



Court File No. BK-24-03064916-0031

TDB Restructuring Limited
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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
NATIONAL TRAFFIC SAFETY MANAGEMENT INC.
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

MATERIAL ADVERSE CHANGE REPORT OF THE PROPOSAL TRUSTEE
TDB RESTRUCTURING LIMITED

MAY 7, 2024

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1.0 INTRODUCTION AND BACKGROUND

1. On April 5, 2024, National Traffic Safety Management Inc. (“**NTSM**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to S. 50.4(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) and TDB Restructuring Limited consented to act as Trustee under the Proposal (“the “**Proposal Trustee**”).
2. In connection with the NOI, the management of NTSM prepared and filed with the Proposal Trustee a statement of projected cash flow for the period from April 5, 2024 to July 5, 2024 (the “**Cash Flow Forecast**”). The Proposal Trustee filed the Cash Flow Forecast with the Official Receiver on April 12, 2024.
3. On April 16, 2024, the Ontario Superior Court of Justice (the “**Court**”) granted an order (the “**April 16th Order**”) that provided for, among other things, the following:
 - a) authorized and empowered NTSM to obtain and borrow under a credit facility from J9 Investments Inc. (the “**DIP Lender**”) in order to finance the Company’s working capital requirements and other general corporate purposes, provided that borrowings under such credit facility shall not exceed \$150,000 (the “**Interim DIP Loan**”) unless permitted by further Order of this Court;
 - b) granted a charge (the “**Interim DIP Charge**”) in favour of the DIP Lender on all present and future property and assets of NTSM and proceeds thereof (the “**Property**”), which Interim DIP Charge shall not secure an obligation that exists before the April 16th Order is made; and
 - c) that the Interim DIP Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise in favour of any person.

A copy of the April 16th Order is attached hereto as **Appendix “A”**.

4. On May 3, 2024, the Court granted an order (the “**May 3rd Order**”) that provided for, among other things, the following:

- a) approval of an amended and restated DIP term sheet between the Company and the DIP Lender dated April 30, 2024, which increased the amount of the Interim DIP Loan to \$350,000;
- b) authorized an increase to the Interim DIP Charge over the Property to secure the DIP Loan in the amount of up to \$350,000;
- c) granted an Administration Charge over the Property in the amount of \$100,000 to secure the fees and disbursements of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel;
- d) granted a charge over the Property in favour of the directors and officers of NTSM in the amount of \$350,000; and
- e) extending the time required for the Company to file its proposal from May 5, 2024, the date the current stay expires, to June 19, 2024.

A copy of the May 3rd Order is attached hereto as **Appendix "B"**.

5. A copy of the Court materials and other information related to these proceedings, has been posted on the Proposal Trustee's website, which can be found at <https://tdbadvisory.ca/insolvency-case/NTSM/> (the "**Proposal Trustee's Website**").

1.1 Purpose of the Report

6. The purpose of this report (the "**Material Adverse Change Report**") is to provide the creditors and the Court with:
 - a) information regarding a material adverse change in the projected cash-flow and financial circumstances of the Company; and
 - b) the Proposal Trustee's intended course of action.

1.2 Terms of Reference

7. In preparing the Material Adverse Change Report and making the comments herein, the Proposal Trustee has relied upon information from third-party sources

(collectively, the “**Information**”). Certain of the information contained in the Material Adverse Change Report may refer to, or is based on, the Information. As the Information has been provided by other parties or obtained from documents filed with the Court in this matter, the Proposal Trustee has relied on the Information and, to the extent possible, reviewed the Information for reasonableness. However, the Proposal Trustee 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 pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the Information.

8. Unless otherwise stated, all dollar amounts contained in the Material Adverse Change Report are expressed in Canadian dollars.

2.0 MATERIAL ADVERSE CHANGE

9. This report has been filed pursuant to section 50.4(7)(b) of the BIA as a result of the Proposal Trustee ascertaining that a material adverse change in the insolvent person’s projected cash-flow and financial circumstances has occurred.
10. Note 3 of the Cash Flow Forecast contemplates an accounts receivable factoring facility from an accounts receivable factor (the “**Factor**”) that will lend based on 85% of all post-filing accounts receivable balances. The Cash Flow Forecast assumes that the Factor will extend funds to NTSM one-week subsequent to the week in which the respective sales are generated and invoices are issued to customers and that the factoring facility would be in place by April 12, 2024. The Factor has not yet completed its due diligence and has not yet extended any funds in respect of the accounts receivable factoring facility. The Proposal Trustee notes that the interim DIP financing provided to date has been sufficient to address the Company’s post-filing obligations, and therefore the Company has not had a need to draw on the factoring facility.
11. Note 4 of the Cash Flow Forecast sets out that a receipt of \$150,000 was to be received from the Interim DIP Lender during the first week of the forecast period and that in the third week of the forecast, the Company expected another DIP loan of \$500,000

from a third party (the “**Replacement DIP Lender**”) to be received, at which time the Interim DIP Loan of \$150,000 will be repaid.

12. On the basis that negotiations with the Replacement DIP Lender were taking longer than expected, the Interim DIP Lender agreed to provide the Company with an additional \$200,000, which was authorized by the Court in the May 3rd Order.
13. At approximately 4:48 pm on Friday, May 3, 2024, the Proposal Trustee was informed by the Company that the Replacement DIP Lender had withdrawn its offer of financing. The Proposal Trustee understands that the Company is now in discussions with other lenders in order to secure a replacement DIP financing facility.
14. As a result of the foregoing, the Proposal Trustee is of the opinion that there has been a material adverse change in the Company’s cash flow and financial circumstances.
15. The Proposal Trustee confirms that the DIP Lender advanced a further \$55,000 to the Company on May 6, 2024 in order to allow the Company to meet its ongoing, post-filing obligations. The Proposal Trustee understands that the DIP Lender is prepared to advance further funds for this purpose, up to a maximum of \$350,000 as authorized by the May 3rd Order.

3.0 CONCLUSION

16. The Proposal Trustee is of the view that a material adverse change occurred in NTSM’s projected cash-flow and financial circumstances pursuant to section 50.4(7)(b) of the BIA.
17. It is the Proposal Trustee’s intended course of action to:
 - a) file this report with the Official Receiver without delay pursuant to subsection 50.4(7)(b)(i) of the BIA; and
 - b) distribute this report to all known creditors of the Company and make same available on the Proposal Trustee’s Website, pursuant to subsection 50.4(7)(c) of the BIA.

All of which is respectfully submitted to this Court as of this 7th day of May 2024.

TDB RESTRUCTURING LIMITED, solely in its capacity as
Proposal Trustee re National Traffic Safety Management Inc.
and not in its personal or corporate capacity



Per:
Bryan A. Tannenbaum, FCPA, FCA, FCIRP, LIT
Managing Director