Review Process that resulted in the Transaction, which represents a going concern outcome whereby the Purchasers assumed the majority of the Applicants' trade liabilities and employees;
- (ii) the D&Os agreed to serve as directors and officers of the Applicants during these CCAA Proceedings and worked diligently to further these CCAA Proceedings;
- (iii) the contemplated D&O Releases carve out any claims for gross negligence or wilful misconduct, claims contemplated in section 5.1(2) of the CCAA, and any Insured Claims (provided that recovery in respect of Insured Claims is limited to proceeds under the insurance policies of the Applicants, to the extent available in respect of any such Insured Claims), consistent with similar releases previously granted by this Court;
- (iv) the D&O Releases will reduce claims for indemnity that the D&Os may otherwise have against the Applicants; and
- (v) should the Court grant the Monitor Expanded Powers Order, including the proposed D&O Releases, the holdback of \$725,000 contemplated to secure

the D&O Charge as part of the Wind-Down Reserve will no longer be necessary and such funds will be available for a future interim distribution to the Lenders.

9.0 RELEASE OF CHARGES

9.1 The Applicants are seeking to terminate, release and discharge the DIP Lenders Charge, the Transaction Fee Charge and the D&O Charge.

9.2 As described herein, following the closing of the Transaction, all obligations under the DIP Facility were fully repaid and the Transaction Fee was paid to Piper Sandler from the proceeds of the Transaction. In addition, as described in Section 8.0 herein, the Applicants are seeking the proposed D&O Releases pursuant to the proposed Monitor Expanded Powers Order.

9.3 Accordingly, the Monitor is of view that the proposed termination, release and discharge of the DIP Lenders Charge, the Transaction Fee Charge and the D&O Charge is appropriate in the circumstances.

10.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE

10.1 In addition to the activities described herein, since the date of the First Report, activities of the Monitor have included the following:

- (i) engaging in discussions with the MAV Group, their legal counsel and their financial advisor regarding these CCAA Proceedings and the Transaction;
- (ii) attending the Comeback Hearing;

- (iii) assisting the MAV Group with communications to employees, suppliers, customers and other parties;
- (iv) corresponding and communicating with the Lenders' advisors;
- (v) reviewing the MAV Group's receipts and disbursements since the Filing Date against the Cash Flow Forecast;
- (vi) reviewing the DIP Repayment and the First Interim Distribution by the Applicants pursuant to the AVO;
- (vii) assisting the Applicants in preparing the reporting required under the DIP Facility Agreement;
- (viii) assisting the Sellers with respect to the implementation of the Transaction and advancing certain post-closing matters;
- (ix) working with the Applicants and the Lenders' advisors to determine the amount of the Wind-Down Reserve;
- (x) coordinating the uploading of Court-filed documents to the Case Website;
- (xi) answering inquiries to the Monitor's hotline and email account for the CCAA Proceedings;
- (xii) reviewing the Applicants' materials in respect of the relief to be sought pursuant to the requested Monitor Expanded Powers Order; and
- (xiii) preparing this Second Report.

11.0 REMAINING ACTIVITIES

11.1 The Remaining Activities to be completed by the Monitor to bring these CCAA Proceedings to completion, subject to the granting of the Monitor Expanded Powers Order, include the following:

- (i) causing the Applicants to provide transition services pursuant to the Transition Services Agreement;
- (ii) causing the Applicants to assign the Lease (subject to any amendments as may be agreed to by the Purchasers and the Landlord) to the Purchasers or otherwise terminating or disclaiming the Lease;
- (iii) working with the Purchasers to determine any Post-Closing Adjustments in accordance with the Asset Purchase Agreement;
- (iv) causing the Applicants to make further interim distributions to the Agent on behalf of the Lenders on the terms set out in the AVO and the Monitor Expanded Powers Order;
- (v) making disbursements on behalf of the Applicants from the Wind-Down Reserve for applicable Wind-Down Costs of the Applicants;
- (vi) completing statutory and administrative duties and filings, including applicable tax filings on behalf of the Applicants; and
- (vii) completing such other matters as may be necessary or appropriate to wind down the affairs of the Applicants and these CCAA Proceedings.

12.0 EXTENSION OF THE STAY PERIOD

12.1 Pursuant to the ARIIO, the Stay Period is set to expire on December 21, 2023. The Applicants are seeking an extension of the Stay Period until and including June 21, 2024.

12.2 The Monitor supports the Applicants' motion to extend the Stay Period for the following reasons:

- (i) it will provide the time expected to be necessary to complete the Remaining Activities;
- (ii) the Wind-Down Reserve is projected to provide sufficient funding to the Applicants through to the end of the proposed extended Stay Period;
- (iii) the Monitor does not believe that any creditor will be materially prejudiced if the extension is granted; and
- (iv) the Applicants continue to act in good faith and with due diligence.


13.0 CONCLUSIONS AND RECOMMENDATIONS

13.1 For the reasons set out in this Second Report, the Monitor respectfully recommends that the Court grant the relief requested by the Applicants.


13.2 All of which is respectfully submitted to the Court this 14th day of December, 2023.

[Signature Page Follows]

Alvarez & Marsal Canada Inc., in its capacity as 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, Rempure, 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”
FIRST REPORT

**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**

**FIRST REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

NOVEMBER 20, 2023

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APPENDICES

Appendix “A” – Pre-Filing Report

Confidential Appendix “1” – Asset Purchase Agreement (unredacted)

Confidential Appendix “2” – Bid Summary

1.0 INTRODUCTION

- 1.1 On November 14, 2023 (the “**Filing Date**”), 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**”), Rempure, LLC (“**Rempure**”), Onesta Hair Care, LLC (“**Onesta**”), and The Mane Choice Hair Solution LLC (“**Mane Choice**”) (collectively, the “**Applicants**” or the “**MAV Group**”) commenced these proceedings (the “**CCAA Proceedings**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).
- 1.2 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 proposed sale of the MAV Group’s assets and business (the “**Transaction**”) to MAV USA, LLC (the “**US Purchaser**”), an affiliate of Nexus Capital Management LP (“**Nexus**”), and/or one or more of its designees, including MAV Beauty Canada, Inc. (the “**Canadian Purchaser**” and, together with the US Purchaser, the “**Purchasers**”).
- 1.3 Pursuant to the initial order (the “**Initial Order**”) granted by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on November 14, 2023, Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as monitor of the Applicants in these CCAA Proceedings (in such capacity, the “**Monitor**”).
- 1.4 A copy of the pre-filing report dated November 13, 2023, prepared by A&M in its capacity as the proposed monitor (the “**Pre-Filing Report**”) is attached hereto as Appendix “A”. The Pre-Filing Report, the Applicants’ CCAA application record filed in respect of the

Initial Order, and other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor's case website at: www.alvarezandmarsal.com/MAV (the "**Case Website**").

1.5 The Initial Order, among other things:

- (i) granted a stay of proceedings in respect of the Applicants and their respective directors and officers until and including November 24, 2023 (the "**Stay Period**");
- (ii) authorized the continued use by the Applicants of their centralized Cash Management System (as defined in the Initial Order);
- (iii) granted approval of the 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**");
- (iv) authorized the Applicants, subject to the DIP Facility Agreement and the consent of the Monitor, to pay for certain goods and services supplied to the Applicants prior to the Filing Date; and

- (v) granted the Administration Charge, the D&O Charge and the DIP Lenders Charge (each as defined in the Initial Order) over the Applicants' current and future assets, properties and undertakings (collectively, the "**Property**").

1.6 This first report (the "**First 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 "**First MacKay-Lee Affidavit**"), the affidavit of Laurel MacKay-Lee sworn November 17, 2023 (the "**Second MacKay-Lee Affidavit**"), and the Affidavit of Mike Genereux, Managing Director of Applicants' financial advisor, Piper Sandler & Co. ("**Piper Sandler**"), sworn November 16, 2023 (the "**Genereux Affidavit**" and, collectively with the First MacKay-Lee Affidavit and the Second MacKay-Lee Affidavit, the "**Affidavits**"). Unless otherwise indicated, capitalized terms used and not defined in this First Report shall have the meanings given to them in the Affidavits.

1.7 The purpose of this First Report is to provide the Court with information and, where applicable, the Monitor's views on:

- (i) the relief sought by the Applicants pursuant to the proposed amended and restated Initial Order (the "**ARIO**"), including with respect to:
 - (a) extending the stay of proceedings until and including December 21, 2023;
 - (b) authorizing the Applicants to pay certain employee retention bonuses;
 - (c) increasing the amounts of the Administration Charge, D&O Charge and DIP Lenders Charge; and

- (d) approving the engagement of Piper Sandler pursuant to the engagement letter between MAV Brands and Piper Sandler dated January 23, 2023 (the “**Piper Sandler Engagement Letter**”), and granting a charge on the Property in favour of Piper Sandler for fees payable by the Applicants pursuant to such engagement letter (the “**Transaction Fee Charge**”);
- (ii) the relief sought by the Applicants pursuant to the proposed approval, vesting and distribution order (the “**AVO**”), including with respect to:
 - (a) approving the asset purchase agreement dated November 13, 2023, among MAV Brands and MAV Cosmetics (together, the “**Canadian Sellers**”), MAV Cosmetics USA, MAV Midco, Renpure and Mane Choice (collectively, the “**US Sellers**” and together with the Canadian Sellers, the “**Sellers**”) and the US Purchaser (the “**Asset Purchase Agreement**”) and the Transaction contemplated thereby;
 - (b) vesting the Canadian Sellers’ right, title and interest in and to the Purchased Assets (as defined in the Asset Purchase Agreement) (the “**Canadian Purchased Assets**”) in the Canadian Purchaser free and clear of all interests, liens, charges, and encumbrances, other than certain permitted encumbrances;
 - (c) vesting the US Sellers’ right, title and interest in and to the Purchased Assets (as defined in the Asset Purchase Agreement) (the “**US Purchased Assets**”) in the US Purchaser free and clear of all interests, liens, charges, and encumbrances, other than certain permitted encumbrances;

- (d) sealing an unredacted copy of the Asset Purchase Agreement, attached hereto as Confidential Appendix “1”, until closing of the Transaction, or further Order of the Court;
 - (e) sealing a summary prepared by Piper Sandler and the Monitor of the non-binding letters of intent (each an “**LOI**”) received in the Strategic Review Process (as defined herein) and the Asset Purchase Agreement, including the economic terms of same (the “**Bid Summary**”), attached hereto as Confidential Appendix “2”, until further Order of the Court; and
 - (f) approving the proposed distributions to the Agent on behalf of the Lenders (each as defined below);
- (iii) the proposed contract assignment order (the “**Assignment Order**”) sought by the Applicants, among other things, assigning certain assumed contracts of the Sellers to the Purchasers in connection with the Transaction;
 - (iv) intended next steps in the CCAA Proceedings; and
 - (v) the Monitor’s conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this First Report, the Monitor has been provided with, and has relied upon, unaudited financial information and the books and records prepared by the Applicants, and has held discussions with management of the Applicants, their legal counsel and Piper Sandler (collectively, the “**Information**”). Except as otherwise described in this First

Report in respect of the Applicants' Cash Flow Forecast (as defined in the Pre-Filing Report):

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 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 First 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 First 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.

2.3 Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.

3.0 UPDATES SINCE THE INITIAL ORDER

3.1 Since the Filing Date, the Monitor understands that the Applicants have, among other things, undertaken the following activities:

- (i) issued a press release on November 14, 2023, announcing the proposed Transaction and commencement of these CCAA Proceedings;
- (ii) held two town hall meetings for their employees to explain the impact of the CCAA Proceedings and the proposed Transaction;
- (iii) communicated with various stakeholders, including suppliers and customers, regarding the commencement of these CCAA Proceedings and the impact of the proposed Transaction;
- (iv) sent notices to contractual parties who may have their contracts assigned to the Canadian Purchaser or the US Purchaser, as applicable, under the proposed Assignment Order;
- (v) subject to the matters described in Section 3.2 below, managed the cash flow in accordance with the Initial Order and the terms of the DIP Facility, in consultation with the Monitor; and
- (vi) continued to work with the Purchasers to advance the proposed Transaction, including obtaining the Buyer Deposit (as defined in the Asset Purchase Agreement).

3.2 On or about November 10, 2023, the Applicants exceeded the Permitted Variance under the DIP Facility Agreement with respect to certain disbursements set out in the DIP Budget (as defined in the DIP Facility Agreement), which would have resulted in an event of default under the DIP Facility Agreement. The Monitor understands that the DIP Lenders have waived such event of default pursuant to the DIP Facility Agreement and that the Applicants are expected to return to compliance with the Permitted Variance under the DIP Facility Agreement.

4.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE

4.1 Since the Filing Date, the primary activities of the Monitor have included the following:

- (i) engaging in discussions with the MAV Group and their legal counsel regarding the CCAA Proceedings;
- (ii) assisting the MAV Group with communications to employees, suppliers, customers and other parties;
- (iii) corresponding and communicating with the Lenders' advisors;
- (iv) assisting the MAV Group in implementing an appropriate accounting cut-off to ensure proper determination of pre- and post-filing obligations and liabilities;
- (v) reviewing receipts and disbursements by the MAV Group since the Filing Date;
- (vi) activating the Case Website and coordinating the uploading of Court-filed documents;

- (vii) completing and coordinating the notice requirements pursuant to paragraph 45 of the Initial Order, including:
 - (a) arranging for notice of these CCAA Proceedings, in the prescribed form, to be published in *The Globe and Mail (National Edition)* on November 17, 2023 and November 24, 2023;
 - (b) posting the Initial Order to the Case Website on November 14, 2023;
 - (c) arranging for notices of the CCAA Proceedings to all known creditors having a claim against the Applicants of more than CAD\$1,000; and
 - (d) preparing and posting to the Case Website on November 17, 2023, a listing of the names and addresses of all known creditors having a claim against the Applicants for more than \$1,000 (other than the claims, names and addresses of any individual persons);
- (viii) activating the Monitor's hotline and email account for the CCAA Proceedings, and responding to creditor inquiries received through those contact points;
- (ix) completing the statutory filings pursuant to section 23 of the CCAA, including filing the requisite forms (Form 1 and Form 2) with the Office of the Superintendent of Bankruptcy (Canada);
- (x) opening a trust account in respect of these CCAA Proceedings, and receiving and holding the Buyer Deposit pursuant to the Escrow Agreement (as defined in the Asset Purchase Agreement);

- (xi) reviewing the Applicants' materials in respect of the relief to be sought at the comeback hearing in respect of the Initial Order scheduled for November 24, 2023 (the "**Comeback Hearing**"); and
- (xii) preparing this First Report.

5.0 SECURITY REVIEW

- 5.1 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**").
- 5.2 Prior to the commencement of these CCAA Proceedings, A&M, in its capacity as the then proposed Monitor, instructed Goodmans LLP ("**Goodmans**"), as its independent counsel, to review the Canadian loan and security documentation relating to the Credit Agreement. Goodmans has provided an Ontario law security review (the "**Canadian Security Review**") to the Monitor which concludes that, subject to customary assumptions and qualifications, the Canadian security documentation relating to the Credit Agreement creates validly perfected security interests in favour of RBC, in its capacity as the Agent under the Credit Agreement, in all of the present and after-acquired personal property of MAV Brands and MAV Cosmetics to which the *Personal Property Security Act* (Ontario) applies and which is charged under the Canadian security documentation.

- 5.3 On behalf of A&M, in its capacity as the then proposed Monitor, Goodmans engaged United States counsel to provide a separate review in respect of any security granted by the Applicants pursuant to the United States loan and security documentation relating to the Credit Agreement. Hodgson Russ LLP (“**Hodgson Russ**”) has provided a summary of security created under New York law (the “**US Security Review**”) to the Monitor and concluded that, subject to customary assumptions and qualifications, the United States security documentation creates valid security interests in favour of RBC, in its capacity as the Agent under the Credit Agreement, in all of the personal property collateral subject to the Uniform Commercial Code of the State of New York and in which the Applicants purport to grant security interests in favour of RBC, in its capacity as the Agent under the Credit Agreement, pursuant to the United States security documentation. Based on the Uniform Commercial Code searches conducted with respect to the Applicants incorporated in the United States, Hodgson Russ found that the security interests created in favour of RBC, in its capacity as the Agent under the Credit Agreement, under the United States security documentation are also validly perfected under the Uniform Commercial Code of the State of New York and the Uniform Commercial Code of the State of Delaware, to the extent they may be perfected by filing a Uniform Commercial Code financing statement.
- 5.4 Other than the registrations held by RBC under the *Personal Property Security Act* in Ontario and British Columbia and under the Uniform Commercial Code, one registration was identified under the *Personal Property Security Act* in Ontario held by Xerox Financial Services Canada Ltd. (“**Xerox**”), and no other registrations were noted in the searches conducted by Goodmans and Hodgson Russ. The Monitor understands that the Xerox registration relates to a commercial printer previously located in the Head Office that has

been fully paid for by the Applicants, and that the related lease was terminated on or about May 13, 2021.

6.0 STRATEGIC REVIEW PROCESS

Initiation of Strategic Review Process

- 6.1 As discussed in the Pre-Filing Report, despite the MAV Group's efforts to improve operations, the Applicants' liquidity position has continued to deteriorate in the face of declining operating performance, high interest costs and tightening vendor payment terms.
- 6.2 Given the Applicants' financial and liquidity issues and an impending Credit Agreement maturity date, 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**"). The Genereux Affidavit provides a detailed summary of the Strategic Review Process. This section of the First Report should be read in conjunction with the Genereux Affidavit.
- 6.3 On January 23, 2023, MAV Brands engaged Piper Sandler as its financial advisor to assist with, among other things, identifying and advancing potential strategic alternatives. As described in the Genereux Affidavit, Piper Sandler is a leading investment bank with more than 125 years' experience providing comprehensive advisory and capital markets services to companies worldwide across various industries, including the beauty and personal care industry.

- 6.4 Between January 2023 and March 2023, Piper Sandler assisted the Applicants with, among other things, negotiating with the Lenders in connection with the Sixth Amendment of the Credit Agreement, which, among other things, extended the maturity date under the Credit Agreement to July 10, 2024. Additional information regarding amendments to the Credit Agreement is set forth in the First MacKay-Lee Affidavit.
- 6.5 On March 31, 2023, the MAV Group, in consultation with the Lenders, publicly announced the Strategic Review Process.
- 6.6 On April 10, 2023, MAV Brands formed a special committee comprised of certain of its independent directors (the “**Special Committee**”) to oversee the Strategic Review Process and the negotiation of any amendments, extensions, forbearances or waivers with respect to the Credit Agreement, as and if required, and to consider all matters related to the foregoing.
- 6.7 On June 19, 2023, MAV Brands engaged Alvarez & Marsal Canada ULC (“**A&M Canada**”), an affiliate of A&M, to provide consulting services in connection with the Applicants’ efforts to improve the MAV Group’s financial and operating performance and to assist with the Strategic Review Process, as and if required.
- 6.8 As described in the Genereux Affidavit, while the Applicants explored various potential options and alternatives as part of the Strategic Review Process, due to the Applicants’ declining financial performance, capital structure and leverage profile, the Applicants were unable to obtain a refinancing or a longer-term amendment and maturity extension of the Applicants’ existing debt.

Pre-Filing Sale Process

- 6.9 As part of the Strategic Review Process, the MAV Group, with the assistance of Piper Sandler, undertook an extensive pre-filing marketing and solicitation process.
- 6.10 A summary of steps taken by Piper Sandler to assist the Applicants as part of the Strategic Review Process (and related outcomes) are discussed in further detail in the Genereux Affidavit and include:
- (i) in consultation with the Applicants and the Lenders, compiled a list of qualified, potentially interested parties comprised of strategic buyers and private equity firms, some of which have existing investments in this industry (the “**Potential Bidders**”);
 - (ii) contacted a total of 97 Potential Bidders during the Strategic Review Process, 85 of which were contacted by May 3, 2023;
 - (iii) of the 97 Potential Bidders contacted, 25 Potential Bidders signed non-disclosure agreements (each an “**NDA**”)¹ and were granted access to a virtual data room (“**VDR**”) in order to review and assess the opportunity and conduct due diligence;
 - (iv) facilitated management presentation meetings between the Applicants and six Potential Bidders, held either virtually or in person;

¹ By June 15, 2023, 24 Potential Bidders had executed similar form NDAs, and one Potential Bidder executed an NDA on July 10, 2023.

- (v) participated in numerous diligence sessions with the Applicants’ management team and certain Potential Bidders;
- (vi) uploaded additional relevant documents to the VDR for access by all Potential Bidders that executed an NDA, as appropriate; and
- (vii) provided regular updates on activities being undertaken with respect to the Strategic Review Process to the Lenders’ advisors by way of weekly and other periodic update calls.

6.11 Piper Sandler prepared a process letter outlining, among other things, the process for submitting an LOI and the requirements and considerations for each LOI submitted (the “**Process Letter**”). The Process Letter was developed in consultation with the Applicants and was shared with the Lenders’ financial advisor.

6.12 On June 26, 2023, the Process Letter was sent to the three interested Potential Bidders that had continued to engage in the sale process. Subsequently, one additional Potential Bidder who re-engaged in the sale process was sent the Process Letter on July 10, 2023.

6.13 The Process Letter included, among other things, the following requirements and considerations:

Process Letter – LOI Requirements and Considerations	
Bid Deadline	<ul style="list-style-type: none">July 12, 2023, at 5:00 PM (Eastern Time) (the “Bid Deadline”).
Evaluation	<ul style="list-style-type: none">MAV Brands reserved the right, in its sole and absolute discretion, to evaluate the terms and conditions of all LOIs and to reject any or all proposals and to terminate discussions with any or all parties.

	<ul style="list-style-type: none"> MAV Brands further reserved the right to amend, modify, or waive the procedures and guidelines set out in the Process Letter at any time in its sole discretion.
Each LOI submitted was required to:	
Offer	<ul style="list-style-type: none"> Describe the offer, including the total aggregate consideration in USD the prospective purchaser would be willing to pay, in cash at closing, to purchase the MAV Group on a debt-free, cash-free basis. Express the proposed valuation as a specific number, rather than a range, and include an explanation of the valuation methodology. Specify any conditions or qualifications related to the indication of value and any material assumptions made.
Sources and Structure of Financing	<ul style="list-style-type: none"> Describe the expected sources, forms and amounts of equity and debt for the transaction, and an indication of the timing and steps required to secure such financing. Confirm that no financing contingency is required.
Due Diligence	<ul style="list-style-type: none"> List any remaining confirmatory due diligence issues or contingencies to be resolved and additional information required in order to make a final, binding proposal for the MAV Group.
Required Approvals	<ul style="list-style-type: none"> Provide detail on the level of review and approval that the LOI has received within the Potential Bidder's organization, as well as any corporate, shareholder, regulatory, or other known approvals required to complete the transaction, and the estimated timing to obtain such approvals.
Transaction Rationale	<ul style="list-style-type: none"> Provide additional detail on the strategic rationale for the transaction and plans for the go-forward operations of the business.
Management and Employees	<ul style="list-style-type: none"> Describe contemplated plans for the MAV Group's management and employees, including ongoing management involvement.
Other Considerations	<ul style="list-style-type: none"> Describe any other material conditions or contingencies that must be resolved in order to consummate the transaction in a timely fashion.

6.14 Three LOIs were received (one of which was submitted by Nexus) by the Bid Deadline.

- 6.15 Piper Sandler, the Applicants, A&M Canada and the Special Committee met on July 14, 2023, to review the LOIs and noted, among other things, that the indicative transaction price contemplated in each LOI was significantly below the principal balance of the Applicants' existing secured debt.
- 6.16 In August, after the Bid Deadline had passed, two additional LOIs were submitted by Potential Bidders who, earlier in the process, had advised they would not be continuing in the Strategic Review Process.
- 6.17 Four of five LOIs received contemplated an acquisition of all or substantially all of the business and property of the MAV Group by way of an asset sale transaction. The remaining LOI contemplated the purchase of the assets and operations of one of the MAV Group's brands.
- 6.18 None of the LOIs submitted were acceptable to the Lenders. As described in the Genereux Affidavit, over the course of the following months, Piper Sandler and the Applicants continued to engage in extensive negotiations with each of the Potential Bidders who submitted an LOI for the entire business² (each a "**Bidder**" and together, the "**Bidders**") in an effort to reach an agreement that may be acceptable to the Applicants and the Lenders.
- 6.19 During the negotiation period, Piper Sandler held numerous discussions with the Bidders to respond to due diligence inquiries and to encourage them to improve upon their initial bids. Two Bidders submitted revised LOIs to reflect amended economic terms.

² It was determined that the LOI submitted by the Bidder for only one of the MAV Group's brands would not be pursued.

- 6.20 The Lenders and their advisors were consulted extensively throughout the process. As outlined in the Genereux Affidavit, the Lenders' financial advisor participated in several calls with the Bidders to discuss their LOIs.
- 6.21 The Special Committee and the Lenders through their respective advisors also engaged on and developed a potential standalone transaction which contemplated the Lenders credit bidding a significant amount of secured debt.
- 6.22 Ultimately, at the end of the negotiation period, Nexus' final proposal submitted on October 7, 2023, was accepted by the MAV Group and supported by the Lenders. On October 13, 2023, MAV Brands entered into a 30-day exclusivity arrangement in order to provide time for Nexus to complete diligence, and for the Applicants and Nexus to negotiate definitive terms of the Asset Purchase Agreement.
- 6.23 Following the completion of the Strategic Review Process, the Applicants' Board of Directors 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 and represents the best alternative available to the Applicants.
- 6.24 To assist the Court, Piper Sandler and the Monitor, together, have prepared a Bid Summary of all the LOIs that were submitted to the Applicants as part of the Strategic Review Process, which is attached as Confidential Appendix "2" to this First Report. The Applicants are requesting that the Bid Summary be sealed subject to further Order of the Court. The Monitor is supportive of this request, as disclosure of this commercially sensitive information, including the identities of the other Bidders and the terms of their respective bids, could negatively affect any future transactions if the proposed Transaction

does not close, which could potentially impair further efforts to maximize the value of the Applicants' assets.

Proposed Transaction

- 6.25 The Strategic Review Process resulted in the Sellers entering into an Asset Purchase Agreement with the US Purchaser on November 13, 2023, pursuant to which the US Purchaser (and one or more of its designees, including the Canadian Purchaser) is to acquire substantially all of the MAV Group's assets and business.
- 6.26 A copy of the unredacted Asset Purchase Agreement is attached as Confidential Appendix "1" to this First Report and a redacted copy of the Asset Purchase Agreement is attached as Exhibit "C" to the Second MacKay-Lee Affidavit.
- 6.27 The Applicants are requesting that the unredacted Asset Purchase Agreement be sealed pending completion of the Transaction. The Monitor is supportive of this request, as disclosure of the redacted commercial terms, including the purchase price, could negatively affect any future transactions if the proposed Transaction does not close, which could potentially impair further efforts to maximize the value of the Applicants' assets.
- 6.28 Certain key terms of the Asset Purchase Agreement are summarized in the table below. Reference should be made to the Asset Purchase Agreement for the complete terms.

Summary of Certain Key Terms of the Transaction	
(Capitalized terms not otherwise defined herein have the meaning ascribed thereto in the Asset Purchase Agreement)	
Purchasers	<ul style="list-style-type: none">• The purchaser under the Asset Purchase Agreement is MAV USA, LLC (referred to in this summary as the "Purchaser").• The Purchaser has provided an equity commitment letter from

	Nexus Special Situations III, L.P. confirming its commitment to provide the Purchaser with equity financing in connection with the Transaction in the amount set forth therein, subject to the terms and conditions thereof.
Purchase Price	<ul style="list-style-type: none"> The aggregate purchase price payable for the Purchased Assets (the “Purchase Price”) is the aggregate sum of (a) \$(REDACTED) <u>plus</u> (b) any Working Capital Overage (the amount, if any, by which the Closing Working Capital exceeds the sum of (i) the Working Capital Target Amount of \$(REDACTED) plus (ii) the Working Capital Collar Amount of \$(REDACTED)), <u>minus</u> (c) any Working Capital Underage (the amount, if any, by which (i) (x) the Working Capital Target Amount of \$(REDACTED) minus (y) the Working Capital Collar Amount of \$(REDACTED) exceeds (ii) the Closing Working Capital), <u>minus</u> (d) the dollar value of the Cure Costs, <u>plus</u> (e) \$(REDACTED), representing the Purchaser’s economic contribution to the Accrued Vacation Payout. The Purchase Price is subject to post-closing adjustments, which shall be based on the difference between the Final Purchase Price and the Estimated Purchase Price in accordance with the terms of the Asset Purchase Agreement.
Deposit	<ul style="list-style-type: none"> \$(REDACTED) (the “Purchaser Deposit”), paid by the Purchaser to the Monitor in Escrow, and to be applied, used or returned, as the case may be, in accordance with or as otherwise contemplated by the terms of the Asset Purchase Agreement and the Escrow Agreement.
Escrow Amount	<ul style="list-style-type: none"> \$(REDACTED) (the “Escrow Amount”), to be held by the Monitor in Escrow to satisfy any post-closing adjustments to the Purchase Price. The release by the Monitor of the Escrow Amount to the Sellers and/or the Purchaser, as applicable, shall depend on the difference between the Final Purchase Price and the Estimated Purchase Price, to be determined in accordance with the terms of the Asset Purchase Agreement. In connection with the Escrow Amount, the Monitor has entered into the Escrow Agreement with the Sellers and the Purchaser.
Purchased Assets	<ul style="list-style-type: none"> The Purchased Assets include all of the Sellers’ respective right, title and interest in and to the following assets and property (free and clear of all Encumbrances other than the Permitted Encumbrances), but excluding the Excluded Assets: <ul style="list-style-type: none"> a) the Purchased Equipment; b) the Assumed Contracts; c) the Assumed Real Property Leases;

	<ul style="list-style-type: none"> d) the Inventory and Supplies; e) the Purchased Intellectual Property; f) the Specified Insurance Proceeds; g) all Receivables; h) the Prepaid Expenses; i) the Books and Records; j) the goodwill and intangibles of the Business; k) all Permits and pending applications therefor to the extent assignable; l) all IT Systems and the E-Commerce Platform; m) all Claims and Proceedings of any Seller relating to the Purchased Assets or Business as of the Closing, and each Seller's rights of indemnity, warranty rights, rights of contribution, rights of setoff or recoupment, rights to refunds, rights of reimbursement and other rights of recovery; n) all rights (but not obligations) under non-disclosure or confidentiality, non-compete, or non-solicitation agreements relating to the Business or any Purchased Asset; o) all warranty rights against manufacturers, suppliers or contractors relating to any of the Purchased Assets, to the extent transferable; p) all prospective customer and customer data and information derived from customer purchase files and branded loyalty promotion programs and other similar information related to customer purchases, and prospective customers' activities, to the extent owned, transferable under Applicable Law and used by the Sellers in the conduct of the Business; q) the telephone and fax numbers for the Business, and all Sellers' email addresses under the domain names included in the Intellectual Property; and r) all chattel paper, notes receivable and negotiable instruments owned or held by any Seller. <ul style="list-style-type: none"> • The Purchaser shall have the right to (i) remove any asset from the Purchased Assets at any time up to the Closing, (ii) add any executory Contract or lease to the Assumed Contracts or Assumed Real Property Leases, as applicable, and (iii) add any non-material asset that is not a Contract or lease to the Purchased Assets at any time up to the Closing, with the consent of the Sellers and the Monitor; provided that any such modification pursuant to items (i), (ii) or (iii) shall not decrease the Purchase Price.
Excluded Assets	<ul style="list-style-type: none"> • The Purchased Assets shall not include any of the following: <ul style="list-style-type: none"> a) all rights and interests in and to the Employee Plans and any related assets or insurance policies;

	<ul style="list-style-type: none"> b) the Excluded Contracts, being any Contracts that are not Assumed Contracts; c) any leases of real property that are not Assumed Real Property Leases; d) all cash (other than Specified Insurance Proceeds and Prepaid Expenses) and other cash equivalents as set forth in the Asset Purchase Agreement; e) all Excluded Records; f) all of the Sellers' rights and benefits under the Asset Purchase Agreement and the Transaction; g) all insurance policies, proceeds and claims (excluding the Prepaid Expenses and, if assignable and assigned under the Asset Purchase Agreement, the Specified Insurance Proceeds); h) any inventory otherwise forming part of the Purchased Assets that is disposed of in the Ordinary Course during the Interim Period; i) all Claims and Proceedings of any Seller, other than are set forth as Purchased Assets (see above); and j) any securities of any Person owned or held by a Seller or any of its affiliates.
Assumed Liabilities	<ul style="list-style-type: none"> • The Purchaser shall assume only the following Assumed Liabilities: <ul style="list-style-type: none"> a) all Liabilities and obligations in respect of the Assumed Contracts first arising after the Closing Date; b) any Liabilities and obligations first arising from the ownership of the Purchased Assets after the Closing Date; c) all Liabilities and obligations in respect of accounts payable of the Business, but only to the extent such obligations and liabilities are included as Current Liabilities in the Closing Working Capital; d) all Cure Costs, but only to the extent they are deducted from the Purchase Price; e) the Specified Bonus Liabilities; and f) all liabilities and obligations specifically assumed by the Purchaser relating to certain employee matters as set forth in the Asset Purchase Agreement.
Excluded Liabilities	<ul style="list-style-type: none"> • The Purchaser shall not assume any of the following Excluded Liabilities: <ul style="list-style-type: none"> a) all Liabilities and Claims of any kind relating to the Excluded Assets; b) all Liabilities and obligations in respect of accounts payable of the Business (unless expressly assumed as an Assumed Liability); c) all Liabilities and obligations under the Credit Facility or

	<p>otherwise for Indebtedness;</p> <p>d) all Liabilities and obligations secured by the charges granted in the CCAA Proceedings;</p> <p>e) all Liabilities and obligations for any Retained Taxes;</p> <p>f) all Liabilities and obligations with respect to Employee Plans (except to the extent any payment by the Purchaser to the Sellers is required under the Transition Services Agreement);</p> <p>g) all Liabilities and obligations of the Sellers in respect of any Proceeding arising out of, or relating to, any occurrence or event happening prior to the Closing;</p> <p>h) any Liability to distribute to the Sellers' equityholders or creditors or otherwise apply all or part of the consideration under the Asset Purchase Agreement;</p> <p>i) any Liability to indemnify, reimburse or advance amounts to any shareholder, officer, director, employee or agent of the Sellers arising out of or relating to any occurrence or event occurring before the Closing;</p> <p>j) any Liability of the Sellers under the Asset Purchase Agreement or any other Transaction Document arising out of, or relating to, any occurrence or event occurring prior to the Closing;</p> <p>k) any Liabilities relating to the failure to comply with any bulk sales Applicable Law relating to the transactions contemplated by the Asset Purchase Agreement arising out of, or relating to, any occurrence or event occurring prior to the Closing;</p> <p>l) any Liabilities of the Sellers resulting from the CCAA Proceedings not incurred in the Ordinary Course;</p> <p>m) any Liabilities not expressly assumed arising in respect of or relating to the Sellers Employees;</p> <p>n) any accident, loss, injury, act or occurrence that occurred prior to the Closing, including any Claims or Proceedings against the Sellers and including matters that are not known until after the Closing;</p> <p>o) any Liabilities for Transaction Expenses; and</p> <p>p) all Claims and Liabilities of the Sellers or their affiliates that are unrelated to the Purchased Assets or the Assumed Liabilities.</p>
Employees	<ul style="list-style-type: none"> Not later than ten (10) Business Days prior to the Closing Date, the Purchaser shall provide a list to Seller of those Sellers Employees who will be offered employment by the Purchaser or a subsidiary of the Purchaser effective as of the Closing Date (the "Transferred Employee List"), provided such Transferred Employee List includes all of the current Sellers Employees other than up to ten (10) Sellers Employees.

	<ul style="list-style-type: none"> • Prior to the Closing, the Purchaser or one of its subsidiaries shall provide an offer of employment to the Sellers Employees on the Transferred Employee List, which offer shall recognize the Sellers Employee's years of service and on terms that are, viewed as a whole on an aggregate basis, substantially as favourable to such Sellers Employee as the terms such Sellers Employee was subject to prior to the date of the Asset Purchase Agreement. Each Sellers Employee who accepts the offer of employment and commences active employment with the Purchaser or one of its subsidiaries shall be a "Transferred Employee." • The Purchaser will assume and be responsible for, among other things: (i) all compensation and benefits relating to the employment of the Transferred Employees solely from and after the Closing Date; (ii) all payments and costs in respect of the termination by the Purchaser of the employment of any Transferred Employee on or after the Closing Date; (iii) all liabilities for claims for injury, disability, death or workers' compensation solely arising from or related to employment of the Transferred Employees by the Purchaser from and after the Closing Date; (iv) severance payments to certain of the Sellers Employees as set forth in the Disclosure Letter; and (v) all employment-related claims, penalties, contributions, premiums and assessments in respect of the Business solely arising out of matters which occur from and after the Closing Date. • At the Closing, the Sellers shall make payment of the retention bonuses, and as soon as reasonably practicable following the execution of this Agreement, the Sellers shall make payment of the deferred bonuses, in each case, to the employees entitled thereto, and in each case as set out in the Disclosure Letter. • All vacation pay and paid time off of the Transferred Employees accrued as of the Closing Date or the date on which such Transferred Employee becomes an employee of the Purchaser, shall be paid by the Sellers on the last payroll prior to such employees becoming Transferred Employees.
Certain Key Closing Conditions	<ul style="list-style-type: none"> • No Material Adverse Effect on the Purchased Assets since the date of the Asset Purchase Agreement. • Receipt by the Sellers of (i) the Approval and Vesting Order within 15 days following the execution of the Asset Purchase Agreement and (ii) the CCAA Assignment Order in accordance with the terms and conditions of the Asset Purchase Agreement. None of the foregoing Court Approvals shall have been stayed or varied, amended, modified, reversed, waived, dismissed or appealed in a manner prejudicial to the Purchaser, or vacated, appealed or subject to an application for leave to appeal or stay

	<p>pending appeal.</p> <ul style="list-style-type: none"> • Delivery of documents contemplated in the Asset Purchase Agreement, including the Transition Services Agreement and the IP Assignment Agreement. • No provision of any Applicable Laws and no judgment, injunction, order or decree that prohibits the consummation of the Transaction pursuant to and in accordance with the Asset Purchase Agreement shall be in effect.
Closing and Outside Date	<ul style="list-style-type: none"> • Closing – anticipated December 8, 2023. • Outside Date – December 22, 2023.
Termination Rights	<ul style="list-style-type: none"> • The Asset Purchase Agreement may be terminated at any time prior to Closing as follows: <ul style="list-style-type: none"> a) by mutual written consent of the Sellers and the Purchaser; b) by any Seller or the Purchaser if the Closing has not occurred on or before the Outside Date; c) by any Seller or the Purchaser if there shall be in effect a final non-appealable decree of a Governmental Authority of competent jurisdiction prohibiting the consummation of the Transactions; d) by any Seller, if there has been a material violation or breach by the Purchaser of any covenant, representation or warranty which would prevent the satisfaction of certain conditions by the Outside Date, and such violation or breach has not been waived by the Sellers or cured within the later of (i) the Outside Date, and (ii) 15 days after written notice thereof; e) by the Purchaser, if there has been a material violation or breach by the Sellers of any covenant, representation or warranty which would prevent the satisfaction of certain conditions by the Outside Date, and such violation or breach has not been waived by the Purchaser or cured within the later of (i) the Outside Date, and (ii) 15 days after written notice thereof; and f) by the Purchaser, if the condition requiring that the Sellers shall have received the Approval and Vesting Order has not been satisfied within 15 days following the execution of the Asset Purchase Agreement.
Effect of Termination	<ul style="list-style-type: none"> • If (i) the Asset Purchase Agreement is terminated in the manner described in items (e) or (f) in the description of Termination Rights above, and (ii) within six months following such termination one or more of the Sellers enters into a definitive agreement for an Alternative Transaction, the Sellers shall pay to the Purchaser from the proceeds of such Alternative Transaction, at the closing of such Alternative Transaction, an amount equal to the reasonable and documented out-of-pocket costs and

	expenses incurred by the Purchaser and its affiliates in connection with the evaluation and negotiation of the Transaction, including fees and expenses of counsel, accountants and other advisors, up to a maximum of \$1 million.
Transition Services	<ul style="list-style-type: none"> • Upon Closing, the Purchaser and the Sellers shall enter into the Transition Services Agreement to facilitate an orderly transition of the Business to the Purchaser. • During the Term of the Transition Services Agreement, which shall in no case be longer than 120 days following the Closing, the Sellers will provide Transition Services to the Purchaser, which include, among other things, certain services relating to payroll, employee plans, and bank accounts. • The Sellers will provide the Transition Services to the Purchaser in exchange for the amounts set out in the Transition Services Agreement, and any other reasonable and documented costs incurred by the Sellers in providing such Transition Services.

6.29 Pursuant to the proposed AVO, the Applicants are seeking the approval of the proposed Transaction and the vesting of the Sellers' right, title and interest in and to the Purchased Assets in the Purchasers, free and clear of all interests, liens, charges, and encumbrances, other than certain permitted encumbrances, with such vesting being effective upon the delivery of the Monitor's Certificate (as defined in the AVO) to the Purchasers

Monitor's Recommendation

6.30 The Monitor respectfully recommends that the Court approve the Asset Purchase Agreement and the proposed Transaction contemplated thereby for the following reasons:

- (i) with assistance from Piper Sandler, the Applicants considered a broad range of strategic alternatives, including the raising of additional debt or equity capital, and including a potential standalone transaction which contemplated the Lenders credit bidding a significant amount of their secured debt;

- (ii) as a result of the Applicants' recent and projected financial performance, capital structure and leverage profile, the Applicants were unable to obtain or negotiate certain potential alternatives, including a refinancing or a longer-term amendment and maturity extension of the Applicants' existing debt;
- (iii) the proposed Transaction is the product of a thorough and robust canvassing of the market and a competitive process over a lengthy period of approximately seven months to identify potential purchasers of or investors in the MAV Group's business;
- (iv) following thorough due diligence and extensive arms-length negotiations, the Purchase Price and other consideration set out in the Asset Purchase Agreement is the best indication of the market value of the MAV Group's business and operations and is reflective of current market conditions;
- (v) once engaged by the MAV Group, A&M Canada reviewed the steps taken to design and implement the Strategic Review Process, and was involved in the Strategic Review Process going forward;
- (vi) the Monitor is of view that the Strategic Review Process was extensive, included the consideration of various potential options and alternatives that may be available to the Applicants, provided significant information and time for Potential Bidders to perform due diligence, and was structured in a manner consistent with how a Court-appointed monitor might conduct or oversee a sale process within a formal Court proceeding;

- (vii) the Lenders and their advisors were consulted throughout the Strategic Review Process;
- (viii) the Purchasers have provided the Buyer Deposit to be held in trust by the Monitor pursuant to the Escrow Agreement;
- (ix) the approval of the proposed Transaction by November 24, 2023, is a condition of the DIP Facility. As outlined in the Pre-Filing Report, the Applicants require financing during these CCAA Proceedings to provide the liquidity necessary to maintain their business as a going concern and preserve the value of their assets, while they work to implement the proposed Transaction;
- (x) the Applicants do not have access to funding to support the costs associated with a prolonged process, and given the steps already conducted in the Strategic Review Process, any further process is unlikely to result in a superior transaction; and
- (xi) the proposed Transaction will provide for the continuation of the Applicants' business as a going concern, preserve employment for nearly all employees, and allow for ongoing business with the Applicants' customers and suppliers. The likely alternative to the proposed Transaction is an orderly wind-down or liquidation of the Applicants' business, and the Monitor is of view that the proposed Transaction is better for stakeholders than any result that would likely be achieved in a liquidation proceeding under the *Bankruptcy and Insolvency Act*.

Assignment Order

- 6.31 In connection with and as a condition to the proposed Transaction, the Applicants are seeking approval of the proposed Assignment Order which, among other things, orders that all of the rights and obligations of the Applicants under the contracts listed on Schedule “A” to the Assignment Order (the “**Assigned Contracts**”) shall be assigned, conveyed, transferred and assumed by the Purchasers, notwithstanding any restriction or prohibition contained in any such Assigned Contract relating to the assignment thereof.
- 6.32 The Assigned Contracts include approximately 40 Assumed Contracts (as defined in the Asset Purchase Agreement) for which a consent, approval or waiver that is necessary for the assignment of such Assumed Contract has to date not been obtained. The Monitor understands that the Assumed Real Property Lease (as defined in the Asset Purchase Agreement) also requires consent for assignment and that the Applicants intend to add such lease to the schedule of Assigned Contracts under the Assignment Order if such consent is not obtained. The Monitor also understands that to the extent a consent for any proposed Assigned Contract is obtained prior to the date of the hearing in respect of the Assignment Order, such Assigned Contract(s) shall be removed from Schedule “A” to the Assignment Order.
- 6.33 The proposed Assignment Order requires that amounts owing in respect of monetary defaults under any Assigned Contract, other than those arising by reason only of the Sellers’ insolvency, the commencement of these CCAA Proceedings, or the Sellers’ failure to perform a non-monetary obligation (collectively, “**Cure Costs**”), be paid by the Sellers in order for such Assigned Contract to be assigned to the Canadian Purchaser or the US Purchaser, as applicable, pursuant to the Assignment Order. The Monitor understands that

the Sellers believe that there are no applicable Cure Costs that will be payable in respect of the Assigned Contracts.

- 6.34 As described in the affidavit of Kayla Dean Obia, Vice President at Nexus, sworn on November 16, 2023 (the “**Obia Affidavit**”), Nexus is a private equity firm founded in 2013 which invests in a range of industries including internet & e-commerce, consumer and chemicals. As at December 31, 2022, Nexus managed in excess of US\$2.44 billion of advisory assets of which all were on a discretionary basis. The founding partners have over 20 years of investment experience. Nexus has experience working with businesses in positions similar to that of the Sellers.
- 6.35 As also discussed in the Obia Affidavit, Nexus invests in businesses through funds, including Nexus Special Situations III, L.P., which has committed to provide the Purchasers with funding (up to a fixed amount) that is intended to be adequate to satisfy obligations under the Asset Purchase Agreement and allow the Purchasers to be capitalized sufficiently to satisfy their ongoing working capital needs, including performing under the Assigned Contracts on a go-forward basis, after the closing of the Transaction.
- 6.36 As set out in the Obia Affidavit, the Assigned Contracts are necessary for the Purchasers to operate the business of the Sellers post-closing, and the Purchasers intend to perform under the Assigned Contracts on a go-forward basis after the closing of the Transaction.
- 6.37 As noted above, the assignment of the Assigned Contracts and the granting of the Assignment Order is a condition under the Asset Purchase Agreement, and it is also a condition under the DIP Facility Agreement.

6.38 For the reasons discussed above, the Monitor supports the Applicants' request for the Assignment Order.

7.0 PIPER SANDLER ENGAGEMENT AND TRANSACTION FEE CHARGE

7.1 Pursuant to the proposed ARIQ, the Applicants seek approval of the engagement of Piper Sandler pursuant to the Piper Sandler Engagement Letter, a copy of which is attached to the Second MacKay-Lee Affidavit as Exhibit "D", and the granting of the Transaction Fee Charge in favour of Piper Sandler to secure that Applicants' obligations under the Piper Sandler Engagement Letter up to a maximum amount of \$1.9 million.

7.2 The Piper Sandler Engagement Letter sets out the following fees:

- (i) an initial fee of \$125,000 for services provided through to March 31, 2023;
- (ii) commencing as of April 1, 2023, a monthly advisory fee of \$125,000, half of which, commencing in respect of monthly fees as of May 1, 2023, will be credited towards the first of an Amendment Fee, Transaction Fee or M&A Fee (each as described below);
- (iii) an amendment fee of \$750,000 upon the consummation of an amendment to the Credit Agreement (the "**Amendment Fee**"), provided that no Amendment Fee shall be payable if a Transaction Fee or M&A Fee is paid or becomes payable;
- (iv) a transaction fee (the "**Transaction Fee**") of:
 - (a) \$1.15 million payable upon the consummation of any transaction which results in extending the maturity date under the Credit Agreement by at least

18 months (but less than 24 months), or a refinanced or restructured indebtedness with a maturity date that is at least 18 months (but less than 24 months) later than the maturity date under the Credit Agreement; or

(b) \$2.25 million payable upon the consummation of any transaction which results in extending the maturity date under the Credit Agreement by at least 24 months or a refinanced or restructured indebtedness with a maturity date that is at least 24 months later than the maturity date under the Credit Agreement;

(v) an M&A fee (the “**M&A Fee**”) that is to be negotiated in good faith between MAV Brands and Piper Sandler in advance of Piper Sandler commencing any services related to an M&A transaction (which the Monitor understands had been subsequently agreed to among the Applicants and Piper Sandler); and

(vi) a New Capital Fee (as defined in the Piper Sandler Engagement Letter).

7.3 The Monitor understands that the Applicants, Piper Sandler and the Lenders are discussing the quantum of the fees that would be payable to Piper Sandler on closing of the Transaction. The Monitor will provide further information to the Court in that regard at or prior to the Comeback Hearing.

8.0 EMPLOYEE RETENTION BONUSES

8.1 Pursuant to the proposed ARIIO, the Applicants are requesting the authority to pay all outstanding and future wages, salaries, commissions, bonuses, employee expenses, employee and pension benefits, vacation pay and expenses payable on or after the Filing

Date, including, without limitation, the authority to pay the employee retention bonuses (the “**Employee Retention Bonuses**”) that will become payable to certain of the Applicants’ senior management and other key employees on the earlier of (a) April 30, 2024; or (b) closing of the proposed Transaction, provided that any eligible employee who does not complete the required service period, will not be eligible to receive their employee retention bonus.

8.2 The Employee Retention Bonuses were approved by the Special Committee in May 2023 in connection with the Applicants’ Strategic Review Process. The Monitor understands that the eligible employees were considered to be critical to the Strategic Review Process and the implementation of a potential transaction.

8.3 The aggregate amount of the Employee Retention Bonuses is approximately \$1.2 million and, subject to the granting of the Applicants’ requested relief, will be paid from the proceeds of the proposed Transaction. The Monitor understands that the Lenders are supportive of the payment of the Employee Retention Bonuses.

8.4 The Monitor is of the view that the Employee Retention Bonuses are reasonable and appropriate in the circumstance and supports the payment of the Employee Retention Bonuses from the proceeds of the proposed Transaction.

9.0 PROPOSED DISTRIBUTIONS

9.1 Pursuant to the proposed AVO, the Applicants seek approval of the following distributions to be made by the Sellers to the Agent, on behalf of the Lenders (collectively, the “**Distributions**”), after payment of the Employee Retention Bonuses:

- (i) all proceeds paid to the Sellers by the Purchasers pursuant to the Asset Purchase Agreement on the Closing Date (as defined in the Asset Purchase Agreement), less an amount to be agreed by the Applicants, the Monitor and the Lenders and reserved to wind-down these CCAA Proceedings (the “**Wind-Down Reserve**”);
- (ii) all cash and cash equivalents in possession of the Applicants on the Closing Date;
- (iii) all additional proceeds received by the Sellers from the Purchasers pursuant to the Asset Purchase Agreement or otherwise from time to time; and
- (iv) any portion of the Wind-Down Reserve remaining as at the termination date of these CCAA Proceedings.

9.2 The Wind-Down Reserve will be used to pay the following costs (the “**Wind-Down Costs**”):

- (i) the reasonable and documented fees and expenses of the Monitor and its professional advisors;
- (ii) the reasonable and documented fees and expenses of the legal advisors of the Applicants for services performed after the closing of the Transaction with respect to the wind-down, dissolution and/or bankruptcy of the Applicants;
- (iii) amounts secured by the Administration Charge and the D&O Charge;
- (iv) any amounts that rank in priority to the obligations under the Credit Agreement, including, for certainty, the Transaction Fee Charge to the extent it is not satisfied from the Transaction proceeds on closing of the Transaction; and

(v) other expenses incurred by the Applicants after the Filing Date.

- 9.3 An overview of the Credit Agreement was provided in the Pre-Filing Report and the First MacKay-Lee Affidavit. As of the date of this First Report, the total indebtedness outstanding under the Credit Agreement is approximately \$121.67 million, excluding accrued and unpaid interest, expenses and fees.
- 9.4 As described above in Section 5.0 hereof, the Monitor has been provided with the Canadian Security Review and the US Security Review in respect of the security granted in favour of the Agent, which are described above.
- 9.5 The Monitor has also considered the types of claims and potential claims that, in certain circumstances, would rank or could rank in priority to the Agent's security, or are required to be paid by section 36(7) of the CCAA.
- 9.6 It is the Monitor's understanding that as at the Filing Date, the Applicants are current in respect of their employee obligations. All accrued vacation pay owing prior to the Closing Date for Transferred Employees (as defined in the Asset Purchase Agreement) is to be paid by the Sellers on the last payroll prior to such employees becoming Transferred Employees as a requirement under the Asset Purchase Agreement, and the Sellers intend to also pay any accrued vacation pay to the extent owing to any non-Transferred Employees.
- 9.7 The Monitor also understands that there are accrued sale tax amounts that are not yet due but will be paid in the normal course from the Wind-Down Reserve.
- 9.8 As part of determining the aggregate amount of the Wind-Down Reserve to be held back from the above Distributions, which amount is to be agreed by the Applicants, the Lenders

and the Monitor, the Monitor will work with the Applicants to estimate the anticipated Wind-Down Costs, including, without limitation, determining any amounts that may rank in priority to the obligations under the Credit Agreement.

10.0 INCREASES TO COURT-ORDERED CHARGES

- 10.1 The Initial Order granted the Administration Charge, D&O Charge and DIP Lenders Charge (together with the Transaction Fee Charge, the “**Charges**”) over the Property. The initial amounts of the Administration Charge, D&O Charge and DIP Lenders Charge approved under the Initial Order were determined based on what was reasonably necessary for the initial 10-day stay period. Pursuant to the ARIO, the Applicants are seeking to amend the Administration Charge, D&O Charge and DIP Lenders Charge, as described further below.

Administration Charge

- 10.2 The Initial Order provides for the Administration Charge over the Property in an amount not to exceed \$450,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicants. The Applicants are seeking to increase the Administration Charge to \$700,000.
- 10.3 The Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that the increased amount of the charge is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, the anticipated professional costs to be incurred during these CCAA Proceedings and the size of charges approved in similar CCAA proceedings.

D&O Charge

- 10.4 The Initial Order provides that the MAV Group will indemnify its directors and officers against obligations and liabilities that they may incur in their capacity as directors and officers of the Applicants 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. The Initial Order provides for the D&O Charge over the Property in the amount of \$600,000, in favour of the Applicants' directors and officers to secure such indemnity.
- 10.5 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.
- 10.6 The Applicants are seeking to increase the D&O Charge to \$725,000. The amount of the D&O Charge was estimated by the Applicants, in consultation with the Monitor, taking into consideration the Applicants' payroll, vacation pay, statutory employee obligations and sales tax liabilities during these CCAA Proceedings.
- 10.7 The Monitor is of the view that the increased amount of the D&O Charge is appropriate and reasonable in the circumstances.

DIP Lenders Charge

- 10.8 The Initial Order provides for the DIP Lenders Charge over the Property in favour of the DIP Lenders as security for outstanding obligations of the Applicants under the DIP Facility. Pursuant to the DIP Facility Agreement, during these CCAA Proceedings, the

borrowings under the DIP Facility Agreement cannot exceed \$3.9 million unless permitted by further Order of the Court.

- 10.9 The Monitor is of the view that the amount of the DIP Facility and the corresponding DIP Lenders Charge is reasonable and appropriate in the circumstances and will provide the Applicants with sufficient liquidity to operate the business as it works to implement the proposed Transaction, as set forth in the Applicants' Cash Flow Forecast.

Priority of Charges

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

- (i) First – Administration Charge (to the maximum amount of \$700,000);
- (ii) Second – D&O Charge (to the maximum amount of \$725,000);
- (iii) Fourth – DIP Lenders Charge; and
- (iv) Fifth – Transaction Fee Charge (up to a maximum amount of \$1.9 million).

- 10.11 For the reasons set out above, the Monitor believes that the Charges are reasonable in the circumstances, provided that, as discussed in Section 7.3 above, the Monitor understands that the Applicants, Piper Sandler and the Lenders are discussing the quantum of the fees that would be payable to Piper Sandler on closing of the Transaction.

11.0 INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS

- 11.1 The Monitor understands that, subject to obtaining the proposed ARIQ, AVO and Assignment Order, the Applicants intend to continue to operate the MAV Group's business in the normal course and to work to implement the proposed Transaction.

- 11.2 Following the implementation of the Transaction, the Sellers will provide transition services pursuant to the Transition Services Agreement as discussed above, and work with the Purchasers with regards to post-closing adjustment matters (including the Final Closing Statement (as defined in the Asset Purchase Agreement)) pursuant to the Asset Purchase Agreement.
- 11.3 As discussed above, following the closing of the Transaction, the Monitor will hold the Escrow Amount pursuant to the terms of the Escrow Agreement, which Escrow Amount will be released pursuant to the terms of the Escrow Agreement following the determination of the Final Purchase Price (as defined in the Asset Purchase Agreement)) pursuant to the Asset Purchase Agreement.
- 11.4 At this time, the foregoing matters are anticipated to take approximately 120 days from the closing of the Transaction.

12.0 EXTENSION OF THE STAY PERIOD

- 12.1 Pursuant to the Initial Order, the Stay Period is set to expire on November 24, 2023. The Applicants are seeking an extension of the Stay Period until and including December 21, 2023.
- 12.2 The Monitor supports the Applicants' motion to extend the Stay Period for the following reasons:
- (i) it will provide the MAV Group with the stability necessary to implement the proposed Transaction, if approved;


- (ii) the Applicants are projected to have sufficient liquidity to fund their operations, as reflected in the Cash Flow Forecast, through to the end of the proposed extended Stay Period;
- (iii) the Monitor does not believe that any creditor will be prejudiced if the extension is granted; and
- (iv) the Applicants continue to act in good faith and with due diligence.

13.0 CONCLUSIONS AND RECOMMENDATIONS


- 13.1 For the reasons set out in this First Report, the Monitor respectfully recommends that the Court grant the ARIO, AVO and Assignment Order containing the relief requested by the Applicants.

All of which is respectfully submitted to the Court this 20th day of November, 2023.

Alvarez & Marsal Canada Inc., in its capacity as 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”
PRE-FILING REPORT**

[Removed]

CONFIDENTIAL APPENDIX “1”
ASSET PURCHASE AGREEMENT (UNREDACTED)

[Redacted]

CONFIDENTIAL APPENDIX “2”
BID SUMMARY

[Redacted]

**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

FIRST REPORT OF THE MONITOR

GOODMANS LLP
Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Caroline Descours LSO#: 58251A
cdescours@goodmans.ca

Jennifer Linde LSO#: 86996A
jlinde@goodmans.ca

Tel: 416.979.2211
Fax: 416.979.1234

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

APPENDIX “B”
TRANSITION SERVICES AGREEMENT

December 8, 2023

MAV USA, LLC
c/o Nexus Capital Management LP
11150 Santa Monica Boulevard
Suite 400
Los Angeles, California 90025

To Whom It May Concern,

Reference is made to the Asset Purchase Agreement, dated as of November 13, 2023 (the "**Purchase Agreement**"), among MAV USA, LLC, a limited liability company organized under the laws of Delaware (the "**Buyer**"), MAV Beauty Brands Inc., a corporation organized under the laws of British Columbia, Marc Anthony Cosmetics Ltd., a corporation organized under the laws of British Columbia, Marc Anthony Cosmetics USA, Inc., a corporation organized under the laws of Delaware, MAV Midco Holdings, LLC, a limited liability company formed under the laws of Delaware, Renpure, LLC, a limited liability company formed under the laws of Delaware, and The Mane Choice Hair Solution LLC, a limited liability company formed under the laws of Delaware (collectively, the "**Sellers**"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Purchase Agreement.

On November 14, 2023, the Sellers obtained protection from their creditors under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") and Alvarez & Marsal Canada Inc. was appointed as the court-appointed monitor of the Sellers (in such capacity the "**Monitor**"). Subject to approval by the Ontario Superior Court of Justice (Commercial List), the Sellers have agreed to sell, transfer and assign to the Buyer certain of the Sellers' assets upon the terms and subject to the conditions set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, the Sellers and the Buyer have agreed to enter into this Agreement (as defined below) to facilitate an orderly transition of the Business to the Seller.

1. Services. During the Term (as defined below), Sellers will provide to Buyer certain transition services as described in Schedule A (the "**Transition Services**") in accordance with the terms and conditions set forth herein, including Schedule A. Sellers shall perform the Transition Services in material compliance with Applicable Law. For purposes of this Agreement, the Buyer as a recipient of Transition Services shall be deemed to include MAV Beauty Canada, Inc., a corporation organized under the laws of British Columbia and wholly-owned subsidiary of the Buyer.
2. Term. Except as otherwise set forth herein, the term (the "**Term**") of this letter agreement (the "**Agreement**") will commence on the closing of the transactions contemplated by the Purchase Agreement (the "**Closing**") and will continue until such time as Buyer notifies Sellers that the Transition Services are no longer necessary; provided, that the Term shall in no case be longer than one hundred twenty (120) days following the Closing. The parties acknowledge and agree that it is their objective to have all Transition Services and all related transition activities completed as soon as reasonably practicable, with the stated goal of accelerating transition activities, where practical.
3. Charges for Services. Sellers will provide the Transition Services to Buyer in exchange for (a) the amounts set forth with respect to such Transition Service in Schedule A, and (b) any other reasonable and documented costs incurred by Sellers in providing such Transition Services (including, without limitation, the reasonable and documented fees and expenses of any legal counsel or consultant relating to the Transition Services and including, for certainty, the fees and expenses of the Monitor incurred by Sellers in providing such Transition Services). Sellers shall notify the Buyer of amounts owed in connection with the Transition Services provided hereunder, accompanied by reasonably detailed supporting documentation. Except as otherwise set forth in Schedule A, all amounts due to Sellers will be due and payable to an account designated by Sellers within fourteen (14) days of Buyer's notification thereof.

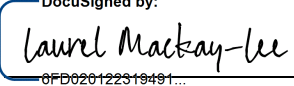
4. Independent Contractor Status. The parties acknowledge and agree that this Agreement does not create a fiduciary relationship, partnership, joint venture or relationship of trust or agency between the parties and that the Sellers are independent contractors in the performance of each and every part of this Agreement and nothing herein shall be construed to be inconsistent with this status.
5. Representations and Warranties. Sellers made no express or implied warranties or guarantees with respect to the Transitional Services. NO STATUTORY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE SHALL APPLY TO ANY OF THE TRANSITION SERVICES.
6. Indemnification. Buyer hereby agrees to defend, indemnify and hold harmless each of the Sellers and the Monitor and each of their respective Affiliates, officers, directors, employees, representatives and equityholders from and against any and all losses, claims, damages, costs, judgments, expenses, taxes and liabilities, together with all reasonable costs and expenses ("**Losses**"), to which any such indemnified party may become subject or that may be incurred, awarded or asserted against any such indemnified party, caused by, arising out of, or in connection with the performance of any of the Transition Services (including in connection with any investigation, litigation or other proceeding or preparation of a defense in connection therewith); except to the extent that any such Losses of the Sellers or the Monitor or their respective Affiliates, officers, directors, employees, representatives or equityholders have resulted from the willful misconduct or fraud of such party in performing the services that are the subject of the Transition Services. Notwithstanding anything else in this Agreement to the contrary, in no event shall Sellers' total liability under this Agreement exceed the aggregate payments made to Sellers with respect to the Transition Services (not including any amounts that are paid to third-parties through Sellers' bank accounts); provided, that any liability arising out Sellers' of willful misconduct or fraud shall not be subject to such limitations.
7. Force Majeure. No party shall be responsible for failure to perform its respective obligations hereunder due to force majeure which shall include, but not be limited to: fires, floods, riots, or acts of God or of the public enemy. Any interruption of business caused by such force majeure shall not, however, invalidate this Agreement or the parties' respective obligations; provided that the party claiming that its failure to perform was caused by force majeure shall use commercially reasonable efforts to cure the failure to perform as soon as possible, and if performance has not been cured within ten (10) days, the other party may arrange for such performance from a third party or terminate this Agreement.
8. Entire Agreement. This Agreement, including Schedule A, together with the Purchase Agreement constitutes the sole and entire agreement of parties to this Agreement with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. If and to the extent that there is a conflict between the provisions of this Agreement and the provisions of the Purchase Agreement as it relates to the Transition Services hereunder, the provisions of this Agreement shall control.
9. Miscellaneous. Sections 1.9 (*Waiver, Amendment*), 1.10 (*Governing Law, Jurisdiction and Venue*) 10.2 (*Third Party Beneficiaries*), 10.3 (*Confidentiality*), 10.10 (*Successors and Assigns*), 10.11 (*Notices*) and 10.13 (*Counterparts*) of the Purchase Agreement are incorporated herein *mutatis mutandis*.

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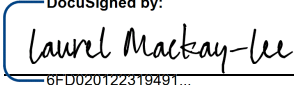
Please countersign below to indicate your acknowledgement and agreement to the provisions set forth above.

Very truly yours,

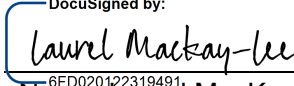
MAV BEAUTY BRANDS INC.

By:  DocuSigned by:
6FD020122319491...
Name: Laurel MacKay-Lee
Title: Chief Financial Officer

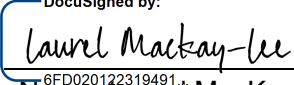
MARC ANTHONY COSMETICS LTD.

By:  DocuSigned by:
6FD020122319491...
Name: Laurel MacKay-Lee
Title: Chief Financial Officer


MARC ANTHONY COSMETICS USA, INC.

By:  DocuSigned by:
6FD020122319491...
Name: Laurel MacKay-Lee
Title: Chief Financial Officer


MAV MIDCO HOLDINGS, LLC

By:  DocuSigned by:
6FD020122319491...
Name: Laurel MacKay-Lee
Title: Chief Financial Officer

RENPURE, LLC

DocuSigned by:
By: 
6FD020122319491...
Name: Laurel MacKay-Lee
Title: Chief Financial Officer

THE MANE CHOICE HAIR SOLUTION LLC

DocuSigned by:
By: 
6FD020122319491...
Name: Laurel MacKay-Lee
Title: Chief Financial Officer

Agreed and Accepted:

MAV USA, LLC

By: 

Name: Michael Cohen

Title: Authorized Signatory

Schedule A

Transition Services

Type	Transition Service	Cost
Payroll	<p>Sellers shall permit the Buyer to use Sellers' payroll infrastructure with Ceridian Canada Ltd. ("Ceridian") in Canada and Paychex, Inc. ("Paychex") in the U.S. to facilitate the processing of payroll for the Transferred Employees; provided, that the Buyer shall prefund into an account or accounts as designated by the Sellers the amount necessary for any such payroll run, at least three Business Days prior to a requested payroll run, which amount shall include, without limitation, wages, benefits' costs, premia and contributions, bonuses, commissions, expenses and applicable federal, provincial and state tax obligations attributable to such payroll.</p> <p>For greater certainty, the Sellers shall in no way have any liability for any failure of the Buyer to provide adequate prefunding.</p> <p>The parties agree that, as contemplated by the Purchase Agreement, the Transferred Employees are employees of the Buyer following the Closing, and that following the Term, the Buyer shall cause each of Ceridian and Paychex, as applicable, to reflect payments made through Sellers' payroll on the Buyer's account (for tax purposes and otherwise) as if such payments had originally been made by the Buyer through Buyer's accounts.</p> <p>Following the end of the Term, Sellers shall transfer the records of their employee payroll systems to Buyer in respect of the Transferred Employees.</p>	<p>Buyer shall be responsible for all costs associated with the provision of such Transition Services, including any charges or fees to each of Ceridian and Paychex and bank charges and fees, including wire transfer fees.</p>
Employee Plans	<p>Sellers shall maintain and make no changes to their current Employee Plans until the end of the Term. During this period, Sellers shall permit the Buyer to participate in Sellers' Employee Plans, for a period not to exceed the Term, for the purpose of allowing the Buyer to provide benefits to the Transferred Employees until transitioned to the Buyer's Employee Plans. Sellers will introduce the Buyer to its benefits broker to support any</p>	<p>Buyer shall be responsible for all costs associated with the provision of such Transition Services.</p>

Type	Transition Service	Cost
	efforts creating a standalone benefit plan for Transferred Employees or transitioning Transferred Employees onto another Buyer's employee plan.	
Bank Accounts	<p>Sellers shall permit the Buyer to utilize the Sellers' bank accounts, for a period not to exceed the Term, for the purpose of allowing the Buyer to collect accounts receivable belonging to the Buyer and to fund and pay operating expenses in the ordinary course of business; provided, that:</p> <ul style="list-style-type: none"> (i) the Buyer shall adequately pre-fund into the bank account amounts sufficient to pay for any such operating expenses; (ii) if any of the Sellers' banks object to such arrangements or require the closure of any such bank accounts, any Transition Service with respect to such bank account shall terminate; and (iii) disbursements from the Sellers' bank accounts shall require the authorization of the Monitor. <p>For greater certainty, Sellers shall in no way have any liability for any failure of the Buyer to provide adequate prefunding.</p>	<p>Buyer shall be responsible for all costs associated with the provision of such Transition Services, including any bank charges, interest, or fees (including NSF fees, overdraft fees, monthly fees, wire fees, etc.) in respect of such bank accounts.</p>
Access to Office Space	<p>Sellers shall use commercially reasonable efforts to provide the Buyer with access to the Sellers' office space and associated parking space located at 100 New Park Place, Vaughan, Ontario, L4K 0H9 until February 29, 2024 to facilitate the transition of the Business to the Buyer.</p> <p>Sellers shall use commercially reasonable efforts to continue to maintain the insurance required by the Office Lease between Penguin-Calloway (Vaughan) Inc., Marc Anthony Cosmetics Ltd. and MAV Beauty Brands Inc. dated July 27, 2018, as amended by the Lease Amending Agreement dated October 19, 2018 (the "Lease") and shall make claims, or permit the Buyer to make claims (subject to the terms of such insurance policies), under such insurance policies for any covered loss</p>	<p>The Buyer shall pay to Sellers for remittance to the landlord all financial obligations, including Net Rent and Additional Rent, required to be paid by Sellers to the landlord under the Lease, during the period from the Closing until December 31, 2023, and for the months of January and February 2024.</p> <p>The Buyer shall not perform any act which would constitute a breach, default or violation under the Office Lease on the part of the Sellers as "Tenant" under the Office Lease.</p> <p>Buyer shall indemnify the Sellers and save them harmless from all loss, claims, actions, damages, liability and expense in connection with loss</p>

Type	Transition Service	Cost
	that occurs during the Buyer's access to the premises.	<p>of life, personal injury, damage to property or any other loss or injury whatsoever arising out of any occurrence in, upon or at the premises, or the access or use by the Buyer of the premises or any part thereof, or occasioned wholly or in part by any act or omission of the Buyer at the premises.</p> <p>The Buyer shall pay the cost of the insurance maintained by the Sellers pursuant to this Transition Service for the period of the Buyer's access to the premises, including premiums for such policies and the deductible for any covered loss arising out of any occurrence in, upon or at the premises, or the access or use by the Buyer of the premises or any part thereof, or occasioned wholly or in part by any act or omission of the Buyer at the premises.</p>

**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

SECOND REPORT OF THE MONITOR

GOODMANS LLP
Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Caroline Descours LSO#: 58251A
cdescours@goodmans.ca

Jennifer Linde LSO#: 86996A
jlinde@goodmans.ca

Tel: 416.979.2211
Fax: 416.979.1234

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