



October 15, 2025

**Third Report of
KSV Restructuring Inc.
as Proposal Trustee of
lovate Health Sciences International
Inc., lovate Health Sciences U.S.A.
Inc. and Northern Innovations
Holding Corp.**

Contents	Page
1.0 Introduction	1
1.1 Purposes of this Report.....	2
1.2 Restrictions	2
1.3 Currency	3
2.0 Background	3
3.0 Kenco	3
3.1 The Kenco Agreement	3
3.2 Kenco's Emergency Motion	4
3.3 The Settlement Agreement	4
3.4 Releases.....	5
3.5 Proposal Trustee's Analysis	5
4.0 Cash Flow Forecast.....	6
5.0 Conclusion and Recommendation	6

Court File No. BK-25-03268936-0031

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Court No.: 31-3268942

Estate No.: 31-3268942

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
IOVATE HEALTH SCIENCES INTERNATIONAL INC.

Court No.: 31-3268942

Estate No.: 31-3268942

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
IOVATE HEALTH SCIENCES U.S.A. INC.

Court No.: 31-3268971

Estate No.: 31-3268971

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
NORTHERN INNOVATIONS HOLDING CORP.

THIRD REPORT OF KSV RESTRUCTURING INC.

OCTOBER 15, 2025

1.0 Introduction

1. On September 5, 2025, Iovate Health Sciences International Inc. ("**Iovate International**"), Iovate Health Sciences U.S.A. Inc. ("**Iovate USA**") and Northern Innovations Holding Corp. (collectively, the "**NOI Applicants**") each filed a Notice of Intention to Make a Proposal (collectively the "**NOIs**", each an "**NOI**") in accordance with the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and KSV Restructuring Inc. ("**KSV**") consented to act as proposal trustee (in such capacity, the "**Proposal Trustee**").
2. On September 9, 2025, the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**") granted an order approving:
 - a) an administrative consolidation of the proposal proceedings (the "**NOI Proceedings**") under one title of proceedings;
 - b) a charge over the assets, undertakings and properties of the NOI Applicants to secure payment of the fees and disbursements of certain administrative professionals;

- c) lovate International to act as foreign representative for the purpose of having the NOI Proceedings recognized in a jurisdiction outside of Canada; and
 - d) authorizing lovate International, as foreign representative, to apply for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*.
- 3. On September 10, 2025, the United States Bankruptcy Court for the Southern District of New York (the “**New York Court**”) entered an order (the “**Provisional Order**”) provisionally recognizing lovate International as foreign representative of the NOI Applicants with full authority to administer their assets and affairs in the United States (the “**Chapter 15 Proceedings**”). The Provisional Order also provided that section 362 of the *United States Bankruptcy Code* applies with respect to the NOI Applicants and the property of each NOI Applicant that is within the territorial jurisdiction of the United States. The Provisional Order was extended pursuant to an order granted by the New York Court on September 19, 2025.
- 4. On October 3, 2025, the Canadian Court granted an order, among other things, extending the time for the NOI Applicants to file a proposal in the NOI Proceedings to and including November 4, 2025 (the “**Stay Extension**”).
- 5. The NOI Applicants’ motion to recognize: i) lovate International as foreign representative of the NOI Applicants; ii) the NOI Proceedings as the “foreign main proceeding”; and iii) certain related relief, is scheduled to be heard by the New York Court on October 28, 2025.
- 6. KSV is filing this report (the “**Third Report**”) as the Proposal Trustee.

1.1 Purposes of this Report

- 1. The purpose of this Third Report is to:
 - a) provide background information about the NOI Applicants and these NOI Proceedings;
 - b) summarize the results of the negotiations between the NOI Applicants, the Proposal Trustee and Kenco Logistic Services, LLC (“**Kenco**”); and
 - c) provide the Proposal Trustee’s rationale for recommending that this Honourable Court issue the proposed order (the “**Settlement Approval Order**”) approving a settlement agreement between lovate USA and Kenco dated October 8, 2025 (the “**Settlement Agreement**”), and the associated mutual release (the “**Releases**”).

1.2 Restrictions

- 1. In preparing this Third Report, the Proposal Trustee has relied upon the NOI Applicants’ audited and unaudited financial information, the books and records of the NOI Applicants, and discussions with the NOI Applicants’ representatives, legal counsel and financial advisor.
- 2. The Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this Third Report in a manner that complies with Canadian Auditing Standards (“**CAS**”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the

Proposal Trustee expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.

3. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Third Report is based on the NOI Applicants' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Proposal Trustee expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

1.3 Currency

1. Unless otherwise noted, all currency references in this Third Report are in U.S Dollars.

2.0 Background

1. The NOI Applicants are part of a group of companies (the "**lovate Group**") engaged in the development, production and sale of health and nutrition products in Canada, the United States and elsewhere. The lovate Group's key brands include MuscleTech™, Hydroxycut™, Six Star®, and Purely Inspired®, which are sold in over 90 countries worldwide.
2. Background of the NOI Applicants' filing is set out in the affidavit of Wesley Parris sworn September 6, 2025 (the "**September 6 Affidavit**"). Further information regarding the NOI Applicants and the NOI Proceedings is set out in the affidavit of Wesley Parris sworn September 29, 2025 (the "**September 29 Affidavit**", and together with the September 6 Affidavit, the "**Initial NOI Affidavits**"). The Initial NOI Affidavits, the affidavit of Wesley Parris sworn October 10, 2025 (the "**October 10 Affidavit**") in support of NOI Applicants' motion seeking approval of the Settlement Agreement and Releases, and the Proposal Trustee's past reports are available on the Proposal Trustee's website at the following link: [lovate Health Sciences International Inc., lovate Health Sciences U.S.A., Inc. and Northern Innovations Holding Corp.](#)
3. Since the commencement of the NOI Proceedings, the NOI Applicants, with the assistance of the Proposal Trustee, have stabilized operations, maintained supply relationships, and continued normal business activities while pursuing a resolution of the dispute with Kenco.

3.0 Kenco

3.1 The Kenco Agreement

1. In September 2023, lovate USA moved its United States distribution operations from its in-house facility in Buffalo to Kenco, a third-party logistics provider. lovate USA and Kenco entered into a Warehousing & Logistics Services Agreement dated April 27, 2023 ("**Kenco Agreement**").
2. lovate USA was optimistic that the transition to Kenco would streamline its distribution operations. Unfortunately, the Kenco Agreement proved commercially unfavourable to lovate USA, as more particularly detailed in the October 10 Affidavit.

3. As a result, Iovate USA decided to transition its customer procurement and fulfillment operations from Kenco to another third-party logistics provider while also engaging with Kenco on negotiating a consensual termination of the arrangements under the Kenco Agreement in December 2024.
4. During the summer of 2025, the parties were close to finalizing an agreement at the time the NOI Proceedings were commenced, however, no agreement was entered into prior to the NOI Proceedings.
5. The potential arrangement contemplated, among other things, that:
 - a) the Kenco Agreement would be terminated at the end of October 2025;
 - b) Iovate USA would continue to pay Kenco for services during the transition period prior to termination in accordance with the Kenco Agreement (including approximately \$900,000 per month for ongoing services and approximately \$1.5 million in arrears outstanding as at the date of filing); and
 - c) Iovate USA would pay Kenco a transition fee, in instalments over time, aggregating approximately \$3.7 million.

3.2 Kenco's Emergency Motion

1. In September 2025, Kenco brought an emergency motion in the Chapter 15 Proceedings seeking relief from the automatic stay or, in the alternative, for adequate protection of its secured claim (the "**Emergency Motion**"). In the Emergency Motion, Kenco asserted a lien and related claims, tied to termination-related obligations and charges under the Kenco Agreement, that exceeded \$8.5 million.
2. Kenco's request for expedited treatment of the Emergency Motion was denied and has yet to be scheduled.
3. As of October 6, 2025, Kenco held approximately \$16 million of the NOI Applicants' inventory. The inventory balance has since decreased materially as a result of ongoing sales to customers and transfers to the NOI Applicants' new third-party logistics provider.

3.3 The Settlement Agreement

1. Since the commencement of the NOI Proceedings, Kenco, the Proposal Trustee and the NOI Applicants have engaged in extensive negotiations to resolve the dispute and protect ongoing operations.
2. These negotiations were successful and, on October 8, 2025, Iovate USA and Kenco entered into the Settlement Agreement, a copy of which is included in the October 10 Affidavit.
3. The key terms of the Settlement Agreement are as follows:

Settlement Funds

- a) Iovate USA shall pay to the Proposal Trustee the sum of \$2.8 million to be held in escrow (the “**Settlement Funds**”). The Proposal Trustee notes that such amount has in fact been paid over to the Proposal Trustee;
- b) the Settlement Funds shall be released to Kenco upon approval of the Settlement Agreement by the Proposal Trustee, lenders, and the Canadian Court;

Post-Petition Services

- c) Iovate USA shall pay Kenco’s invoices for services rendered post-petition (the “**Post-Petition Services**”), within seven days of receipt of any such invoice, which shall be issued by Kenco to Iovate USA by close of business on October 10, 2025;
- d) Iovate USA shall provide pre-payment to Kenco for services to be rendered in October 2025;
- e) Kenco shall issue an invoice for estimated October costs to be incurred by Kenco by close of business on October 10, 2025, and Iovate shall pay such invoice within seven days of its receipt, and any overpayment will be credited back to Iovate USA within thirty days of payment;

Restructuring Process Support and Inventory Handling

- f) Kenco will support the NOI Applicants’ orderly restructuring process; and
- g) Kenco will continue to provide services to Iovate USA until Iovate USA’s goods are no longer residing at the Kenco facility.

3.4 Releases

- 1. As part of the settlement between Iovate USA and Kenco, the NOI Applicants are also seeking approval of the Releases in the Settlement Approval Order, which will provide a full and final resolution to the dispute between Kenco and Iovate USA in respect of the Kenco Agreement.

3.5 Proposal Trustee’s Analysis

- 1. The Proposal Trustee is supportive of the Settlement Agreement, inclusive of the Releases, and recommends that the Settlement Agreement and Releases should be approved and the Settlement Approval Order should be granted for the following reasons:
 - a) the Proposal Trustee is satisfied that the terms of the Settlement Agreement and Releases are fair and reasonable;
 - b) the settlement avoids costly, uncertain, and protracted litigation in both Canada and the United States;
 - c) the Settlement Agreement and Releases will allow the NOI Proceedings to proceed in an efficient and cost-effective manner to maximize realizations for the NOI Applicants’ creditors and stakeholders;

- d) the NOI Applicants' primary secured lenders consent to the Settlement Agreement and Releases;
- e) the Proposal Trustee is not aware of any creditors or stakeholders that would be harmed or materially prejudiced by the Settlement Agreement and Releases;
- f) the Proposal Trustee is not aware of any opposition to the approval of the Settlement Agreement and Releases; and
- g) based on the NOI Applicants' Cash Flow Forecast attached as Appendix "A" to the Second Report of the Proposal Trustee's dated October 1, 2025 (the "**Second Report**") and as more particularly described below, the NOI Applicants' are expected to have sufficient funds to fulfill their obligations under the Settlement Agreement and to continue operations to the end of the Cash Flow Period (defined below).

4.0 Cash Flow Forecast

1. As described above, the NOI Applicants prepared and filed a Cash Flow Forecast for the period from September 29, 2025 to November 7, 2025 (the "**Cash Flow Period**") in connection with the NOI Applicants' request for the Stay Extension. A copy of the Cash Flow Forecast and Management's Report on Cash Flow is attached as Appendix "A" to the Second Report. The Cash Flow Forecast projected an ending cash balance of approximately \$2.4 million as of November 7, 2025, which included a material contingency related to Kenco. In addition, actual receipts have exceeded projections, and accordingly, the NOI Applicants expect to have sufficient liquidity to continue operations through the end of the Cash Flow Period.

5.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the Settlement Approval Order.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF
IOVATE HEALTH SCIENCES INTERNATIONAL INC.,
IOVATE HEALTH SCIENCES U.S.A. INC. AND
NORTHERN INNOVATIONS HOLDING CORP.
AND NOT IN ITS PERSONAL CAPACITY**

IN THE MATTER OF the *Bankruptcy and Insolvency Act*, R.S.C., 1985, C. B-3, as amended

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF IOVATE HEALTH SCIENCES INTERNATIONAL INC.

COURT NO.: 31-3268936
ESTATE NO.: 31-3268936

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF IOVATE HEALTH SCIENCES U.S.A. INC.

COURT NO.: 31-3268942
ESTATE NO.: 31-3268942

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF NORTHERN INNOVATIONS HOLDING CORP.

COURT NO.: 31-3268971
ESTATE NO.: 31-3268971

Court File No. BK-25-03268936-0031

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at: TORONTO

THIRD REPORT OF THE PROPOSAL TRUSTEE
(OCTOBER 15, 2025)

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