Raymond Chabot inc.

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DISTRICT OF QUEBEC
DIVISION. NO.: 01-MONTREAL
COURT NO.: 500-11-055723-189
FILE NO.: 0000409-218-QC
OFFICE NO.: 185620-017

S U P E R I O R   C O U R T

IN THE MATTER OF THE PLAN OF ARRANGEMENT OF:

V.A. INC., LOCATION V.A. INC., 9288-7561 QUÉBEC INC. AND 9001-6346 QUÉBEC INC., duly incorporated corporations having their main place of business at 600 Louis-Pasteur Street, in the city of Boucherville, in the province of Quebec, J4B 7Z1.

The "Debtor Companies" or "VA Group"

-and-

RAYMOND CHABOT INC. , (SR0163)**,** duly incorporated corporation having a place of business at , 20th Floor, Montréal, in the province of Quebec, H3B 4L8

The "Monitor"

REPORT TO THE CREDITORS ON THE PLAN OF TRANSACTION AND ARRANGEMENT AND ON THE DEBTOR COMPANIES' STATEMENT OF BUSINESS AND FINANCIAL AFFAIRS

On May 9, 2019, the Court delivered an "Order with respect to the processing of claims and calling and holding meetings" and on July 9, 2019, the Debtor Companies filed a Plan of Transaction and Arrangement (the "Plan"). This report of the Monitor relates to the Debtor Companies' statement of business and financial affairs and on the Plan, including a recommendation by the Monitor to vote in favour of the Plan for the reasons explained in this report.

This report is also submitted further to the Initial Order dated December 21, 2018 and the Orders extending the stay of procedures dated January 21, 2019, February 14, 2019 and May 9, 2019 as well as the Order authorizing the sale of the assets outside the normal course of business and increasing the amount of the temporary financing dated April 2, 2019.

Signed in Montréal on July 10, 2019

RAYMOND CHABOT INC.
Monitor

[Signature on the original French version]

Dominic Deslandes, CPA, CA, CIRP, LIT

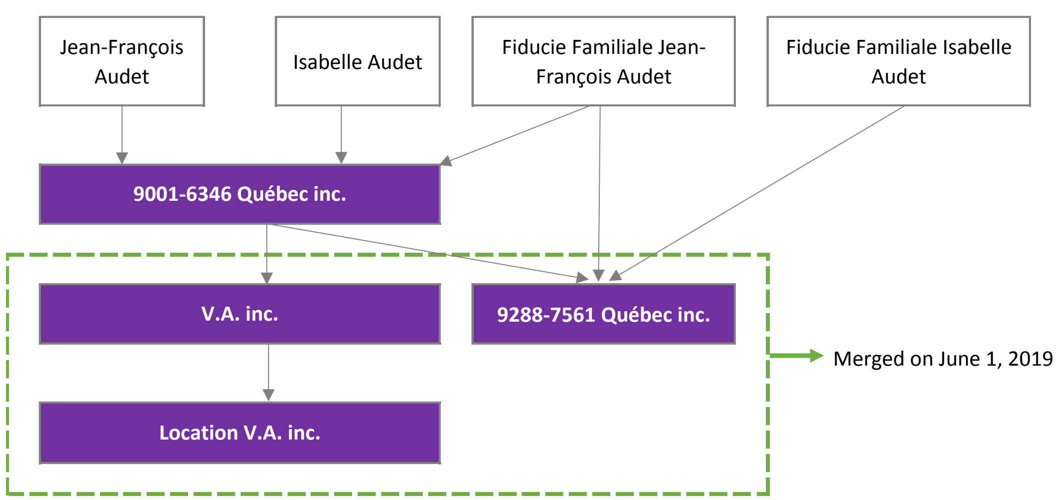
1. INTRODUCTION

This report of the Monitor covers the following matters:

- Background;
- Summary analysis of the financial situation;
- Restructuring process;
- Liabilities and claims received;
- Conflicts of interest;
- Summary of the Plan of Arrangement;
- Evaluation of assets and distributions;
- Statement of changes in cash flows;
- Conduct of V.A. inc. et al.;
- Conclusion and recommendations;
- Instructions to vote on the Plan of Arrangement.

2. BACKGROUND

2.1 VA Group



<u>V.A. inc.</u>

V.A. inc. is a family business that specializes in the transportation of furniture, electric appliances and electronics as well as distribution and logistics solutions. Its head office is located in Boucherville, Quebec and its activities extend to regions of Quebec, Ontario, and the Maritimes from operating centres in Laurier-Station and Boucherville, Quebec, Moncton, New Brunswick and Bolton and Brampton, Ontario.

V.A. inc. was incorporated in 1981 under the Quebec *Business Corporations Act*. Its sole director is Jean-François Audet.

The company's fleet includes 128 trucks and 530 trailers. It has some 134 employees.

9288-7561 Québec inc.

This company owned the VA Group's four buildings:

- A building in Boucherville, which housed the head office (the "Boucherville Centre");
- A building in Salisbury, near Moncton, New Brunswick (the "Moncton Centre");
- A building in Laurier-Station, near Québec City (the "Laurier Centre");
- A vacant lot in Laurier-Station, near Québec City (the "Vacant lot").

As explained later in this report, three of the properties have been sold.

This company was incorporated on September 24, 2013 under the Quebec *Business Corporations Act*. Its sole director is Jean-François Audet.

9001-6346 Québec inc.

This is V.A. inc.'s parent company and it owns shares of 9288-7561 Québec inc. This entity holds some of the long-term debt.

This company has 68 employees.

It was incorporated on February 14, 1994 under the the Quebec *Business Corporations Act*. Its sole director is Jean-François Audet.

Location V.A. inc.

This company leases the group's truck and trailer fleet and owns some trucks and trailers. Its sole source of income is V.A. inc., which advances funds as they are needed by Location V.A. inc. It does not have any employees, the required services are provided by V.A. inc.'s employees.

It was incorporated on December 10, 1980 under the the Quebec *Business Corporations Act*. Its sole director is Jean-François Audet.

V.A inc., Location V.A. inc. and 9288-7561 Québec inc. were merged on June 1, 2019 for tax purposes.

2.2 Reasons for the financial difficulties

In recent years, VA Group experienced growth through strategic acquisitions and the expansion of its territory:

- In 1997, V.A. inc. acquired Thunderbird Freight System, a Guelph, Ontario company specializing in furniture transportation. At the time, this company generated sales of about $4M. This acquisition launched Group VA's activities in Ontario;
- In 1997, V.A. inc. also opened a terminal in Brampton to serve its growing clientele in Ontario;
- In 2008, the company opened a terminal in Moncton to serve its New Brunswick clientele;
- In 2009, V.A. inc. acquired Nesel Fast Freight, which, at the time, had sales of about $33M;

- In 2014, the company introduced a home delivery service and entered into an agreement with a major chain for the home delivery of electric appliances. This sector was discontinued in 2017;
- Lastly, in 2015, Nordix Distribution was acquired, a company with sales of about $1.5M.

Commercial transportation accounts for most of revenues (about 90%), with other sectors being home delivery, storage and logistics.

However, since 2012, the Debtor Companies have been experiencing a decline in sales and, as a result, in profitability. The furniture industry has been declining for several years and competition in the transportation industry is increasing. In this context, the Debtor Companies are facing a profitability problem that is also affecting cash resources:

- Income in the commercial transportation sector, the main source of income, is constantly declining given the fierce competition, among other factors;
- The labour shortage in the transportation sector has led to a progressive decline in the number of employees, thereby limiting revenues. It has been necessary to call on transportation agencies and brokers to meet part of this need, which further erodes the profit margin;
- The cost structure is less and less adapted to the Debtor Companies situation, with constantly increasing fixed costs and decreasing revenues;
- The aging fleet of vehicles needs more maintenance and should be replaced in the short and medium term. The fleet is actually composed of road vehicles with five to fifteen years of use.

As an absolute percentage, VA Group's revenues declined by more than 30% between 2011 and 2017, and income before interest, taxes, depreciation and amortization dropped by close to 50% between 2014 and 2017.

As a result, the Debtor Companies have called on the protection of the *Companies' Creditors Arrangement Act*.

3. SUMMARY ANALYSIS OF THE FINANCIAL SITUATION

We have analyzed the financial statements of the Debtor Companies for the years ended December 31, 2016, 2017 and 2018, and for the five-month period of V.A. inc.'s and Location V.A. inc.'s 2019 fiscal year.

Our analysis essentially consisted of enquiry, analytical procedures and discussion related to information supplied by management. We did not perform an audit, and consequently we do not express an audit opinion on these financial statements.

Historical results - V.A. inc. (consolidated)

Year ended (unaudited, in thousands of $)	May 31, 2019 (5 months) (unaudited)	December 31, 2018 (unaudited)	December 31, 2017 (unaudited)	December 31, 2016 (audited)
Sales	11 443	33 082	40 262	37 151
Cost of sales	9 540	27 584	34 541	32 026
	1 903	5 498	5 721	5 125
	16,6%	*16,6%*	*14,2%*	*13,8%*
Administrative expenses	963	3 130	4 402	4 160
EBITDA	**940**	**2 368**	**1 319**	**965**
	8,2%	*7,2%*	*3,3%*	*2,6%*
Amortization of property, plant and equipment	442	1 413	1 545	1 703
Financial expenses	318	819	839	728
Other revenues (expenses)	110	(167)	(16)	(7)
Non-recurring expenses	254	1 734	354	248
Income taxes	-	-	(320)	(476)
Net loss	**(184)**	**(1 431)**	**(1 083)**	**(1 231)**

Consolidated - V.A. inc. and Location V.A. inc.

- In light of the company's financial uncertainty, some customers have stopped doing business with it. Additionally, sales were also negatively impacted by an increase in the selling price in 2019 due to increased direct costs in recent years;
- Although the gross margin is progressing, it is not sufficient to support fixed costs and the cost of debt;
- Non-recurring expenses are costs related to the restructuring of the company's activities;
- In the past 24 months, various turnaround and cost reduction measures have been implemented. Operations are still in a deficit because of the significant decrease in sales.

Historical balance sheet - V.A. inc. (consolidated)

(unaudited, in thousands of $)	May 31, 2019 (5 months) (unaudited)	December 31, 2018 (unaudited)	December 31, 2017 (unaudited)	December 31, 2016 (audited)
Assets				
Current assets				
Cash	353	345	415	184
Trade and other accounts receivable	2 525	3 546	5 646	4 656
Inventory	179	186	246	247
Prepaid expenses and security deposit	600	260	269	697
	3 657	4 337	6 576	5 784
Property, plant and equipment	3 523	4 271	5 905	7 357
Future income taxes	499	499	499	141
Goodwill	3 487	3 487	3 487	3 487
	11 166	**12 594**	**16 467**	**16 769**
Liabilities				
Current liabilities				
Advance from a factoring agent/bank loan	1 529	1 974	2 620	3 426
Trade and other accounts payable	3 782	3 738	4 500	2 384
Salaries and benefits payable	1 015	1 028	1 122	1 755
Income taxes payable	(107)	294	152	341
Current portions of long-term debt	250	-	-	471
Current obligation under capital leases	985	985	985	1 271
	7 454	8 019	9 379	9 648
Long-term debt	250	250	1 845	186
Due to affiliated companies	503	386	686	547
Due to parent company (debenture)	3 000	3 000	3 000	3 000
Obligations under capital leases	1 321	2 104	1 291	2 076
	12 528	13 759	16 201	15 457
Equity	(1 362)	(1 165)	266	1 312
	11 166	**12 594**	**16 467**	**16 769**

Consolidated - V.A. inc. and Location V.A. inc.

- Accounts payable have increased significantly since 2016 because of tightened cash flows due to the repetitive losses;
- Short-term assets are largely insufficient to cover the company's short-term obligations;
- Property, plant and equipment are mostly trucks and trailers that are aging;
- Cash flows are limited despite the 2017 refinancing;
- Because of repetitive loss years, equity is negative.

Historical results - 9288-7561 Québec inc.

Year ended December 31 (unaudited, in thousands of $)	2018	2017	2016
Rent	870	752	871
Interest	-	-	68
	870	752	939
Financial expenses	452	347	363
Amortization	245	232	245
Management expenses	228	190	228
Life insurance	78	80	79
Bad debts	135	-	-
Administrative expenses	3	3	18
	1 141	852	933
Income taxes	(1)	-	(6)
	(270)	**(100)**	**12**

- This company's revenues are derived from rent and interest charged to the other VA Group entities basically to cover the cost of debt;
- Expenses are primarily related to debt service and amortization of property, plant and equipment;
- Intercompany management fees are also charged to this company.

Historical balance sheet - 9288-7561 Québec inc.

As at December 31 (unaudited, in thousands of $)	2018	2017	2016
Assets			
Current assets			
Cash	13	62	30
Receivable from an affiliated company	515	4	31
Other assets	10	6	6
	538	72	67
Note receivable from parent company	329	329	329
Investment in 9001-6346 Québec inc.	1 350	1 350	1 350
Advances to a subsidiairy	(567)	(31)	
Fixed assets	7 802	8 047	8 279
	9 452	**9 767**	**10 025**
Liabilities			
Current liabilities			
Trade payable	213	231	19
Taxes payable	(9)	7	4
	204	238	23
Long-term debt	5 974	5 984	6 357
Future income taxes	536	536	536
	6 714	6 758	6 916
Equity	2 738	3 009	3 110
	9 452	**9 767**	**10 026**

- 9288-7561 Québec inc. held three buildings and a vacant lot which were used for the operations of the other VA Group divisions. These represented essentially the entirety of the property, plant and equipment. At the date hereof, the company has sold two of the buildings and the vacant lot further to court orders to allow their sale;

- The note receivable and investment in 9001-6346 Québec inc. are two assets that are not very liquid and with an uncertain value given that the company's insolvency and that of its subsidiary V.A. inc.;
- Long-term debt is secured by immovable hypothecs on the property, plant and equipment;
- Some buildings were also assigned as security for a $2.5M loan from Business Development Bank of Canada to another company of the group (Terra Nova Transport Ltd.), which declared bankruptcy in December 2018.

Historical results - 9001-6346 Québec inc.

Year ended December 31 (unaudited, in thousands of $)	2018	2017	2016
Interest	150	125	150
	150	125	150
Financial expenses	57	107	119
Management expenses	93	15	15
Administrative expenses	3	7	8
	153	129	142
Loss on disposal of an asset			
Income taxes	-	1	1
	(3)	**(5)**	**7**

- This company's sole income is interest on the debentures and advances to its subsidiary, V.A. inc.

Historical balance sheet - 9001-6346 Québec inc.

As at December 31 (unaudited, in thousands of $)	2018	2017	2016
Assets			
Current assets			
Cash	6	1	25
Accounts receivable from companies under common control	72	75	300
Income taxes receivable and future income tax asset	8	11	26
	86	87	351
Interest in a subsidiary	3 484	3 484	3 484
Advances to the subsidiary	557	834	85
Debenture of a subsidiary	3 000	3 000	3 000
	7 127	**7 405**	**6 920**
Liabilities			
Current liabilities			
Accounts payable	391	109	54
Accounts payable to a related company	79	68	-
Salaries and source deductions payable	494	598	-
Income taxes payable	1	1	15
	965	776	69
Long-term debt	365	814	967
Financial expenses	(5)	(5)	(7)
Long-term debt of a shareholder	433	433	433
Note payable	329	329	329
Future income tax liability	-	3	2
	2 087	2 350	1 793
Equity	5 040	5 055	5 127
	7 127	**7 405**	**6 920**

- Although it may appear that 9001-6346 Québec inc. is highly capitalized based on its balance sheet, its main assets are advances and interests in insolvent subsidiaries with an uncertain value;
- Salaries and source deductions are those of management employees of V.A. inc.

4. RESTRUCTURING PROCESS

Since the December 21, 2018 *Initial Order*, V.A. inc. et al.'s management has continued its restructuring efforts with the assistance of the Monitor. This works can be summarized as follows:

- Optimizing internal processes, in particular with respect to the use of interline, agents and brokers;
- Increasing its rates to reflect the increase in operating costs (salaries, fuel, etc.);
- Holding numerous discussions with its main creditors;
- With the Court's authorization and further to a call for tenders process and the assistance of real estate brokers, the Debtor Companies sold two buildings and its vacant lot. These transactions will make it possible to repay certain secured creditors and free up cash flows for the working capital.

5. LIABILITIES AND CLAIMS RECEIVED

5.1 Summary of liabilities

Pursuant to the May 9, 2019 *Order with respect to the processing of claims and calling and holding meetings*, the creditors were required to prove their claims by 5:00 p.m. on June 12, 2019 to participate in any distributions.

The following table presents details of the deemed trusts, unsecured claims and secured claims in V.A. inc. et al.'s books:

Summary of creditors by category

(in thousands of $)	
Temporary financing	310
Secured creditors (as reported)	13 447
Deemed trusts (as claimed)	279
Unsecured creditors (as claimed)	3 490
Unsecured creditors - related entities (as claimed)	502
Total	**18 028**

Unsecured creditors who are related parties or entities will not participate in the dividend, as mentioned in the proposed Plan of Arrangement.

5.2 Secured claims

Secured creditors are as follows as at June 30, 2019:

Secured creditors

(In thousands of $, unaudited)	
Current debt	
Distnet - Temporary financing	310
Distnet - Factoring balance	1 606
	1 916
Long-term debt	
Roynat	2 407
Roynat - Additional financing	75
BDC	6 845
BDC - Additional financing	75
Investissement Québec	376
	9 778
Capital leases	
Distnet	633
BMO	95
RBC	883
Financement Natve	86
Location Pinard	132
John Deere	7
	1 836
Property and school taxes	
Commission scolaire des Navigateurs	3
Corp. Village Laurier-Station	24
Ville de Boucherville	200
	227
Total	**13 757**

6. CONFLICTS OF INTEREST

Raymond Chabot inc. informs the creditors that Raymond Chabot Grant Thornton LLP (RCGT), an affiliate of the Monitor, signed the audited financial statements of V.A. inc. for the year ended December 31, 2016 on January 10, 2018. Moreover, RCGT also issued notices to readers for V.A. inc. (January 9, 2018), 9288-7561 Québec inc. (January 10, 2018) and 9001-6346 Québec inc. (January 9, 2018).

In the past two years, Raymond Chabot Grant Thornton & Co. provided advisory services to VA Group in connection with its turnaround measures.

The Superior Court was notified about these facts when the Initial Order was issued and authorized Raymond Chabot inc. to act as Monitor.

7. SUMMARY OF THE PLAN OF ARRANGEMENT

A Plan of Arrangement is submitted to the creditors pursuant to V.A. inc. et al.'s restructuring.

This section summarizes the Plan of Arrangement. In case of discrepancy, the Plan of Arrangement takes precedence over this summary.

Plan of Arrangement for the creditors of V.A. inc. et al.

A lump sum of $300,000 will be paid to the Monitor in the five days following final approval of the Plan of Arrangement to cover:

- Unsecured claims as follows:
    - The first $1,000 shall be paid in full;
    - The balance shall be paid on a pro rata basis according to the remaining claims.

There will only be one class of creditors for purposes of the Plan;

Crown Claims shall be paid within six months following the final approval of the Plan.

Parties related to the Debtor Companies shall not participate in the distribution under the Plan.

The Plan provides for the following discharges:

- Debtor Companies;
- The Monitor;
- Professionals;
- The directors, management, employees, legal counsel, accountants, financial advisors, consultants and agents of the Debtor Companies;
- Former and current shareholders of the Debtor Companies and persons related to them.

Implementation of the Plan is subject to the following conditions:

- The Plan must be approved by the required majority at the Meeting of Creditors;
- An Order confirming the Plan must be received;
- All parties involved must have signed, delivered and submitted the documents that, in the opinion of the Debtor Companies and the Monitor, are needed to implement the Plan;
- The Monitor must certify that all of the conditions for the implementation of the plan have been fulfilled, satisfied or discarded.

8. EVALUATION OF THE ASSETS AND DISTRIBUTIONS

Based on the information in V.A. inc. et al.'s balance sheet, the estimated distribution would be as follows under the Plan of Arrangement:

Estimated dividend

(in thousands of $)	
Lump sum	**300**
Minus:	
Crown claims	Assumed
Employees	Assumed
Restructuring expenses (estimate)	75
Amount available for unsecured creditors	225
Participating unsecured claims total:	3 490
Estimated dividend	**6,4%**

As indicated in the above table, the estimated dividend to the creditors under the Plan of Arrangement would be about 6.4%.

In our experience, the estimated realizable value of the assets in a bankruptcy context would be as follows :

Estimated liquidation value

(in thousands of $, unaudited)	Carrying amount (As at May 31, 2019)	Liquidation value (Estimated)
Assets		
Cash	372	372
Trade and other accounts receivable	2 525	450
Inventory	179	18
Prepaid expenses and security deposit	600	118
Property, plant and equipment	3 523	2 212
Buildings	7 801	1 450
Future income taxes	499	-
Goodwill	3 487	-
	18 986	**4 620**
Priority claims		
Deemed trusts		342
Salaries and vacation		404
Secured creditors		2 212
		2 958
Balance after priority claims		**1 662**
Realization expenses(fees and restructuring expenses/occupancy/etc.)		400
Balance after professional fees		**1 262**
Unsecured claims		3 992
Estimated dividend		**31,6%**

The estimated realizable value of V.A inc. and Location V.A. inc. is based essentially on the following assumptions:

- The value of accounts receivable is the unbilled value, net of a bad debt allowance;
- The value of inventory is an estimate of what could be collected in a rapid sale by a trustee;
- In a bankruptcy, the only prepaid expenses that could be recovered is a refund of vehicle registrations paid;
- The value of property, plant and equipment is similar to the balance of the related debts which they guarantee and we consider that their sale would not provide any equity;
- VA Group only owns one building, for which about $800,000 could be obtained in a rapid sale context. Moreover, the Monitor holds in trust the proceeds from the sale of the other buildings and lot. The estimated surplus of the realization over the related debt is $650,000;
- Future income taxes, goodwill and intercompany debts would not have any value in a rapid realization.

In theory, and based on the above assumptions, we estimate that an estimated dividend of 31.6% could be obtained on the realization of the Debtor Companies' assets in a bankruptcy context, net of fees and realization costs.

However, certain amounts that could potentially be recovered by the unsecured creditors are uncertain, both in terms of amounts and the timing of a distribution to creditors. The Debtor Companies' main asset is a building which has been offered for sale but no offer above the stated amount has been received.

9. STATEMENT OF CHANGES IN CASH FLOWS

The Debtors' statement of changes in cash flows as at July 10, 2019 is presented in Appendix 1, relates to the 25-week period ending December 27, 2019 and was prepared by the Debtor Companies' management for the purposes indicated in Note 1 using the assumptions and hypotheses set out in Note 3.

Our review essentially consisted of enquiry, analytical procedures and discussion related to information supplied by the Debtor Companies' management and employees. Since hypotheses need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projections. We also examined the support provided by management for the other assumptions and the preparation and presentation of the projections.

Based on our review, nothing leads us to believe, regarding the material matters:

a) That the hypotheses are not consistent with the purpose of the projections;

b) That, as at the date of this report, the other assumptions developed by management assumptions are not appropriately supported and are not consistent with the plans of the Debtor Companies or do not provide a reasonable basis for the projections given the hypotheses; or

c) That the projections do not reflect the assumptions and hypotheses.

Since projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur and the variations may be material. Accordingly, we express no opinion as to whether these projections will be achieved.

The projections were established exclusively for the purposes mentioned in Note 1 and it should be noted that these projections may not be suitable for any other purpose.

The projections have been prepared using the going concern assumption, taking into account certain measures that have been or will be implemented by management to control expenses. The most significant expenses are salaries, interline, personnel agency and broker costs and the costs associated with operating the fleet of trucks and trailers. The projections are also based on receiving the ongoing support of the secured creditors, including continuation of the moratorium, on paying capital and interest as described in the following section.

10. CONDUCT OF V.A. INC. ET AL.

Statement of projected changes in cash flows and monitoring of activities

Since the Initial Order, the Monitor has monitored the business and financial affairs of V.A. inc. et al. and received all of the required cooperation.

For the period of December 21, 2018 to July 5, 2019

(Unaudited - in thousands of $)	Actual	Forecast	Variation
Receipts			
Net receipts - factored A/R	12 776	12 948	(173)
Receipts from unfactored A/R	3 816	3 293	523
New financing	400	500	(100)
Interim financing	431	450	(19)
	17 423	**17 191**	**231**
Disbursements			
Salaries and DAS	6 065	6 664	599
Interline, Agencies, Brokers	3 350	3 286	(63)
Fleet expenses (fuel, maintenance, registration)	3 360	3 506	146
Occupancy expenses	958	1 070	112
Insurance	394	298	(96)
IT expenses	210	145	(65)
Restructuring expenses	411	412	1
Utilities (telecommunication, power, internet)	416	335	(81)
GSQST- current	319	333	14
Allowance -various (credit card/maintenance)	779	696	(83)
Leases	788	896	108
Interest	90	348	258
Capital	-	360	360
Outstanding cheques	250	-	(250)
Total current disbursements	**17 389**	**18 350**	**961**
Change in cash flows	**33**	**(1 159)**	**1 192**
Cash, beginning of period	225		
Cash, end of period	**258**		

- During the period, receipts from sales and accounts receivable were about $350,000 higher than forecast and, accordingly, financing requirements were lower ($100,000);
- Significant savings were achieved in salaries, fleet expenses and some occupancy costs (about $860,000). Interline, agency and broker costs were in line with the forecasted amounts.

Analysis of preferential payments, transactions at under value and reviewable transactions

As part of his duties as Monitor, and as provided in the CCAA, V.A. inc. et al.'s Monitor undertook an accounting investigation to review preferential payments, transactions at under value and reviewable transactions.

No significant preferential payment, transaction at under value or reviewable transaction was identified.

11. CONCLUSION AND RECOMMENDATIONS

Whereas:

- The Plan would make a rapid distribution of an approximate dividend of 6.4%, that is within about one month from the Court's approval of the Plan;
- The net realizable amount in a bankruptcy, while potentially higher than the amount proposed in the Plan, is uncertain. It could be less than the estimates presented and will likely not be paid for several months;
- The first $1,000 of each claim accepted would be paid in full, which means that 24% of creditors would recover the full amount of their claim in this distribution;
- The realization of the assets in a bankruptcy , given the distribution of assets and debts in various entities, could have a negative impact on some creditors. Moreover, related parties would be entitled to a distribution in a bankruptcy, which would further dilute the distribution;
- The Plan of Arrangement would ensure the continuity of the Debtor Companies, maintaining 202 jobs and continuing the business relationship with its numerous suppliers, which is a long-term advantage for them.

Considering that the Plan would make it possible to continue operations, maintain jobs and provide a rapid settlement for creditors, it is to their advantage to vote in favour of the proposed Plan.

12. PROCESS TO VOTE ON THE PLAN OF ARRANGEMENT

The Plan of Arrangement must be approved by a simple majority in number of voting creditors and a two-thirds majority in value of their claims. You are therefore called to a general meeting of the creditors of V.A. inc. et al. on July 25, 2019 at 11:00 a.m. in the Monitor's offices.

You will find a ballot enclosed herein.

To vote, the creditors must forward to the Monitor a voting form as provided in the May 9, 2019 Order with respect to the processing of claims and calling and holding meetings no later than July 25, 2019 at 10:00 a.m. at the address of the Monitor's representative: Philippe Daneau, Raymond Chabot inc. at ReclamationMtl@rcgt.com. Telephone number: 514-954-4638, fax number: 514-878-3303

Unless so authorized by the Court, a creditor who has not submitted a proof of claim before the June 12, 2019 deadline:

- Will not receive any further notice;
- Cannot participate in the proceedings as a creditor;
- Cannot vote on any matter related to the Plan of Arrangement procedures;
- Cannot submit a claim against V.A. inc. et al.; and
- Cannot receive any distribution under the Plan of Arrangement.

Creditors who have complied with the order with respect to the processing of claims or who have been authorized by the Court may:

- Send a duly completed voting form to the Monitor before the meeting; or
- Appoint the person of their choice using the proxy form and sending it to the Monitor before the meeting; or
- Vote at the meeting in person.

Respectfully submitted by Raymond Chabot inc., in its capacity as Monitor of the business and financial affairs of V.A. inc. et al..

Appendix 1

STATEMENT OF CHANGES IN CASH FLOWS

FOR THE PERIOD ENDING DECEMBER 27, 2019

(unaudited – see the Monitor's report)

État de la variation prévisionnelle de l'encaisse
Pour la période de 25 semaines se terminant le 27 décembre 2019

(En milliers de $, non audité)	12-Jul	19-Jul	26-Jul	2-Aug	9-Aug	16-Aug	23-Aug	30-Aug	6-Sep	13-Sep	20-Sep	27-Sep	4-Oct	11-Oct	18-Oct	25-Oct	1-Nov	8-Nov	15-Nov	22-Nov	29-Nov	6-Dec	13-Dec	20-Dec	27-Dec	Total
Encaissements																										
Encaissements nets - CAR affacturés	502	502	502	432	337	425	425	425	363	458	458	458	466	475	377	475	555	556	556	556	556	520	520	520	413	11 835
Encaissements de CAR non affacturés	138	138	138	138	130	130	130	130	125	125	125	125	125	132	132	132	132	138	138	138	138	153	153	153	153	3 387
Financement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	640	**640**	**640**	**569**	**467**	**555**	**555**	**555**	**489**	**583**	**583**	**583**	**592**	**606**	**508**	**606**	**686**	**694**	**694**	**694**	**694**	**673**	**673**	**673**	**566**	**15 222**
Décaissements																										
Salaires et DAS	299	177	171	219	199	263	205	211	207	263	205	208	210	263	205	208	210	263	205	208	207	266	205	208	207	5 493
Interligne, Agences, Courtiers	120	120	120	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	2 556
Dépenses de flotte (Carburant, entretien, immatriculation)	116	100	124	115	119	88	111	112	139	92	125	112	138	91	124	111	153	106	140	127	153	89	122	109	136	2 957
Frais d'occupation	35	14	93	79	53	14	93	66	18	14	93	66	5	14	93	66	5	14	93	66	5	14	93	66	5	1 183
Assurances	-	-	46	-	-	-	46	-	-	-	46	-	-	-	46	-	-	-	46	-	-	-	46	-	-	274
Dépenses de TI	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	99
Frais de restructuration	15	15	15	15	15	15	15	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
Services publics (télécommunication, énergie, internet)	12	12	12	10	10	10	10	10	10	10	10	12	12	12	12	12	10	10	10	10	10	13	13	13	13	273
TPS-TVQ courant	-	-	100	-	-	-	-	100	-	-	-	-	250	-	-	-	100	-	-	-	100	-	-		100	752
Provision - Divers (Carte de crédit / Entretien)	11	11	11	68	11	11	11	68	11	11	11	68	11	11	11	68	11	11	11	11	68	11	11	11	68	623
Crédit-bail	16	15	58	30	16	15	29	58	16	15	29	58	16	15	1	86	16	15	1	86	16	15	1	86	16	722
Total des décaissements courants	**627**	**468**	**754**	**640**	**527**	**520**	**624**	**745**	**504**	**509**	**623**	**629**	**746**	**511**	**597**	**656**	**609**	**523**	**610**	**612**	**663**	**512**	**596**	**598**	**649**	**15 052**
Variation de l'encaisse	**13**	**172**	**(114)**	**(71)**	**(60)**	**35**	**(69)**	**(190)**	**(15)**	**75**	**(40)**	**(46)**	**(155)**	**96**	**(89)**	**(50)**	**77**	**171**	**84**	**82**	**31**	**161**	**78**	**76**	**(83)**	**170**
Encaisse au début	258	271	443	329	258	198	233	163	(26)	(42)	33	(7)	(53)	(207)	(112)	(200)	(250)	(173)	(2)	82	165	196	357	435	511	258
Encaisse à la fin	**271**	**443**	**329**	**258**	**198**	**233**	**163**	**(26)**	**(42)**	**33**	**(7)**	**(53)**	**(207)**	**(112)**	**(200)**	**(250)**	**(173)**	**(2)**	**82**	**165**	**196**	**357**	**435**	**511**	**428**	**428**
Intérêts	6	3	3	3	6	3	3	3	6	3	3	3	7	4	4	4	7	4	4	4	7	4	4	4	7	108
Encaisse à la fin	**265**	**440**	**326**	**255**	**192**	**230**	**160**	**(29)**	**(48)**	**29**	**(10)**	**(56)**	**(214)**	**(116)**	**(204)**	**(254)**	**(180)**	**(6)**	**78**	**160**	**189**	**353**	**431**	**507**	**422**	**422**

V.A. INC., LOCATION V.A. INC., 9001-6346 QUÉBEC INC. ET 9288-7561 QUÉBEC INC.
NOTES TO THE FINANCIAL STATEMENT
AS AT JULY 10, 2019

(unaudited – see the Monitor's report)

1. PURPOSE OF THE STATEMENT OF CHANGES IN CASH FLOWS

The purpose of these projections is to present prospective financial information in connection with the filing of the Plan of Arrangement under the *Companies' Creditors Arrangement Act*. This information may be appropriate for any other purpose.

2. GOING CONCERN ASSUMPTION

These projections regarding the changes in cash flows have been prepared on the going concern assumption, taking into account certain measures that have been or will be implemented by management to control expenses.

3. ASSUMPTIONS AND HYPOTHESES

The statement of changes in cash flows has been prepared on an individual and consolidated basis for the Debtor Companies and is based primarily on the following hypotheses.

3.1. Receipts

ACCOUNTS RECEIVABLE – FACTORED

The amounts are estimated based on a detailed analysis of the main accounts, past history, planned billings and management's experience. They are based on factoring in accordance with current conditions.

ACCOUNTS RECEIVABLE – NOT FACTORED

The amounts are based on management's estimates according to past history, experience and current agreements.

3.2. Disbursements

SALARIES, INTERLINE, AGENCIES, BROKERS AND FLEET EXPENSES

These expenses are estimated based on estimated sales volumes, management's experience and current agreements and contracts. These expenses are paid for current services on a weekly basis.

OCCUPANCY, INSURANCE, IT AND UTILITIES EXPENSES

These expenses are based on leases, contractual agreements and past history.

Sales taxes

Sales taxes are estimated based on future sales volumes and disbursements.

Restructuring costs

These costs are based on experience and payable on receipt of invoices.

Leases

These expenses are based on current contracts and paying certain arrears.

4. INHERENT RISK FACTORS OF THE PROJECTIONS

The forecasts depend on:

- The Company's ability to retain its clients in spite of the restructuring process and price increases;
- Receiving the continued support of the main creditors and suppliers;
- The Company's ability to retain its employees.