



No. S209201  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

AND

IN THE MATTER OF 1077 HOLDINGS CO-OPERATIVE (FORMERLY, MOUNTAIN EQUIPMENT  
CO-OPERATIVE) AND 1314625 ONTARIO LIMITED

PETITIONERS

**SEVENTEENTH REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA INC.**

**November 17, 2023**



ALVAREZ & MARSAL

## TABLE OF CONTENTS

1.0	INTRODUCTION .....	- 1 -
2.0	PURPOSE.....	- 2 -
3.0	TERMS OF REFERENCE .....	- 2 -
4.0	ACTIVITIES OF THE MONITOR.....	- 3 -
5.0	SUMMARY OF CLAIMS PROCESS AND DISTRIBUTIONS TO CLAIMANTS .....	- 3 -
6.0	ACTUAL CASH FLOW RESULTS COMPARED TO ELEVENTH CASH FLOW FORECAST.....	- 4 -
7.0	PROFESSIONAL FEES.....	- 6 -
8.0	RESIDUAL MATTERS .....	- 7 -
9.0	TERMINATION OF CCAA PROCEEDINGS .....	- 7 -
10.0	MONITOR'S RECOMMENDATIONS.....	- 8 -

## APPENDICES

**Appendix A** - Summary of Professional Fees and Disbursements of the Monitor

**Appendix B** - Summary of Professional Fees and Disbursements of the Monitor by Staff

**Appendix C** - Summary of Professional Fees and Disbursements of the Monitor's Legal Counsel, Cassels Brock & Blackwell LLP

**Appendix D** - Summary of Professional Fees and Disbursements of the Monitor's Legal Counsel, Osler, Hoskin & Harcourt LLP

**Appendix E** - Monitor's Eighth Report dated June 18, 2021  
Monitor's Ninth Report dated September 21, 2021  
Monitor's Eleventh Report dated December 1, 2021  
Monitor's Twelfth Report dated March 23, 2022  
Monitor's Thirteenth Report dated May 26, 2022  
Monitor's Fourteenth Report dated November 29, 2022  
Monitor's Fifteenth Report dated March 23, 2023  
Monitor's Sixteenth Report dated September 20, 2023

## 1.0 INTRODUCTION

- 1.1 On September 14, 2020, Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, “1077” or the “**Petitioners**”) were granted an initial order (the “**Initial Order**”) by the Supreme Court of British Columbia commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “**Stay Period**”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “**Monitor**”) during the CCAA Proceedings.
- 1.2 On October 2, 2020, this Honourable Court pronounced the amended and restated initial order (the “**ARIO**”) and sale approval and vesting order to approve the sale transaction (the “**Sale Transaction**”) contemplated by the asset purchase and sale agreement between the Petitioners and 1264686 B.C. Ltd. (the “**Original Purchaser**”) dated September 11, 2020 (the “**APA**”) for the sale of the Purchased Assets and to vest all of the Purchased Assets in the Original Purchaser’s permitted assignee free and clear of any Encumbrances other than Permitted Encumbrances, as such capitalized terms are defined in the APA. The Sale Transaction closed on October 30, 2020.
- 1.3 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “**Claims Process Order**”) setting a claims process by which creditors may confirm or prove their claims against the Petitioners.
- 1.4 On March 29, 2022, this Honourable Court granted an order (the “**Distribution Order**”) granting, *inter alia*, the approval of a distribution methodology (the “**Distribution Methodology**”), to be applied by the Monitor in administering any distributions in these CCAA Proceedings, which included, among other things, (i) authorizing the Petitioners to make one or more cash distributions to each Claimant and Employee Claimant holding an Accepted Claim; and (ii) directing the Monitor to make final distributions only to those Claimants who would be entitled to distributions of \$10.00 or more.
- 1.5 On September 29, 2023, this Honourable Court pronounced an order further extending the Stay Period to November 30, 2023.
- 1.6 Concurrent with this report, the Monitor has filed a notice of application with this Honourable Court, returnable on November 29, 2023 (the “**Termination Application**”), seeking approval of an order to terminate these CCAA Proceedings (the “**Termination Order**”).

1.7 Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor's website at [www.alvarezandmarsal.com/mec](http://www.alvarezandmarsal.com/mec).

## **2.0 PURPOSE**

2.1 This Seventeenth Report dated November 17, 2023 (the "**Seventeenth Report**") has been prepared by the Monitor in support of its application for the Termination Order and to provide this Honourable Court and the Petitioners' stakeholders information with respect to the following:

- a) the activities of the Monitor since the Monitor's Sixteenth Report dated September 20, 2023 (the "**Sixteenth Report**");
- b) a summary of the Claims Process and distributions made in these CCAA Proceedings;
- c) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the "**Eleventh Cash Flow Forecast**"), as appended to the Sixteenth Report;
- d) information on the Monitor's and its legal counsels' professional fees and disbursements;
- e) the Termination Application; and
- f) the Monitor's recommendations with respect to the Termination Order and these CCAA Proceedings.

## **3.0 TERMS OF REFERENCE**

3.1 The Monitor has prepared this Seventeenth Report in connection with the Termination Application and this report should not be relied on for any other purpose.

3.2 Certain of the information referred to in this Seventeenth Report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the *Chartered Professional Accountants Canada Handbook* has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

3.4 Background information, including capitalized terms not otherwise defined herein, are contained in the Initial Order, ARIO, Claims Process Order, and Distribution Order, and the Monitor's previous reports, and have not been repeated herein.

#### **4.0 ACTIVITIES OF THE MONITOR**

4.1 The activities of the Monitor since the Sixteenth Report filed on September 22, 2023 have included the following:

##### **Review of CCAA Court Materials**

a) reviewing draft Court application materials in consultation with the Monitor's legal counsel;

##### **Attending to Matters Related to the Distributions**

b) making the final distribution totaling approximately \$1.8 million to Claimants and Employee Claimants holding Accepted Claims (the "**Final Distribution**"), in accordance with the Distribution Methodology as set out in and approved by the Distribution Order;

c) addressing numerous enquiries from Claimants, Employee Claimants, and statutory authorities related to the distributions;

d) corresponding and following up with numerous Claimants and Employee Claimants and/or their legal counsel regarding their distributions, outstanding cheques, and updating addresses and contact information as required;

e) reconciling and making payroll withholding remittances related to the Final Distribution payments to Employee Claimants;

f) coordinating with a third-party payroll service provider to assist the Monitor in completing the Final Distribution and Records of Employment for Employee Claimants;

##### **Monitoring of Cash Receipts & Disbursements**

g) preparing and reviewing bi-weekly payments, as well as reconciling cash receipts and disbursements of the trust accounts of the Monitor;

##### **Statutory and Other Responsibilities**

h) preparing this Seventeenth Report; and

i) reconciling and/or filing pre-filing payroll withholding remittances and post-filing GST returns and corresponding with the Canada Revenue Agency regarding post-filing refunds and other related matters.

#### **5.0 SUMMARY OF CLAIMS PROCESS AND DISTRIBUTIONS TO CLAIMANTS**

5.1 As detailed in the Fifteenth Report and summarized in the following table, there are 249 Accepted Claims totaling \$31.7 million that the Monitor has, or is deemed to have, accepted and there are no unresolved Disputed Claims remaining.

**1077 Holdings Co-operative and 1314625 Ontario Limited**  
**Distributions to Claimants**  
**as at November 14, 2023**  
**(in CAD 000's)**

	Accepted Claims		Distributions			
	No.	Accepted Amount (\$)	#1 May 31, 2022	#2 November 28, 2022	#3 October 31, 2023	Total
Landlord	6	\$ 20,591	\$ 15,443	\$ 2,883	\$ 1,153	\$ 19,479
Employee	228	8,980	6,735	1,257	508	8,500
Trade and other	15	2,151	1,613	301	120	2,035
<b>Total</b>	<b>249</b>	<b>\$ 31,722</b>	<b>\$ 23,791</b>	<b>\$ 4,441</b>	<b>\$ 1,781</b>	<b>\$ 30,014</b>
<b>Recovery to Claimants</b>			<b>75.0%</b>	<b>14.0%</b>	<b>5.6%</b>	<b>94.6%</b>

5.2 To date, the Monitor has made three distributions: the first on or about May 31, 2022, the second on November 28, 2022, and the third and final distribution on October 31, 2023, together totaling \$30.0 million and representing 94.6% of the total Accepted Claims. At at November 14, 2023, there are 93 Claimants and Employee Claimants who have not yet deposited their distribution cheques, which in aggregate totals to \$301,765.64. The Monitor continues to review its trust bank account on a regular basis and has made best efforts to contact the specific Claimants and Employee Claimants in order to re-issue and/or redirect the cheques, where possible.

**6.0 ACTUAL CASH FLOW RESULTS COMPARED TO ELEVENTH CASH FLOW FORECAST**

6.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has established a bi-weekly cash flow review protocol to compare actual cash flows against the Eleventh Cash Flow Forecast.

6.2 The Petitioners' actual cash receipts and disbursements compared to the Eleventh Cash Flow Forecast during the period from September 20, 2020 to November 12, 2023 is summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited  
Cash Flow Variance Analysis  
For the period September 15, 2020 to November 12, 2023  
(in CAD 000's)

	For the 165 Weeks Ended November 12, 2023		
	Actual	Forecast	Variance
<b>Receipts</b>			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,628	-
Other receipts and letters of credit	4,772	4,755	16
GST refunds	201	200	1
Return of deposits	(601)	(601)	-
<b>Total receipts</b>	<b>54,175</b>	<b>54,159</b>	<b>17</b>
<b>Disbursements</b>			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,404	3,399	(5)
Insurance	145	145	-
Property taxes and other property liabilities	4,547	4,547	(1)
Statutory obligations	3,762	3,764	2
Consultants	63	63	-
<b>Total disbursements</b>	<b>59,947</b>	<b>59,943</b>	<b>(4)</b>
	<b>(5,771)</b>	<b>(5,784)</b>	<b>13</b>
<b>Other disbursements</b>			
KERP payments	778	778	-
Professional fees	6,328	6,281	(47)
Debt service	987	987	-
Contingency	574	584	10
<b>Total other disbursements</b>	<b>(8,667)</b>	<b>(8,630)</b>	<b>(37)</b>
<b>Distributions to Claimants</b>	<b>(30,014)</b>	<b>(28,233)</b>	<b>(1,781)</b>
<b>Net proceeds from Sale Transaction</b>	<b>30,411</b>	<b>30,411</b>	<b>-</b>
<b>Net Cash Flow</b>	<b>\$ (14,041)</b>	<b>\$ (12,236)</b>	<b>\$ (1,806)</b>
<b>Opening Cash Balance</b>	<b>\$ 14,188</b>	<b>\$ 14,188</b>	<b>\$ -</b>
<b>Net Cash Flow</b>	<b>(14,041)</b>	<b>(12,236)</b>	<b>(1,806)</b>
<b>Ending Cash Balance</b>	<b>\$ 147</b>	<b>\$ 1,953</b>	<b>\$ (1,806)</b>

\* Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.

- 6.3 As at November 12, 2023, the closing cash balance held in trust by the Monitor totaled approximately \$147,000. Certain variances in respect of the reported cash receipts and disbursements are as follows:
- total operating receipts were approximately \$17,000 higher than forecast, primarily due to higher than anticipated interest income;
  - total operating disbursements were approximately \$41,000 higher than forecast, primarily due to timing differences with respect to the payment of professional fees; and
  - the Final Distribution of \$1.8 million was made to Claimants on October 31, 2023, which was not forecast in the Eleventh Cash Flow Forecast.

- 6.4 The balance of the funds held by the Monitor are reserved to resolve the remaining residual matters in the CCAA Proceedings as outlined in section 8.0, to fund the administration of the Petitioners' bankrupt estate (refer to section 9.2 below) and to pay the anticipated professional fees of the Monitor and its legal counsel to complete the administration of these CCAA Proceedings.
- 6.5 Since the Sixteenth Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform bi-weekly variance reporting and approval of disbursements. Nothing has come to the attention of the Monitor that causes the Monitor to believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.

## 7.0 PROFESSIONAL FEES

- 7.1 Summarized in the table below are the professional fees and disbursements of the Monitor and its legal counsels, Cassels Brock & Blackwell LLP ("Cassels") and Osler, Hoskin & Harcourt LLP ("Osler"), for the period from September 14, 2020 to November 30, 2023.

1077 Holdings Co-operative and 1314625 Ontario Limited					
Summary of Professional Fees and Disbursements of the Monitor and its Legal Counsel					
For the period September 14, 2020 to November 30, 2023					
Firm	Fees	Disbursements	GST	PST	Total
Alvarez & Marsal Canada Inc.	\$ 3,007,950.50	\$ 50,084.86	\$ 152,901.77	\$ -	\$ 3,210,937.13
Cassels Brock & Blackwell LLP	754,231.00	32,763.27	38,724.33	54,213.82	879,932.42
Osler, Hoskin & Harcourt LLP	81,030.00	805.63	4,346.43	5,405.48	91,587.54
<b>Total</b>	<b>\$ 3,843,211.50</b>	<b>\$ 83,653.76</b>	<b>\$ 195,972.53</b>	<b>\$ 59,619.30</b>	<b>\$ 4,182,457.09</b>

- 7.2 Attached as Appendix "A" is a summary of the Monitor's professional fees and disbursements for the period ending November 30, 2023 (or until the Monitor's completion of the administration of the CCAA Proceedings) which totals \$3,210,937.13, including out of pocket disbursements of \$50,084.86 and applicable taxes of \$152,901.77.
- 7.3 Attached as Appendix "B" is a summary of the Monitor's professional fees indicating name, title, hourly rate and hours charged by the Monitor's professional staff and details of its out-of-pocket disbursements for the period ending November 30, 2023. The Monitor's detailed statements of account can be provided upon request by the Court.
- 7.4 Attached as Appendix "C" is a summary of the Monitor's legal counsel, Cassels, for the period September 14, 2020 to August 31, 2022, which totals \$879,932.42, including out-of-pocket disbursements of \$32,763.27 and applicable taxes of \$92,938.15.

- 7.5 Attached as Appendix “D” is a summary of the Monitor’s legal counsel, Osler, for the period September 1, 2022 to November 30, 2023, which totals \$91,587.54, including out of pocket disbursements of \$805.63 and applicable taxes of \$9,751.91.
- 7.6 The fees above include the anticipated fees and disbursements of the Monitor and Osler to complete the administration of the CCAA Proceedings, including resolving the residual matters detailed in section 8.0 of this report.
- 7.7 The Monitor considers the professional fees and disbursements charged by Cassels and Osler to have been necessarily incurred and that the hours and hourly rates charged are fair and reasonable given the circumstances, as are the estimated fees and disbursements for the completion of this matter.
- 7.8 The Monitor is not aware of any creditor or any stakeholder in the CCAA Proceedings that has taken issue with the professional fees charged in this matter to date.

## **8.0 RESIDUAL MATTERS**

- 8.1 The Monitor continues to address the matters relating to the Final Distribution including addressing queries from Claimants and other interested parties, following-up on and reissuing outstanding distribution payments, coordinating the issuance of Records of Employment and annual tax forms for Employee Claimants, reviewing and reconciling the cash flow, responding to information requests from statutory authorities regarding former employees, and attending to other wind-down matters. The Monitor expects to be able to resolve these remaining issues by April 2024 or earlier.

## **9.0 TERMINATION OF CCAA PROCEEDINGS**

- 9.1 With the exception of the matters outlined in section 8.0, all matters pertaining to the ARIO have been attended to by the Monitor and there are no apparent outstanding issues in the CCAA Proceedings. As a result, the Monitor is seeking the termination of these CCAA Proceedings, approval of its activities and the professional fees charged by the Monitor and its legal counsels, and its discharge of its duties pursuant to the CCAA Proceedings.
- 9.2 Pursuant to the order granted by this Honourable Court on March 30, 2023, the Monitor is authorized to make an assignment of bankruptcy on behalf of the Petitioners under the *Bankruptcy and Insolvency Act*, R.S.C. 1986, c. B-3, as amended, and to act as trustee in bankruptcy of the Petitioners, which the Monitor intends to do with respect to 1077 Holdings Co-operative immediately following the Termination Order being granted. As the claims against the

Petitioners were dealt with by the Claims Process, the Monitor does not anticipate any distributions to creditors in the bankruptcy proceedings and Claimants who participated in the Claims Process will not be required to file any additional Proof of Claim.

## **10.0 MONITOR'S RECOMMENDATIONS**

10.1 The Monitor respectfully recommends that this Honourable Court grant the Termination Order to:

- a) approve the Monitor's activities in the CCAA Proceedings as detailed in the Monitor's Eighth Report dated June 18, 2021, Monitor's Ninth Report dated September 21, 2021, Monitor's Eleventh Report dated December 1, 2021, Monitor's Twelfth Report dated March 23, 2022, Monitor's Thirteenth Report dated May 26, 2022, Monitor's Fourteenth Report dated November 29, 2022, Monitor's Fifteenth Report dated March 23, 2023, and the Sixteenth Report, which are appended to this report as Appendix "E", as well as the activities detailed in this Seventeenth Report. (In the court order granted on April 9, 2021, the Court approved the Monitor's activities from the commencement of the CCAA Proceedings to April 1, 2021, the date of the Monitor's Sixth Report);
- b) approve the Monitor's fees and disbursements and those of its legal counsel;
- c) terminate these CCAA Proceedings; and
- d) discharge the Monitor in the CCAA Proceedings and release the Monitor and its officers, directors, employees, and agents, attorneys, and solicitors from any claim in respect of the Monitor's performance in its capacity as Monitor in the CCAA Proceedings.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 17<sup>th</sup> day of November, 2023.

**Alvarez & Marsal Canada Inc.,  
in its capacity as Monitor of  
1077 and not in its personal or corporate capacity**



Todd M. Martin  
Senior Vice President



Vicki Chan  
Vice President

**APPENDIX A**

**Summary of Professional Fees and Disbursements of the Monitor**

**1077 Holdings Co-operative and 1314625 Ontario Limited**  
**Summary of the Monitor's Professional Fees and Disbursements by Account**  
**For the period September 14, 2020 to November 30, 2023**

Invoice Number	Invoice Date	For the Period Ending	Fees	Disbursements	GST	Total
<b>Alvarez &amp; Marsal Canada Inc.</b>						
2	30-Sep-20	September 25, 2020	\$ 164,530.00	\$ 3,833.74	\$ 8,418.19	\$ 176,781.93
3	19-Oct-20	October 16, 2020	118,650.00	3,149.57	6,089.98	127,889.55
4	16-Nov-20	November 13, 2020	170,038.00	1,100.00	8,556.90	179,694.90
5	8-Dec-20	November 30, 2020	119,014.50	1,717.62	6,036.61	126,768.73
6	6-Jan-21	December 31, 2020	168,967.50	27,027.97	9,799.77	205,795.24
7	16-Feb-21	January 31, 2021	133,926.00	705.26	6,731.56	141,362.82
8	4-Mar-21	September 30, 2023	221,564.50	430.63	11,099.76	233,094.89
9	20-Apr-21	March 31, 2021	251,830.00	128.84	12,597.94	264,556.78
10	18-May-21	April 30, 2021	158,723.00	25.49	7,937.42	166,685.91
11	21-Jun-21	May 31, 2021	116,808.50	75.00	5,844.18	122,727.68
12	14-Jul-21	June 30, 2021	129,458.25	100.00	6,477.91	136,036.16
13	11-Aug-21	July 31, 2021	70,364.50	-	3,518.23	73,882.73
14	13-Sep-21	August 31, 2021	88,624.75	333.92	4,447.93	93,406.60
15	13-Oct-21	September 30, 2021	99,532.00	125.00	4,982.85	104,639.85
16	13-Dec-21	November 30, 2021	201,929.50	966.56	10,144.80	213,040.86
17	19-Jan-22	December 31, 2021	37,458.50	1,106.98	1,928.27	40,493.75
18	11-Feb-22	January 31, 2022	70,511.00	-	3,525.55	74,036.55
19	9-Mar-22	February 28, 2022	59,855.00	75.00	2,996.50	62,926.50
20	13-Apr-22	March 31, 2022	93,880.00	67.20	4,697.36	98,644.56
21	12-May-22	April 30, 2022	24,205.00	279.23	1,224.21	25,708.44
22	20-Jul-22	June 1, 2022	121,478.50	2,297.76	6,188.81	129,965.07
23	25-Aug-22	July 31, 2022	36,527.50	490.58	1,850.90	38,868.98
24	14-Sep-22	August 31, 2022	17,097.50	113.50	860.55	18,071.55
25	19-Oct-22	September 30, 2022	17,030.00	25.00	852.75	17,907.75
26	29-Nov-22	October 31, 2022	10,710.00	288.80	549.94	11,548.74
27	9-Dec-22	November 30, 2022	68,815.00	-	3,440.75	72,255.75
28	24-Jan-23	December 31, 2022	17,000.00	1,026.35	901.32	18,927.67
29	14-Mar-23	January 31, 2023	24,842.50	1,388.31	1,311.54	27,542.35
30	23-Mar-23	February 28, 2023	15,390.00	-	769.50	16,159.50
31	21-Apr-23	March 31, 2023	25,404.00	251.88	1,282.79	26,938.67
32	12-Jun-23	April 30, 2023	8,790.50	25.00	440.78	9,256.28
33	12-Jun-23	May 31, 2023	3,277.00	20.66	164.88	3,462.54
34	20-Jul-23	June 30, 2023	8,765.50	-	438.28	9,203.78
35	11-Aug-23	July 31, 2023	4,363.00	-	218.15	4,581.15
36	12-Oct-23	August 31, 2023	10,524.50	50.00	528.73	11,103.23
37	12-Oct-23	September 30, 2023	30,733.50	-	1,536.68	32,270.18
38	10-Nov-23	October 31, 2023	43,571.00	308.88	2,193.99	46,073.87
39	15-Nov-23	November 30, 2023 (*)	43,760.00	2,550.13	2,315.51	48,625.64
			<b>\$ 3,007,950.50</b>	<b>\$ 50,084.86</b>	<b>\$ 152,901.77</b>	<b>\$ 3,210,937.13</b>

(\*) Includes estimated time of the Monitor for the period November 11 to 30, 2023

**APPENDIX B**

**Summary of Professional Fees and Disbursements of the Monitor by Staff**

**1077 Holdings Co-operative and 1314625 Ontario Limited**  
**Summary of the Monitor's Professional Fees and Disbursements by Staff**  
**For the period September 14, 2020 to November 30, 2023**

Name	Position	Hourly Rate	Hours (*)	Total Fees
Todd Martin	Managing Director	\$800 - 890	742.70	\$ 612,938.50
Anthony Tillman	Managing Director	750 - 795	11.10	8,634.50
John Williams	Managing Director	675	3.50	2,362.50
Gavin Yee	Senior Director	530	6.25	3,312.50
Vicki Chan	Senior Director	550 - 665	1,711.60	1,011,387.00
Pinky Law	Senior Director	625	2.20	1,375.00
Marianna Lee	Director	400 - 535	1,337.95	590,830.50
Nishant Virmani	Associate	275 - 435	2,051.30	718,819.50
Katrina Villarico	Executive Assistant	150 - 175	183.85	30,760.00
Monica Cheung	Executive Assistant	175 - 195	152.30	27,530.50
			6,202.75	3,007,950.50
Average hourly rate			\$ 484.94	
Total fees				3,007,950.50
<b>Disbursements</b>				
Advertisement				28,237.18
Courier, mailing/postage, and printing				11,289.59
Website maintenance				6,126.60
Storage fees				137.72
License fees - Sharepoint				1,529.42
Supplies and other				2,764.35
				50,084.86
GST				152,901.77
<b>Total fees, out of pocket expenses and tax</b>				<b>\$ 3,210,937.13</b>

(\*) Includes estimated time of the Monitor for the period November 11 to 30, 2023

**APPENDIX C**

**Summary of Professional Fees and Disbursements of the Monitor's Legal Counsel,  
Cassels Brock & Blackwell LLP**

**1077 Holdings Co-operative and 1314625 Ontario Limited**  
**Summary of the Monitor's Legal Counsel's Professional Fees and Disbursements by Account**  
**For the period September 14, 2020 to August 31, 2022**

Invoice Number	Invoice Date	For the Period Ending	Fees	Disbursements	GST	PST	Total
<b>Cassels Brock &amp; Blackwell LLP</b>							
2120971	20-Oct-20	September 30, 2020	\$ 74,421.00	\$ 1,427.25	\$ 3,786.79	\$ 5,301.50	\$ 84,936.54
2121267	23-Oct-20	October 15, 2020	26,651.00	100.50	1,333.58	1,867.00	29,952.08
2122001	3-Nov-20	October 31, 2020	47,575.00	6,587.48	2,684.99	3,758.98	60,606.45
2122692	16-Nov-20	November 15, 2020	5,365.50	47.00	268.28	375.58	6,056.36
2124354	2-Dec-20	November 30, 2020	48,067.00	1,553.35	2,474.86	3,464.79	55,560.00
2125382	16-Dec-20	December 15, 2020	26,420.00	191.59	1,329.73	1,861.62	29,802.94
2126728	31-Dec-20	December 31, 2020	15,254.00	144.00	762.70	1,067.78	17,228.48
2127233	31-Dec-20	December 31, 2020	440.00	-	22.00	30.80	492.80
2129740	18-Jan-21	January 15, 2021	10,380.50	-	519.03	726.63	11,626.16
2129887	2-Feb-21	January 31, 2021	17,184.00	143.75	861.97	1,206.74	19,396.46
2130889	16-Feb-21	February 15, 2021	6,452.00	56.00	325.41	455.55	7,288.96
2132182	3-Mar-21	February 28, 2021	22,527.50	8.50	1,126.38	1,576.92	25,239.30
2133454	22-Mar-21	March 15, 2021	66,947.00	93.25	3,351.41	4,691.98	75,083.64
2134585	7-Apr-21	March 31, 2021	50,975.00	202.92	2,558.90	3,582.45	57,319.27
2135752	20-Apr-21	April 15, 2021	17,686.00	7,669.75	1,226.98	1,717.76	28,300.49
2137160	6-May-21	April 30, 2021	25,712.50	130.50	1,285.63	1,799.87	28,928.50
2138800	26-May-21	May 15, 2021	19,499.00	367.25	993.31	1,390.64	22,250.20
2139467	3-Jun-21	May 31, 2021	15,345.00	15.88	768.04	1,075.27	17,204.19
2141553	29-Jun-21	June 15, 2021	9,538.00	124.38	479.36	671.10	10,812.84
2142174	12-Jul-21	June 30, 2021	15,703.00	2.75	785.29	1,099.40	17,590.44
2145141	18-Aug-21	July 31, 2021	23,734.00	1,337.28	1,244.75	1,742.65	28,058.68
2147252	15-Sep-21	August 31, 2021	18,993.50	272.10	962.79	1,347.89	21,576.28
2149791	15-Oct-21	September 30, 2021	45,128.50	1,253.00	2,275.18	3,185.24	51,841.92
2152069	17-Nov-21	October 31, 2021	39,003.50	1,078.25	1,964.99	2,750.98	44,797.72
2154984	16-Dec-21	November 30, 2021	26,477.00	1,191.60	1,352.41	1,893.36	30,914.37
2156902	31-Dec-21	December 31, 2021	3,499.00	4,659.75	174.99	244.98	8,578.72
2160299	15-Feb-22	January 31, 2022	8,460.00	31.50	423.00	592.20	9,506.70
2163221	21-Mar-22	February 28, 2022	5,936.00	670.04	299.28	418.98	7,324.30
2165050	14-Apr-22	March 31, 2022	28,118.00	1,615.90	1,414.20	1,979.87	33,127.97
2167906	17-May-22	April 30, 2022	3,839.50	498.50	193.60	271.04	4,802.64
2170173	10-Jun-22	May 31, 2022	7,103.00	375.50	355.63	497.87	8,332.00
2173068	18-Jul-22	June 30, 2022	16,688.00	692.75	863.47	1,208.84	19,453.06
2175790	17-Aug-22	July 31, 2022	4,226.00	221.00	211.30	295.82	4,954.12
2176835	31-Aug-22	August 31, 2022	882.00	-	44.10	61.74	987.84
			<b>\$ 754,231.00</b>	<b>\$ 32,763.27</b>	<b>\$ 38,724.33</b>	<b>\$ 54,213.82</b>	<b>\$ 879,932.42</b>

**APPENDIX D**

**Summary of Professional Fees and Disbursements of the Monitor's Legal Counsel,  
Osler, Hoskin & Harcourt LLP**

**1077 Holdings Co-operative and 1314625 Ontario Limited**  
**Summary of the Monitor's Legal Counsel's Professional Fees and Disbursements by Account**  
**For the period September 1, 2022 to November 30, 2023**

Invoice Number	Invoice Date	For the Period Ending	Fees	Disbursements	GST	PST	Total
<b>Osler, Hoskin &amp; Harcourt LLP</b>							
12700149	16-Nov-22	October 31, 2022	\$ 2,375.00	\$ -	\$ 118.75	\$ 166.25	\$ 2,660.00
12716079	12-Dec-22	November 30, 2022	12,777.50	5.40	639.15	894.43	14,316.48
12725381	17-Jan-23	December 31, 2022	4,497.00	291.20	235.41	314.79	5,338.40
12737454	21-Feb-23	January 31, 2023	7,012.00	-	350.60	490.84	7,853.44
12746744	12-Mar-23	February 28, 2023	6,909.00	8.50	345.88	483.63	7,747.01
12758570	21-Apr-23	March 31, 2023	20,032.00	312.40	1,013.22	1,402.24	22,759.86
12768153	9-May-23	April 30, 2023	2,440.00	-	122.00	170.80	2,732.80
12778476	19-Jun-23	May 31, 2023	950.00	-	47.50	66.50	1,064.00
12788454	7-Jul-23	June 30, 2023	508.50	-	25.43	35.60	569.53
12798002	25-Aug-23	July 31, 2023	190.00	15.00	10.25	13.30	228.55
12808772	15-Sep-23	August 31, 2023	601.00	42.13	32.16	42.07	717.36
12819070	26-Oct-23	September 30, 2023	13,459.00	131.00	942.13	675.50	15,207.63
12832797	15-Nov-23	October 31, 2023	5,180.00	-	259.00	362.60	5,801.60
12838803	16-Nov-23	November 30, 2023 (*)	4,099.00	-	204.95	286.93	4,590.88
			<b>\$ 81,030.00</b>	<b>\$ 805.63</b>	<b>\$ 4,346.43</b>	<b>\$ 5,405.48</b>	<b>\$ 91,587.54</b>

(\*) Includes estimated time of the Monitor's legal counsel for the period November 1 to 30, 2023

**APPENDIX E**

**Monitor's Eighth Report dated June 18, 2021**

**Monitor's Ninth Report dated September 21, 2021**

**Monitor's Eleventh Report dated December 1, 2021**

**Monitor's Twelfth Report dated March 23, 2022**

**Monitor's Thirteenth Report dated May 26, 2022**

**Monitor's Fourteenth Report dated November 29, 2022**

**Monitor's Fifteenth Report dated March 23, 2023**

**Monitor's Sixteenth Report dated September 20, 2023**



No. S209201  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

**AND**

**IN THE MATTER OF 1077 HOLDINGS CO-OPERATIVE (FORMERLY, MOUNTAIN EQUIPMENT  
CO-OPERATIVE) AND 1314625 ONTARIO LIMITED**

**PETITIONERS**

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

**June 18, 2021**



**ALVAREZ & MARSAL**

**TABLE OF CONTENTS**

1.0 INTRODUCTION ..... - 3 -

2.0 PURPOSE..... - 4 -

3.0 TERMS OF REFERENCE ..... - 4 -

4.0 ACTIVITIES OF THE MONITOR..... - 5 -

5.0 CLAIMS PROCESS – STATUS UPDATE ..... - 6 -

6.0 ACTUAL CASH FLOW RESULTS COMPARED TO FOURTH CASH FLOW FORECAST - 9 -

7.0 UPDATED CASH FLOW FORECAST ..... - 11 -

8.0 STAY EXTENSION ..... - 13 -

9.0 RECOMMENDATIONS..... - 13 -

## 1.0 INTRODUCTION

- 1.1 On September 14, 2020, Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, the “**Petitioners**” or “**1077**”) were granted an initial order (the “**Initial Order**”) by the Supreme Court of British Columbia commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “**Stay Period**”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “**Monitor**”) during the CCAA Proceedings.
- 1.2 On October 2, 2020, this Honourable Court pronounced the amended and restated initial order (the “**ARIO**”) and sale approval and vesting order (the “**SAVO**”) to approve the sale transaction (the “**Sale Transaction**”) contemplated by the asset purchase and sale agreement between the Petitioners and 1264686 B.C. Ltd. (the “**Original Purchaser**”) dated September 11, 2020 (the “**APA**”) for the sale of the Purchased Assets and to vest all of the Purchased Assets in the Original Purchaser’s permitted assignee free and clear of any Encumbrances other than Permitted Encumbrances, as such capitalized terms are defined in the APA.
- 1.3 On October 21, 2020, this Honourable Court pronounced an assignment order to assign all of the rights and obligations of the Petitioners under certain contracts to the Original Purchaser’s assignee, 1266524 B.C. Ltd. (subsequently renamed MEC Mountain Equipment Company Ltd. on January 7, 2021 and referred hereinafter as the “**Purchaser**”).
- 1.4 The Sale Transaction closed on October 30, 2020 (the “**Closing Date**”).
- 1.5 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “**Claims Process Order**”) setting a claims process (the “**Claims Process**”) by which creditors may confirm or prove their claims against the Petitioners.
- 1.6 On April 9, 2021, this Honourable Court pronounced an order approving the activities of the Monitor as reported in the Monitor’s previous reports and further extending the Stay Period to June 25, 2021 (the “**Stay Extension Order**”).
- 1.7 On April 29, 2021, the Monitor submitted to this Honourable Court the seventh report of the Monitor (the “**Seventh Report**”), which was a special purpose report prepared and submitted by the Monitor pursuant to paragraph 32 of the Claims Process Order to provide, *inter alia*, this Honourable Court with an update on the Claims Process, including the number and quantum of claims received by the Monitor.

- 1.8 Concurrent with this eighth report of the Monitor dated June 18, 2021 (the “**Eighth Report**”), the Monitor has filed a notice of application with this Honourable Court, returnable on June 23, 2021, seeking approval of an extension of the Stay Period through to September 10, 2021.
- 1.9 Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor’s website at [www.alvarezandmarsal.com/mec](http://www.alvarezandmarsal.com/mec).

## **2.0 PURPOSE**

- 2.1 This Eighth Report has been prepared by the Monitor to provide information to this Honourable Court in respect of the following:
- a) the activities of the Monitor since the sixth report of the Monitor dated April 1, 2021 (the “**Sixth Report**”);
  - b) a status update of the Claims Process;
  - c) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the “**Fourth Cash Flow Forecast**”) as appended to the Sixth Report; and
  - d) an updated cash flow forecast for the period June 14, 2021 to September 10, 2021 (the “**Fifth Cash Flow Forecast**”) and comments in respect of same.
- 2.2 Background information, including capitalized terms not defined herein, are contained in the Initial Order, the ARIO, the SAVO, and the Monitor’s previous reports, and have not been repeated herein.

## **3.0 TERMS OF REFERENCE**

- 3.1 In preparing this report, the Monitor has necessarily relied upon unaudited financial and other information supplied, and representations made to it, by certain former management of the Petitioners (“**Management**”). Although this information has been subject to review, the Monitor has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management or otherwise provided by the Petitioners or other third parties. Accordingly, the Monitor expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this Eighth Report, or otherwise used to prepare this Eighth Report.
- 3.2 Certain of the information referred to in this Eighth Report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has

not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

#### **4.0 ACTIVITIES OF THE MONITOR**

4.1 The activities of the Monitor since the Sixth Report have included the following:

##### **Review of CCAA Court Materials**

- a) reviewing draft Court application materials and providing comments to the Monitor's legal counsel;

##### **Assisting with Post-Closing Matters related to the Sale Transaction**

- b) reviewing documentation in respect of transferring certain contracts and accounts assumed by the Purchaser;
- c) reviewing documentation and corresponding with the Purchaser to reconcile outstanding cash balances and obtaining copies of various supporting financial records;

##### **Administering the Claims Process**

- d) administering the Claims Process in accordance with the Claims Process Order (including dealing with numerous enquiries and follow-up correspondence with Claimants), as further described in section 5.0 of this report and as previously described in the Seventh Report;

##### **Monitoring of Cash Receipts & Disbursements**

- e) preparing and reviewing weekly payments as well as reconciling cash receipts and disbursements of the bank accounts of the Petitioners and trust accounts of the Monitor;
- f) consolidating and closing bank accounts of the Petitioners where appropriate;
- g) investing the majority of cash held in the bank accounts of the Petitioners and trust accounts of the Monitor in guaranteed investment certificates;
- h) coordinating the cancellation and release of issued and outstanding letters of credit;

##### **Statutory and Other Responsibilities**

- i) preparing the Seventh Report and this Eighth Report;
- j) gathering information and responding to the request of the Canada Revenue Agency ("CRA") for a GST audit for the period from January 1, 2020 to December 27, 2020;
- k) reconciling and filing of post-filing GST returns;
- l) coordinating the completion of the Petitioner's year-end financial statements and filing of the Petitioners' corporate tax returns;

- m) holding discussions with the Canada Border Services Agency (“CBSA”) and the former import and export broker of 1077 to address CBSA’s request for amendments to pre-filing import declarations;

**Books and Records and Data Management**

- n) working collaboratively with the Purchaser’s in-house legal counsel to establish appropriate protocols to maintain the integrity of the Petitioners’ data held by the Monitor which includes both records that should be made available to the Purchaser, as well as information that is not permitted to be accessible by the Purchaser pursuant to the terms of the APA and applicable provincial privacy legislation;

**Creditor and Other Stakeholder Matters**

- o) receiving and responding to telephone and email inquiries from trade creditors, members, former employees and other interested parties; and  
 p) reviewing and modifying severance calculations in consultation with the Monitor’s legal counsel.

**5.0 CLAIMS PROCESS – STATUS UPDATE**

**Update of Claims Process**

- 5.1 Capitalized terms used but not defined in this section of the Eighth Report have the meaning ascribed to them in the Claims Process Order.
- 5.2 Tabled below is an updated summary of the Claims including the number and quantum of the Proofs of Claims submitted by Claimants and Employee Claimants, Notices of Revision or Disallowance (“NORDs”) issued by the Monitor, Claims accepted by the Monitor (the “Accepted Claims”), and unresolved Claims that remain subject to dispute (the “Disputed Claims”):

1077 Holdings Co-operative and 1314625 Ontario Limited Summary of Claims In CAD 000's as at June 18, 2021								
	Proofs of Claim		Notice of Revision or Disallowance		Accepted Claims		Disputed Claims	
	No.	Amount (\$)	No.	Amount (\$)	No.	Amount (\$)	No.	Amount (\$)
Landlord	8	\$ 68,829	8	\$ 72,855	3	\$ 575	7	\$ 67,873
Employee	47	3,750	45	2,105	227	7,937	7	848
Trade and other	37	9,681	32	7,835	12	1,922	7	3,894
Equity	2	1	2	1	-	-	-	-
<b>Total</b>	<b>94</b>	<b>\$ 82,261</b>	<b>87</b>	<b>\$ 82,795</b>	<b>242</b>	<b>\$ 10,434</b>	<b>21</b>	<b>\$ 72,615</b>

- 5.3 As at the date of this Eighth Report, the Monitor has received 94 Proofs of Claim with a total claim value of approximately \$82.3 million and has responded to 87 Claimants through NORDs, except where the Proof of Claim had been withdrawn by the Claimant or accepted in its entirety by the Monitor.
- 5.4 Subsequent to filing the Sixth Report, the Monitor received:
- a) five additional Proofs of Claim (the “**Additional Proofs of Claim**”), including: (i) one from a former employee of the Petitioners for a claim amount of \$50,000; (ii) three trade creditors totaling \$78,000 in Claims; and (iii) one from a landlord whose lease was not disclaimed in the CCAA Proceedings with a claim amount of \$725,000. The Monitor, in consultation with its legal counsel, issued four NORDs in response to the Additional Proofs of Claims and notified one trade creditor that their Claim was not accepted in the Claims Process as: (i) it was received well beyond the Claims Bar Date; and (ii) its account, including the arrears reflected in its Proof of Claim, had been assumed by the Purchaser pursuant to the APA;
  - b) an audit report dated May 18, 2021 from CRA which assessed pre-filing input tax credits of \$46,000. The Monitor reviewed the audit report and issued an amended NORD on May 28, 2021 to allow the pre-filing claim of \$46,000. CRA had previously submitted a Proof of Claim for a contingent Claim amount of \$1.00 pending completion of its audit; and
  - c) an amended Proof of Claim from a landlord of a disclaimed realty lease revising its Claim downwards by \$4.6 million following the issuance of a NORD by the Monitor.
- 5.5 Pursuant to the Claims Process Order, Claimants and Employee Claimants may submit a Notice of Dispute (“**NOD**”) within 30 days of receiving a NORD, or such other date as may be agreed to by the Monitor in writing. Any Claim that is unable to be resolved between a Claimant and the Monitor will be adjudicated by the Court or a Claims Officer at the sole discretion of the Monitor.
- 5.6 As at the date of this Eighth Report, there are 242 Accepted Claims totaling \$10.4 million that the Monitor has or is deemed to have accepted.

#### **Disputed Claims**

- 5.7 At present, there are 21 Disputed Claims totaling \$72.6 million that remain unresolved which consist of seven Claims from landlords, seven Claims from Employees, and seven Claims from trade and other creditors.

*Landlords*

- 5.8 Eight landlords submitted Claims, one of which was a late-filed Claim for a realty lease that was not disclaimed in these CCAA Proceedings, and which was subsequently disallowed in full by the Monitor. The remaining seven landlord Claims are summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited Summary of Disputed Landlord Claims In CAD 000's as at June 18, 2021		
Name	Premises	Disputed Claim Amount (\$)
0965311 B.C. LTD.	1077 Great Northern Way, Vancouver, BC	\$ 22,644
BROOKFIELD RESIDENTIAL (ALBERTA LP)	710 - 19587 Seton Crescent SE, Calgary, AB	7,222
LE CARREFOUR LAVAL (2013) INC.	2615 Boulevard Daniel-Johnson, Laval, QC	7,960
169159 CANADA INC. *	4394 St-Denis Street, Montreal, QC	250
ARGO PARTNERS AS ASSIGNEE OF 169159 CANADA INC. *	4394 St-Denis Street, Montreal, QC	733
PLATEAU VILLAGE PROPERTIES INC.	460 Na'a Drive SW, Calgary, AB	15,187
MIDTOWN PLAZA INC.	Store No. 68 at Midtown Plaza, Saskatoon, SK	13,877
<b>Total</b>		<b>\$ 67,873</b>

*(\*) Two duplicative claims were received for a disclaimed realty lease in Montreal, QC, from the landlord of the premises and an assignee of the landlord. The conflicting claims remain unresolved between the parties.*

- 5.9 The Monitor has requested additional information to support the calculation of the various landlord Claims, and has retained Avison & Young Consulting Services, LP as a real estate consultant to assist in the evaluation of the landlord Claims. The Monitor, together with its legal counsel, is in the process of responding to the Landlords' recent submissions of additional information and data in support of their Claims with the view to negotiate a settlement of these Claims.

*Employees*

- 5.10 In aggregate, there are 227 Employee Claims with a total Accepted Claims value of \$7.9 million. Of the 227 Employee Claims: (i) 38 were subject to NORDs, which have since been resolved by the Monitor; and (ii) seven claims totaling \$850,000, that continue to be disputed. The Monitor intends to notify these seven Employee Claimants that the Monitor will be referring their Claims to the Claims Officer or the Court for adjudication pursuant to and in accordance with the provisions of the Claims Process Order.

*Trade and Other Creditors*

- 5.11 At present, there are seven Disputed Claims from trade creditors totaling \$3.9 million, which consist of the following:

- a) one NOD submitted by a Claimant that is a party to litigation proceedings against the Petitioners for a claim value of \$300,000. On April 30, 2021, the Monitor notified the Claimant that its Claim would be referred to the Claims Officer;
- b) five NODs submitted by Claimants that are parties subject to insurance proceedings (the “**Insured Claimants**”) brought against the Petitioners and have a total disputed claim value of \$2.8 million. The Monitor is in discussions with its legal counsel, Claimants’ counsel, and the Petitioners’ insurance adjuster to allow for the Claims to be resolved under the insurance policy; and
- c) one NOD submitted by a vendor that had previously provided technology services under contract to the Petitioners which was assumed by the Purchaser pursuant to the APA. The vendor has not yet confirmed the withdrawal of its Claim due to ongoing discussions with the Purchaser.

5.12 The Monitor and its legal counsel continue to review and pursue settlement and/or resolution with these Claimants.

## **6.0 ACTUAL CASH FLOW RESULTS COMPARED TO FOURTH CASH FLOW FORECAST**

- 6.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has established a weekly cash flow review protocol to compare actual cash flows against the Fourth Cash Flow Forecast.
- 6.2 The Petitioners’ actual cash receipts and disbursements compared to the Fourth Cash Flow Forecast during the period from September 15, 2020 to June 13, 2021 (the “**Reporting Period**”) is summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited  
Cash Flow Variance Analysis  
For the period September 15, 2020 to June 13, 2021  
In CAD 000's

	For the 39 Weeks Ended June 13, 2021		
	Actual	Forecast	Variance
<b>Receipts</b>			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,564	64
Other receipts and letters of credit	3,533	3,392	141
<b>Total receipts</b>	<b>53,337</b>	<b>53,132</b>	<b>205</b>
<b>Disbursements</b>			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,093	3,508	415
Insurance	145	195	50
Property taxes and other property liabilities	4,498	4,525	27
Statutory obligations	3,592	3,754	162
<b>Total disbursements</b>	<b>59,353</b>	<b>60,007</b>	<b>654</b>
	(6,016)	(6,875)	860
<b>Other disbursements</b>			
KERP payments	778	778	-
Professional fees	4,357	4,381	23
Debt service	987	987	-
Contingency	574	624	50
<b>Total other disbursements</b>	<b>(6,697)</b>	<b>(6,770)</b>	<b>73</b>
<b>Net proceeds from Sale Transaction (*)</b>	<b>30,411</b>	<b>30,411</b>	<b>-</b>
<b>Net Cash Flow</b>	<b>\$ 17,699</b>	<b>\$ 16,767</b>	<b>\$ 933</b>
<b>Opening Cash Balance</b>	14,188	14,188	-
Net Cash Flow	17,699	16,767	933
<b>Ending Cash Balance</b>	<b>\$ 31,888</b>	<b>\$ 30,955</b>	<b>\$ 933</b>

\* Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.

6.3 As at June 13, 2021, the closing cash balance held in trust by the Monitor totaled \$31.9 million and during the Reporting Period, the Petitioners experienced a net favorable cash flow variance of \$933,000. Significant variances in respect of the reported cash receipts and disbursements are as follows:

- a) total operating receipts were approximately \$205,000 higher than forecast largely due to higher than forecast recoveries from the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy federal programs, as well as other receipts that are currently under review by the Monitor to determine the source and intended recipient of the receipts; and

- b) total operating disbursements were approximately \$727,000 lower than forecast, primarily due to timing differences in respect of general and administrative costs, statutory obligations and professional fees.
- 6.4 Since the Sixth Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform weekly variance reporting and approval of disbursements. Nothing has come to the attention of the Monitor that causes the Monitor to believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.
- 7.0 UPDATED CASH FLOW FORECAST**
- 7.1 The Fifth Cash Flow Forecast has been prepared by the Monitor for the period from June 14, 2021 to September 10, 2021 (the “Forecast Period”). The Fifth Cash Flow Forecast is attached herewith as Appendix “A” along with accompanying notes and assumptions. A summary of the Fifth Cash Flow Forecast is tabled below:

1077 Holdings Co-operative and 1314625 Ontario Limited Fifth Cash Flow Forecast For the 13 week period ending on September 10, 2021 In CAD 000's	
	<u>Forecast Period</u>
<b>Receipts</b>	
GST refunds	\$ 140
Other receipts - letters of credit	165
Return of deposits	<u>(500)</u>
<b>Total receipts</b>	<b>(195)</b>
<b>Disbursements</b>	
General and administrative	206
Insurance	50
Property taxes and other property liabilities	27
Statutory obligations	162
Consultants	<u>65</u>
<b>Total disbursements</b>	<b>510</b>
	<b>(705)</b>
<b>Other disbursements</b>	
Professional fees	746
Contingency	<u>60</u>
<b>Total other disbursements</b>	<b>(806)</b>
<b>Net cash flow</b>	<b>\$ (1,511)</b>
<b>Opening cash balance (*)</b>	<b>\$ 31,888</b>
Net cash flow	<u>(1,511)</u>
<b>Ending cash balance</b>	<b>\$ 30,377</b>

(\*) Of the cash held in trust by the Monitor, \$26.5 million is invested in guaranteed investments certificates issued by a Canadian chartered bank.

7.2 The Monitor's comments with respect to the Fifth Cash Flow Forecast are as follows:

- a) forecast of receipts consist of the following:
  - i. estimated GST refunds of approximately \$140,000 related to post-filing period expenses;
  - ii. other receipts of approximately \$165,000 in respect of the anticipated release of cash collateral held in escrow in respect of various letters of credit;
  - iii. return of deposits of approximately \$500,000 for funds received in the Petitioners' bank accounts subsequent to the Closing Date, which may be returned to the Purchaser subject to final review and reconciliation of the amounts;
- b) forecast disbursements totaling \$1.3 million consist of the following:
  - i. general and administrative costs of approximately \$206,000 relate to estimated costs of storage of electronic records and prepayments for the storage and future destruction of physical records;
  - ii. insurance of approximately \$50,000 for the extension of property insurance policy until December 31, 2020, for which the Monitor is awaiting invoices from the insurance broker;
  - iii. property liabilities approximating \$27,000 in connection with unpaid post-filing rent amounts due to the landlord of a disclaimed realty lease. The Monitor is awaiting reconciliation from the landlord in respect of the outstanding amounts;
  - iv. statutory obligations of approximately \$162,000 in respect of British Columbia Employer Health Taxes estimated for the period September 15, 2020 to December 31, 2020. The Monitor is awaiting confirmation from the Ministry of Finance in respect of these amounts;
  - v. consulting fees of \$65,000 for the retention of the Monitor's real estate consultant to assist with the Claims Process; and
  - vi. professional fees of approximately \$746,000 for services provided by the Monitor and its legal counsel, the Petitioners' legal counsel, and the potential fees of the Claims Officer.

7.3 At present, the Monitor anticipates it will be holding approximately \$30.4 million at the end of the Forecast Period that will ultimately be made available to unsecured creditors once the outstanding Disputed Claims have been settled. The Monitor anticipates a substantial recovery to the Claimants and Employee Claimants that have proven their Claim in the Claims Process.

7.4 The Fifth Cash Flow Forecast has been prepared solely for the purpose described in Note 1 on the face of the Fifth Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

**8.0 STAY EXTENSION**

8.1 Pursuant to the Stay Extension Order, the Stay Period will expire on June 25, 2021. The Monitor is seeking an extension of the Stay Period to September 10, 2021.

8.2 The Monitor believes this extension is reasonable for the following reasons:

- a) during the proposed extension of the Stay Period, the Monitor will have an opportunity to:
  - i. refer or assist with the resolution of disallowed Claims, determining the distribution to affected creditors, and/or preparing a potential plan of compromise and/or arrangement which may be presented to the creditors and stakeholders of the Petitioners; and
  - ii. attend to any remaining activities relating to the wind-down of 1077's operations and business;
- b) the Fifth Cash Flow Forecast indicates that there is sufficient liquidity to continue operating during the requested extension of the Stay Period; and
- c) no creditor or any stakeholders of the Petitioners would be materially prejudiced by the extension of the Stay Period.

**9.0 RECOMMENDATIONS**

9.1 The Monitor respectfully recommends that this Honourable Court grant an order approving an extension of the Stay Period through to September 10, 2021.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 18<sup>th</sup> day of June, 2021.

**Alvarez & Marsal Canada Inc.,  
in its capacity as Monitor of  
1077 and not in its personal or corporate capacity**



Todd M. Martin  
Senior Vice President

**Appendix A**  
**Fifth Cash Flow Forecast**

1077 Holdings Co-operative and 131465 Ontario Limited  
 Fifth Cash Flow Forecast (Note 1)  
 For the 13 week period ending on September 10, 2021  
 (Unaudited, in 000s CAD)

Week		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	13 Week
Week Ending	Notes	Jun 20	Jun 27	Jul 4	Jul 11	Jul 18	Jul 25	Aug 1	Aug 8	Aug 15	Aug 22	Aug 29	Sep 5	Sep 10	Total
<b>Receipts</b>															
GST refunds	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ -	\$ 140
Other receipts - letters of credit	3	-	-	-	-	-	-	-	-	-	-	-	165	-	165
Return of deposits	4	-	(500)	-	-	-	-	-	-	-	-	-	-	-	(500)
<b>Total receipts</b>		-	(500)	-	-	-	128	-	-	-	-	-	177	-	(195)
<b>Disbursements</b>															
General and administrative	5	2	-	59	-	25	-	17	102	0	-	-	-	0	206
Insurance	6	-	-	-	-	50	-	-	-	-	-	-	-	-	50
Property taxes and other property liabilities	7	-	-	-	-	27	-	-	-	-	-	-	-	-	27
Statutory obligations	8	-	-	162	-	-	-	-	-	-	-	-	-	-	162
Consultants	9	-	-	-	-	-	-	65	-	-	-	-	-	-	65
<b>Total disbursements</b>		2	-	221	-	102	-	82	102	0	-	-	-	0	510
		(2)	(500)	(221)	-	(102)	128	(82)	(102)	(0)	-	-	177	(0)	(705)
<b>Other disbursements</b>															
Professional fees	10	-	126	-	195	-	-	-	210	-	-	-	-	215	746
Contingency	11	-	-	-	20	-	-	-	20	-	-	-	20	-	60
<b>Total other disbursements</b>		-	(126)	-	(215)	-	-	-	(230)	-	-	-	(20)	(215)	(806)
<b>Net cash flow</b>		\$ (2)	\$ (626)	\$ (221)	\$ (215)	\$ (102)	\$ 128	\$ (82)	\$ (332)	\$ (0)	\$ -	\$ -	\$ 157	\$ (215)	\$ (1,511)
<b>Opening cash balance</b>		\$ 31,888	\$ 31,886	\$ 31,260	\$ 31,039	\$ 30,824	\$ 30,722	\$ 30,849	\$ 30,767	\$ 30,435	\$ 30,435	\$ 30,435	\$ 30,435	\$ 30,592	\$ 31,888
Net cash flow		(2)	(626)	(221)	(215)	(102)	128	(82)	(332)	(0)	-	-	157	(215)	(1,511)
<b>Ending cash balance</b>		\$ 31,886	\$ 31,260	\$ 31,039	\$ 30,824	\$ 30,722	\$ 30,849	\$ 30,767	\$ 30,435	\$ 30,435	\$ 30,435	\$ 30,435	\$ 30,592	\$ 30,377	\$ 30,377

**1077 Holdings Co-operative and 131465 Ontario Limited**

**Fifth Cash Flow Forecast**

**Notes and Assumptions**

---

- 1 The weekly cash flow forecast of 1077 Holdings Co-operative and 1314625 Ontario Limited (collectively, "1077") for the period June 14 to September 10, 2021 has been prepared by the Monitor to set out the cash flow of 1077 (the "Fifth Cash Flow Forecast").

The Fifth Cash Flow Forecast has been prepared based on unaudited financial information and estimates of 1077's projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary and such variations may be material. Neither 1077 nor the Monitor makes any representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized.

The Fifth Cash Flow Forecast reflects estimates and assumptions summarized below with respect to operations most notably, that 1077 continues to operate within the protections afforded under the CCAA and the Amended and Restated Initial Order granted on October 2, 2020 during the CCAA Proceedings. The Fifth Cash Flow Forecast may be updated from time to time.

- 2 GST refunds related to post-filing expenses incurred during the pendency of the CCAA Proceedings.
- 3 Other receipts include the release of cash collateral held in escrow in respect of certain letters of credit.
- 4 Return of deposits received by the Monitor subsequent to the Closing Date that relate to accounts receivable that may be for the account of the Purchaser, subject to review of supporting documentation provided by the Purchaser.
- 5 General and administrative costs include payment for storage of electronic records and prepayment of physical records storage and destruction.
- 6 Insurance costs include premiums for the extension of property insurance related to the former head office located in Vancouver, British Columbia and a retail store location. The Monitor is awaiting invoices from the insurance broker in respect of the premium amounts.
- 7 Property taxes and other property liabilities include rent for the post-filing occupancy period related to a disclaimed realty lease of a retail store location. The Monitor is awaiting reconciliation of the post-filing liability from the landlord.
- 8 Statutory obligations include estimates for the British Columbia Employer Health Tax for the post-filing period from September 15, 2020 to December 31, 2020. The Monitor is awaiting confirmation of amounts owing and a statement of account from the Ministry of Finance.
- 9 Consulting fees include the retention of a real estate consultant to assist the Monitor with the Claims Process.
- 10 Professional fees are estimates of the professional services expected to be provided during the CCAA Proceedings and include fees for the Monitor and its legal counsel and the potential fees of the Claims Officer.
- 11 Contingency costs are included to account for any unexpected expenses and represent 5% of disbursements.



No. S209201  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

**AND**

**IN THE MATTER OF 1077 HOLDINGS CO-OPERATIVE (FORMERLY, MOUNTAIN EQUIPMENT  
CO-OPERATIVE) AND 1314625 ONTARIO LIMITED**

**PETITIONERS**

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

**September 21, 2021**



**ALVAREZ & MARSAL**

## TABLE OF CONTENTS

1.0	INTRODUCTION .....	- 3 -
2.0	PURPOSE.....	- 4 -
3.0	SCOPE LIMITATION .....	- 4 -
4.0	ACTIVITIES OF THE MONITOR.....	- 4 -
5.0	CLAIMS PROCESS – STATUS UPDATE .....	- 6 -
6.0	ACTUAL CASH FLOW RESULTS COMPARED TO FIFTH CASH FLOW FORECAST ...	- 15 -
7.0	UPDATED CASH FLOW FORECAST .....	- 16 -
8.0	STAY EXTENSION .....	- 18 -
9.0	RECOMMENDATIONS.....	- 19 -

## APPENDIX

Appendix A – Sixth Cash Flow Forecast for the Period September 11, 2021 to December 10, 2021

## 1.0 INTRODUCTION

- 1.1 On September 14, 2020, Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, the “**Petitioners**” or “**1077**”) were granted an initial order (the “**Initial Order**”) by the Supreme Court of British Columbia commencing proceedings (the “**CCAA Proceedings**”) under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “**Stay Period**”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “**Monitor**”) during the CCAA Proceedings.
- 1.2 On October 2, 2020, this Honourable Court pronounced the amended and restated initial order (the “**ARIO**”) and sale approval and vesting order (the “**SAVO**”) to approve the sale transaction (the “**Sale Transaction**”) contemplated by the asset purchase and sale agreement between the Petitioners and 1264686 B.C. Ltd. (the “**Original Purchaser**”) dated September 11, 2020 (the “**APA**”) for the sale of the Purchased Assets and to vest all of the Purchased Assets in the Original Purchaser’s permitted assignee free and clear of any Encumbrances other than Permitted Encumbrances, as such capitalized terms are defined in the APA.
- 1.3 On October 21, 2020, this Honourable Court pronounced an assignment order to assign all of the rights and obligations of the Petitioners under certain contracts to the Original Purchaser’s assignee, 1266524 B.C. Ltd. (subsequently renamed MEC Mountain Equipment Company Ltd. on January 7, 2021 and referred to hereinafter as the “**Purchaser**”).
- 1.4 The Sale Transaction closed on October 30, 2020 (the “**Closing Date**”).
- 1.5 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “**Claims Process Order**”) setting a claims process (the “**Claims Process**”) by which creditors may confirm or prove their claims against the Petitioners.
- 1.6 On June 23, 2021, this Honourable Court pronounced an order further extending the Stay Period to September 28, 2021 (the “**Stay Extension Order**”).
- 1.7 Concurrent with this ninth report of the Monitor dated September 21, 2021 (the “**Ninth Report**”), the Monitor has filed a notice of application with this Honourable Court, returnable on September 28, 2021, seeking approval of an extension of the Stay Period through to December 10, 2021.

- 1.8 Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor's website at [www.alvarezandmarsal.com/mec](http://www.alvarezandmarsal.com/mec).

## **2.0 PURPOSE**

- 2.1 This Ninth Report has been prepared by the Monitor to provide information to this Honourable Court in respect of the following:

- a) the activities of the Monitor since the eighth report of the Monitor dated June 18, 2021 (the "**Eighth Report**");
- b) a status update on the Monitor's administration of the Claims Process;
- c) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the "**Fifth Cash Flow Forecast**") as appended to the Eighth Report; and
- d) an updated cash flow forecast for the period September 11, 2021 to December 10, 2021 (the "**Sixth Cash Flow Forecast**") and comments in respect of same.

- 2.2 Background information, including capitalized terms not defined herein, are contained in the Initial Order, the ARIO, the SAVO, and the Monitor's previous reports, and have not been repeated herein.

## **3.0 SCOPE LIMITATION**

- 3.1 Certain of the information referred to in this Ninth Report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

## **4.0 ACTIVITIES OF THE MONITOR**

- 4.1 The activities of the Monitor since the Eighth Report have included the following:

### **Review of CCAA Court Materials**

- a) reviewing draft Court application materials in consultation with the Monitor's legal counsel;

### **Assisting with Post-Closing Matters related to the Sale Transaction**

- b) reviewing documentation in respect of transferring certain contracts and accounts assumed by the Purchaser;

- c) reconciling deposits and corresponding with the Purchaser to coordinate the return of certain deposits received by the Petitioners that may belong to the Purchaser;
- d) reviewing and filing certain joint tax elections with the Purchaser;

#### **Administering the Claims Process**

- e) administering the Claims Process in accordance with the Claims Process Order (including dealing with numerous enquiries and follow-up correspondence with Claimants), as further described in section 5.0 of this report and as previously described in the Eighth Report;

#### **Monitoring of Cash Receipts & Disbursements**

- f) preparing and reviewing weekly payments as well as reconciling cash receipts and disbursements of the bank accounts of the Petitioners and trust accounts of the Monitor;
- g) consolidating and closing bank accounts of the Petitioners where appropriate;
- h) coordinating the cancellation and release of issued and outstanding letters of credit;

#### **Statutory and Other Responsibilities**

- i) preparing this Ninth Report;
- j) reconciling and filing of post-filing GST returns as well as corresponding with the Canada Revenue Agency (“CRA”) regarding a post-filing period GST review by the CRA;
- k) attending to numerous telephone calls with and correspondence received from the CRA regarding reconciliation of pre-filing payroll withholdings remittances, amendments to banking details, the Monitor’s access to the accounts of 1314625 Ontario Limited, and other related matters;
- l) coordinating the completion of the Petitioners’ year-end financial statements and filing of the Petitioners’ corporate tax returns;
- m) holding discussions with the Canada Border Services Agency (“CBSA”) and the former import and export broker of 1077 to address CBSA’s request for amendments to pre-filing import declarations;
- n) reviewing 1077’s Memorandum and Rules of Co-operation and preparing for the transfer of 1077’s website materials to the Monitor’s website;
- o) attending to correspondence with the Ontario, British Columbia and Quebec Workers’ Compensation Boards regarding filing of pre-filing annual returns and/or reconciliation of same;
- p) responding to information requests regarding former employees;

- q) engaging KPMG LLP to assist with trade and customs recovery of levies applied by the CBSA for importation of certain goods;

#### **Books and Records and Data Management**

- r) working collaboratively with the Purchaser's in-house legal counsel to establish appropriate protocols to maintain the integrity of the Petitioners' data held by the Monitor which includes both records that should be made available to the Purchaser, as well as information that is not permitted to be accessible by the Purchaser pursuant to the terms of the APA and applicable provincial privacy legislation;
- s) reviewing and coordinating the future staged destruction of the Petitioners' physical books and records currently held in off-site storage, while adhering to the books and records retention periods required under statute;
- t) coordinating the retrieval of additional terminated employee records located at various retail stores of the Purchaser to the office of the Monitor;

#### **Creditor and Other Stakeholder Matters**

- u) receiving and responding to telephone and email inquiries from trade creditors, members, former employees and other interested parties;
- v) reviewing and modifying severance calculations in consultation with the Monitor's legal counsel;

#### **Other Matters**

- w) reviewing information relating to and preparing for the wind-down of 1077's interest in Park Towns Developments Limited Partnership, a residential townhouse project located in Toronto, Ontario; and
- x) reviewing documentation in respect of two endowment funds established by the Petitioners in 1993 and 2005 and directing the Vancouver Foundation to proceed with disbursement of remaining and annual income to the Canadian Parks and Wilderness Society.

### **5.0 CLAIMS PROCESS – STATUS UPDATE**

#### **Update of Claims Process**

- 5.1 Capitalized terms used but not defined in this section of the Ninth Report have the meaning ascribed to them in the Claims Process Order.
- 5.2 Tabled below is an updated summary of the Claims including the number and quantum of the Proofs of Claims submitted by Claimants and Employee Claimants, Notices of Revision or

Disallowance (“NORDs”) issued by the Monitor, Claims accepted by the Monitor (the “Accepted Claims”), and unresolved Claims that remain subject to dispute (the “Disputed Claims”):

1077 Holdings Co-operative and 1314625 Ontario Limited								
Summary of Claims								
as at September 15, 2021								
(in CAD 000's)								
	Proofs of Claim		Notice of Revision or Disallowance		Accepted Claims		Disputed Claims	
	No.	Claim Amount (\$)	No.	Disallowed Amount (\$)	No.	Accepted Amount (\$)	No.	Disputed Amount (\$)
Landlord	8	\$ 68,829	8	\$ 72,855	3	\$ 3,817	6	\$ 59,913
Employee	47	3,750	45	2,105	227	8,707	4	426
Trade and other	38	9,908	32	7,836	13	2,149	6	3,583
Equity	2	1	2	1	-	-	-	-
<b>Total</b>	<b>95</b>	<b>\$ 82,488</b>	<b>87</b>	<b>\$ 82,796</b>	<b>243</b>	<b>\$ 14,673</b>	<b>16</b>	<b>\$ 63,922</b>

- 5.3 As at the date of this Ninth Report, the Monitor has received 95 Proofs of Claim with a total claim value of approximately \$82.5 million and has responded to 87 Claimants through NORDs, except where the Proof of Claim had been withdrawn by the Claimant or accepted in its entirety by the Monitor.
- 5.4 Subsequent to filing the Eighth Report, total Accepted Claims have increased by \$4.2 million as a result of the following:
- the Monitor and its legal counsel engaged in settlement negotiations with the landlord Claimants and reached an agreement with one landlord;
  - the Monitor accepted one additional Proof of Claim, submitted subsequent to the Claims Bar Date, from a trade creditor with an unsecured claim amount of \$227,000; and
  - the Monitor, in consultation with its legal counsel, revised 26 Accepted Claims of Employees upwards by \$770,000 as a result of consideration of additional information and documentation relating to contractual severance entitlements.
- 5.5 As at the date of this Ninth Report, there are 243 Accepted Claims totaling \$14.7 million that the Monitor has or is deemed to have accepted.
- 5.6 Pursuant to the Claims Process Order, Claimants and Employee Claimants may submit a Notice of Dispute (“NOD”) within 30 days of receiving a NORD, or such other date as may be agreed to by the Monitor in writing. Any Claim that is unable to be resolved between a Claimant and the Monitor will be adjudicated by the Court or a Claims Officer at the sole discretion of the Monitor.

## Disputed Claims

- 5.7 At present, there are 16 Disputed Claims totaling \$63.9 million that remain unresolved which consist of six Claims from landlords and/or its assignee, four Claims from Employees, and six Claims from trade and other creditors. It is the Monitor's intention to make an application, in the near term, to seek direction from this Honourable Court to resolve certain of the Disputed Claims.

### Landlords

- 5.8 As at the date of the Ninth Report, six Claims from landlords and/or its assignee relating to disclaimed realty leases remain unresolved which are summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited Summary of Disputed Landlord Claims as at September 15, 2021 (in C.A.D 000's)		
Name	Premises	Disputed Claim Amount (\$)
Plateau Village Properties Inc.	460 Na'a Drive SW, Calgary, AB	\$ 15,187
0965311 B.C. Ltd.	1077 Great Northern Way, Vancouver, BC	22,644
Midtown Plaza Inc.	Store No. 68 at Midtown Plaza, Saskatoon, SK	13,877
Brookfield Residential (Alberta) LP	710 - 19587 Seton Crescent SE, Calgary, AB	7,222
169159 Canada Inc. (*)	4394 St-Denis Street, Montreal, QC	250
Argo Partners as Assignee of 169159 Canada Inc. (*)	4394 St-Denis Street, Montreal, QC	733
<b>Total</b>		<b>\$ 59,913</b>

(\*) Duplicative claims were received for a disclaimed realty lease in Montreal, QC, from the landlord of the premises and an assignee of the landlord.

- 5.9 Since the Eighth Report, the Monitor requested and received additional information to support the calculation of the six claims submitted by landlords (the "Landlord Claimants"), excluding a duplicative claim submitted by an assignee of one of the landlords. (the "Landlord Claims"). The Monitor subsequently, and in consultation with Avison & Young Consulting Services LP and the Monitor's legal counsel, recalculated the quantum of each of the Landlord Claims based on a review and consideration of, *inter alia*, the following factors:
- the complexity of commercial factors unique to each subject property and underlying lease agreement;
  - an applicable real estate capitalization rate, after considering the relevant asset class, market, and geography as an approximation of a discount factor, to be applied to each of the Landlord Claimants' claimed losses;
  - whether the property was subsequently tenanted and/or sold following the disclaimer of the subject lease;

- d) the anticipated period of which the premises would remain vacant, including: (i) expected rent abatements; (ii) fixturing periods; and (iii) estimated re-letting costs, such as leasing commissions, tenant inducements, and reconfiguration costs, to secure prospective tenants;
  - e) whether reasonable measures were undertaken by each of the Landlord Claimants' to mitigate the resulting loss and/or damages of the disclaimer, and whether such losses were as a result of the disclaimer of the underlying lease; and
  - f) whether sufficient documentation was provided to the Monitor to support the claim.
- 5.10 Based on the Monitor's review and assessment of each Landlord Claim, the Monitor proposed settlement offers ("**Settlement Offers**") to the six Landlord Claimants, with a deadline to accept the Settlement Offers by September 10, 2021 (the "**Acceptance Date**").
- 5.11 As at September 15, 2021, one landlord has accepted its Settlement Offer, one landlord has requested an extension of the Acceptance Date to September 24, 2021, two landlords have submitted counter-offers to the Monitor, and the Monitor is awaiting counteroffers and/or omitted information from two other Landlord Claimants. The outstanding Landlord Claims and Settlement Offers are further detailed below.

Plateau Village Properties Inc.

- 5.12 Plateau Village Properties Inc. ("**Plateau Village**") submitted a Proof of Claim for \$15.2 million (the "**Plateau Village Claim**") relating to a disclaimed realty lease for a retail store located at the Trinity Hills development in northern Calgary, Alberta (the "**Trinity Hills Property**"). The lease was disclaimed effective October 16, 2020, and 1077 had been expected to occupy the premises in June 2021.
- 5.13 The Plateau Village Claim was primarily a Restructuring Period Claim for the loss of rent for the 15-year lease term which incorporated a risk-free discount rate. The Plateau Village Claim included a qualitative description of additional damages which included, among other things, estimated tenant inducements, leasing commissions, financing costs, internal staffing costs, and construction and reconfiguration costs associated with the Trinity Hills Property. Subsequent to the submission of the Plateau Village Claim, Plateau Village provided additional information and quantified the additional damages.
- 5.14 Prior to the Acceptance Date, legal counsel to Plateau Village requested an extension of the Acceptance Date to September 20, 2021, which request was granted by the Monitor. The Monitor subsequently granted an additional request for a further extension to September 24, 2021.

0965311 B.C. Ltd.

- 5.15 0965311 B.C. Ltd. (“**096**”) submitted a Proof of Claim (the “**096 Claim**”) for \$22.6 million relating to a disclaimed realty lease for the Petitioners’ former head office located in Vancouver, British Columbia (the “**Vancouver Property**”). The lease was disclaimed effective December 31, 2020.
- 5.16 The 096 Claim consisted of a significant Restructuring Period Claim for the loss of rent for an anticipated period of vacancy, as well legal fees incurred and estimated tenant inducements and leasing commissions to secure a prospective tenant. Following the submission of the 096 Claim, the Vancouver Property was sold to a third party in March of 2021. Discussions with 096 are ongoing.

Midtown Plaza Inc.

- 5.17 Midtown Plaza Inc. (“**Midtown Plaza**”) submitted a Proof of Claim (the “**Midtown Plaza Claim**”) for \$13.9 million relating to a disclaimed realty lease for a retail store located at the Midtown Plaza in Saskatoon, Saskatchewan (the “**Saskatoon Property**”). The lease was disclaimed effective October 16, 2020.
- 5.18 The Midtown Plaza Claim included pre-filing arrears and a significant Restructuring Period Claim for the loss of rent for the remaining 9.5 years of the lease, as well as estimated capital costs to be incurred for the Saskatoon Property for the benefit of 1077, reletting and marketing costs for 1077’s premises and the surrounding vacancy in the Midtown Plaza, and lost rent from other tenants in the development. Discussions with Midtown Plaza are ongoing.

Brookfield Residential (Alberta) LP

- 5.19 Brookfield Residential (Alberta) LP (“**Brookfield**”) submitted an amended Proof of Claim (the “**Brookfield Claim**”) for \$7.2 million relating to a disclaimed realty lease for a retail store located at the Seton development in southern Calgary, Alberta (the “**Seton Property**”). The lease was disclaimed effective November 29, 2020, and, following the date of the Seton Property disclaimer, Brookfield secured a 10-year lease with a new tenant to occupy the Seton Property premises commencing on November 1, 2021 (the “**New Lease**”).
- 5.20 The Brookfield Claim included pre-filing arrears as well as a significant Restructuring Period Claim for the rent differential between 1077’s lease and the New Lease for the remaining 7.7 years and additional damages including: (i) tenant inducements; (ii) leasing commissions; (iii) legal costs and other operational costs; and (iv) a ‘loss of opportunity’ representing the expected

delay that Brookfield may experience in realizing upon a fully-tenanted development. Discussions with Brookfield are ongoing.

169159 Canada Inc. and Argo Partners

- 5.21 Two Proofs of Claims (the “**St. Denis Claim**”) were submitted for the retail store located in St. Denis, Quebec (the “**St. Denis Property**”)—one of which was submitted by the landlord, 169159 Canada Inc. (“**169**”), and the other submitted by Argo Partners, a party claiming to have been assigned the St. Denis Claim. The lease was disclaimed effective October 16, 2020.
- 5.22 A Settlement Offer was sent to 169, the acceptance of which was conditional on 169 having resolved Argo Partner’s duplicative claim and having provided sufficient documentation to the Monitor confirming same. Discussions with 169 and Argo Partners are ongoing.

*Employees*

- 5.23 Four Employee Claims totaling approximately \$426,000 remain under dispute. These Employee Claims are summarized in the following table:

1077 Holdings Co-operative and 1314625 Ontario Limited Summary of Disputed Employee Claims as at September 15, 2021 (in CAD 000's)	
Name	Disputed Claim Amount (\$)
Employee Claimant 1	\$ 203
Employee Claimant 2	118
Employee Claimant 3	85
Employee Claimant 4	20
	<u>\$ 426</u>

- 5.24 On July 9, 2021, the Monitor issued letters in response to NODs submitted by seven Employee Claimants, which letters: (i) restated the Monitor’s reasons for maintaining its position in respect of the allowed claim amounts; and (ii) requested that the Employee Claimants withdraw their NODs by July 16, 2021. As at the date of this Ninth Report, the Monitor has received responses from three Employee Claimants withdrawing their NODs, but has not received any response from the following four Employee Claimants.

#### Employee Claimant 1

- 5.25 Employee Claimant 1 is subject to a disputed claim amount totaling approximately \$203,000, which consists of a claim for 52 weeks of common law entitlement, additional benefits and vacation entitlement, and maternity leave top-up for a period subsequent to their termination.
- 5.26 The Monitor, in consultation with its legal counsel, has disallowed the disputed claim amount and has allowed an unsecured claim amount of approximately \$85,000.

#### Employee Claimant 2

- 5.27 Employee Claimant 2 is subject to a disputed claim amount totaling approximately \$118,000, which primarily represents Employee Claimant 2 asserting eligibility for common law entitlement and damages relating to a BC Human Rights Tribunal complaint for wrongful dismissal.
- 5.28 The Monitor, in consultation with its legal counsel, has disallowed the disputed claim amount in its entirety and has allowed an unsecured claim amount of approximately \$8,000.

#### Employee Claimant 3

- 5.29 Employee Claimant 3 is subject to a disputed claim amount totaling approximately \$85,000, which primarily represents Employee Claimant 3 asserting additional amounts for punitive and aggravated damages of \$25,000 and entitlement to higher weekly wages and RRSP contributions.
- 5.30 The Monitor, in consultation with its legal counsel, has disallowed the disputed claim amount and has allowed an unsecured claim amount of approximately \$56,000.

#### Employee Claimant 4

- 5.31 Employee Claimant 4 is subject to a disputed claim amount totaling approximately \$20,000, which consists of a claim to common law entitlement.
- 5.32 The Monitor, in consultation with its legal counsel, maintains that the employment contract limits Employee Claimant 4 to the minimum statutory entitlements outlined in the *Employment Standards Code of Alberta* and has therefore: (i) disallowed the disputed claim amount in its entirety; and (ii) has allowed an unsecured claim in the amount of approximately \$4,000.

#### *Trade and Other Creditors*

- 5.33 At present, there are six Disputed Claims from trade creditors totaling \$3.6 million, which are summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited  
 Summary of Disputed Trade and Other Claims  
 as at September 15, 2021  
 (in C.A.D 000's)

Name	Disputed Claim Amount (\$)
Sarah Coristine, Tristan Justin Jaxon Coristine-Sears, Vivian Victoria Jessica Coristine-Sears and Kaitlyn Emily Coristine-Anderson (together, the "Coristines") (*)	\$ 2,450
Salesforce.com Canada Corporation	853
Claimant A	280
	<b>\$ 3,583</b>

(\*) The Coristines' disputed claim amount is the aggregate of four separate claims, which have been combined due to each being a party in the same litigation proceedings.

The Coristines

- 5.34 Sarah Coristine, Tristan Justin Jaxon Coristine-Sears, Vivian Victoria Jessica Coristine-Sears, and Kaitlyn Emily Coristine-Anderson (together, the "**Coristines**") are parties subject to litigation proceedings (the "**Litigation Proceedings**") brought against the Petitioners and have an aggregate disputed claim value in the amount of \$2.45 million. The Monitor, in consultation with its legal counsel, has disallowed the disputed claim of \$2.45 million in its entirety on the basis that the Coristines' claims are for ongoing Litigation Proceedings for which the Petitioners have adequate insurance coverage under the Petitioners' general and excess liability policies (the "**Insurance Policy**").
- 5.35 The Monitor's legal counsel has been in discussions with the Coristines' legal counsel regarding the Monitor's proposed responses to the NODs, the components of which include the Monitor consenting to lift the stay of proceedings to allow the Litigation Proceedings to continue on the condition that the Coristines withdraw their NODs from the Claims Process.
- 5.36 The Monitor, in consultation with its legal counsel, maintains its position that if the Petitioners are found liable for any losses, the Coristines' disputed claim is to be satisfied by the Insurance Policy. In the Monitor's view, the Coristines' claim is therefore an Insured Claim (as that term is defined in the Claims Process Order) and is therefore not a Claim. Accordingly, and in the Monitor's view, if the Coristines do not withdraw their claim, it is to be adjudicated pursuant to the Claims Process Order.

Salesforce.com Canada Corporation

- 5.37 Salesforce.com Canada Corporation (“**Salesforce**”) submitted a Claim of \$853,000. Salesforce had previously provided technology services under contract (the “**Salesforce Contract**”) to the Petitioners which was assumed by the Purchaser pursuant to the APA. The Purchaser’s in-house legal counsel has advised the Monitor that the Purchaser and Salesforce are in alignment that the Salesforce Contract has been assigned to the Purchaser; however, as at the date of this Ninth Report, Salesforce has not confirmed withdrawal of its Claim. Should the claim cause delays to the administration of the Claims Process as a result of Salesforce failing to withdraw its Claim in a reasonable time frame, the Monitor intends to refer the disputed Claim to Court for resolution.
- 5.38 However, the Monitor understands that discussions between the Purchaser and Salesforce are ongoing and the parties have made substantial progress towards a resolution.

Claimant A

- 5.39 Claimant A, a former employee of the Petitioners, is subject to a disputed claim totaling \$280,000, which has been disallowed in its entirety by the Monitor, in consultation with its legal counsel. The amount of this disputed Claim is equal to the damages sought in legal proceedings commenced by Claimant A on March 23, 2020, in which Claimant A alleges their employment was terminated by the Petitioners without just cause. This proceeding is subject to the stay of proceedings provided for in the ARIO.
- 5.40 On June 18, 2021, this disputed Claim was referred to the Claims Officer. The Claims Officer has subsequently advised the Monitor that an agreed statement of facts is being prepared by Claimant A’s legal counsel, with an expected delivery around the end of October 2021.

*Summary*

- 5.41 In summary, the Monitor, in consultation with its legal counsel, continues to negotiate with the above noted Claimants in an effort to reach settlement of the Disputed Claims, where possible. The Monitor is encouraged by the ongoing negotiations with the respective landlords and is optimistic that a number of the Landlord Claims will be settled or resolved without the need for adjudication by the Court and/or Claims Officer.
- 5.42 In order to minimize costs to the estate and expedite a distribution to the Claimants that have Accepted Claims, it is reasonably expected that up to 11 Disputed Claims, possibly comprised of one landlord claim, four Employee Claims, and six trade and other claims, may be referred to the Court and/or Claims Officer for adjudication in the near term.

**6.0 ACTUAL CASH FLOW RESULTS COMPARED TO FIFTH CASH FLOW FORECAST**

6.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has established a weekly cash flow review protocol to compare actual cash flows against the Fifth Cash Flow Forecast.

6.2 The Petitioners' actual cash receipts and disbursements compared to the Fifth Cash Flow Forecast during the period from September 15, 2020 to September 10, 2021 is summarized in the table below:

<b>1077 Holdings Co-operative and 1314625 Ontario Limited</b>			
<b>Cash Flow Variance Analysis</b>			
<b>For the period September 15, 2020 to September 10, 2021</b>			
<b>(in CAD 000's)</b>			
	<b>For the 52 Weeks Ended September 10, 2021</b>		
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Receipts</b>			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,628	-
Other receipts and letters of credit	3,756	3,698	58
GST refunds	-	140	(140)
Return of deposits	(516)	(500)	(16)
<b>Total receipts</b>	<b>53,045</b>	<b>53,142</b>	<b>(98)</b>
<b>Disbursements</b>			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,194	3,299	105
Insurance	145	195	50
Property taxes and other property liabilities	4,498	4,525	27
Statutory obligations	3,592	3,754	162
Consultants	63	65	2
<b>Total disbursements</b>	<b>59,517</b>	<b>59,863</b>	<b>346</b>
	<b>(6,473)</b>	<b>(6,721)</b>	<b>248</b>
<b>Other disbursements</b>			
KERP payments	778	778	-
Professional fees	4,748	5,103	355
Debt service	987	987	-
Contingency	574	634	60
<b>Total other disbursements</b>	<b>(7,087)</b>	<b>(7,502)</b>	<b>415</b>
<b>Net proceeds from Sale Transaction (*)</b>	<b>30,411</b>	<b>30,411</b>	<b>-</b>
<b>Net Cash Flow</b>	<b>\$ 16,852</b>	<b>\$ 16,189</b>	<b>\$ 663</b>
<b>Opening Cash Balance</b>	<b>\$ 14,188</b>	<b>\$ 14,188</b>	<b>\$ -</b>
<b>Net Cash Flow</b>	<b>16,852</b>	<b>16,189</b>	<b>663</b>
<b>Ending Cash Balance</b>	<b>\$ 31,040</b>	<b>\$ 30,377</b>	<b>\$ 663</b>

*\* Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.*

- 6.3 As at September 10, 2021, the closing cash balance held in trust by the Monitor totaled \$31.0 million. Certain variances in respect of the reported cash receipts and disbursements are as follows:
- a) total operating receipts were approximately \$98,000 lower than forecast primarily due to delays in receiving post-filing GST refunds that are currently under review by the CRA; and
  - b) total operating disbursements were approximately \$761,000 lower than forecast, primarily due to timing differences in respect of general and administrative costs, statutory obligations, and professional fees.
- 6.4 Since the Eighth Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform weekly variance reporting and approval of disbursements. Nothing has come to the attention of the Monitor that causes the Monitor to believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.

## **7.0 UPDATED CASH FLOW FORECAST**

- 7.1 The Sixth Cash Flow Forecast has been prepared by the Monitor for the period from September 11, 2021 to December 10, 2021 (the “**Forecast Period**”). The Sixth Cash Flow Forecast is attached herewith as Appendix “A” along with accompanying notes and assumptions. A summary of the Sixth Cash Flow Forecast is tabled below:

**1077 Holdings Co-operative and 1314625 Ontario Limited**  
**Sixth Cash Flow Forecast**  
**For the 13 week period ending on December 10, 2021**  
**(in CAD 000's)**

	<u>Forecast Period</u>
<b>Receipts</b>	
GST refunds	\$ 157
Other receipts	21
Return of deposits	(40)
<b>Total receipts</b>	<b>138</b>
<b>Disbursements</b>	
General and administrative	181
Property taxes and other property liabilities	27
Statutory obligations	172
<b>Total disbursements</b>	<b>380</b>
	(242)
<b>Other disbursements</b>	
Professional fees	450
Contingency	45
<b>Total other disbursements</b>	<b>(495)</b>
<b>Net cash flow</b>	<b>\$ (737)</b>
<b>Opening cash balance (*)</b>	<b>\$ 31,040</b>
Net cash flow	(737)
<b>Ending cash balance</b>	<b>\$ 30,303</b>

*(\*) Of the cash held in trust by the Monitor, \$26.5 million is invested in guaranteed investments certificates issued by a Canadian chartered bank.*

7.2 The Monitor's comments with respect to the Sixth Cash Flow Forecast are as follows:

- a) forecast of receipts consist of the following:
  - i. estimated GST refunds of approximately \$157,000 relate to post-filing period expenses;
  - ii. other receipts of approximately \$21,000 relate to an expected insurance refund;
  - iii. return of deposits of approximately \$40,000 for funds received in error in the Petitioners' bank accounts subsequent to the Closing Date, which may be returned to the Purchaser subject to final review and reconciliation of the amounts;
- b) forecast disbursements totaling \$875,000 consist of the following:
  - i. general and administrative costs of approximately \$181,000 related to estimated costs for storage and destruction of electronic and physical records, and fees for engaging KPMG LLP to prepare corporate tax returns and assist with recovery of trade and customs levies from CBSA;

- ii. property liabilities approximating \$27,000 in connection with unpaid post-filing rent amounts due to the landlord of a disclaimed realty lease. The Monitor is awaiting reconciliation from the landlord in respect of the outstanding amounts;
- iii. statutory obligations of approximately \$172,000 comprised of \$162,000 relating to British Columbia Employer Health Taxes estimated for the period September 15, 2020 to December 31, 2020. The Monitor has been corresponding with the Ministry of Finance to reconcile these amounts, as well as approximately \$10,000 related to payroll withholdings discrepancies for the year 2019 which is currently being reviewed by the Monitor; and
- iv. professional fees of approximately \$450,000 for services provided by the Monitor and its legal counsel, and fees of the Claims Officer.

7.3 At present, the Monitor anticipates it will be holding approximately \$30.3 million at the end of the Forecast Period that will ultimately be made available to unsecured creditors once the outstanding Disputed Claims have been settled. The Monitor anticipates a substantial recovery to the Claimants and Employee Claimants that have proven their Claim in the Claims Process.

7.4 The Sixth Cash Flow Forecast has been prepared solely for the purpose described in Note 1 on the face of the Sixth Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

## **8.0 STAY EXTENSION**

8.1 Pursuant to the Stay Extension Order, the Stay Period will expire on September 28, 2021. The Monitor is seeking an extension of the Stay Period to December 10, 2021.

8.2 The Monitor believes this extension is reasonable for the following reasons:

- a) during the proposed extension of the Stay Period, the Monitor will have an opportunity to:
  - i. refer and assist with the resolution of the Disputed Claims, determine and if possible, make a distribution to affected creditors, and/or prepare a potential plan of compromise and/or arrangement which may be presented to the creditors and stakeholders of the Petitioners; and
  - ii. attend to any remaining activities relating to the wind-down of the Petitioners' operations and business;
- b) the Sixth Cash Flow Forecast indicates that there is sufficient liquidity to continue operating during the requested extension of the Stay Period; and

c) no creditor or any stakeholders of the Petitioners would be materially prejudiced by the extension of the Stay Period.

**9.0 RECOMMENDATIONS**

9.1 The Monitor respectfully recommends that this Honourable Court grant an order approving an extension of the Stay Period through to December 10, 2021.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 21<sup>st</sup> day of September, 2021.

**Alvarez & Marsal Canada Inc.,  
in its capacity as Monitor of  
1077 and not in its personal or corporate capacity**



Todd M. Martin  
Senior Vice President



Vicki Chan  
Vice President

**Appendix A**  
**Sixth Cash Flow Forecast**

1077 Holdings Co-operative and 131465 Ontario Limited  
Sixth Cash Flow Forecast (Note 1)  
For the 13 week period ending on December 10, 2021  
(Unaudited, in 000s CAD)

Week Week Ending	Notes	Week 1 Sep 19	Week 2 Sep 26	Week 3 Oct 3	Week 4 Oct 10	Week 5 Oct 17	Week 6 Oct 24	Week 7 Oct 31	Week 8 Nov 7	Week 9 Nov 14	Week 10 Nov 21	Week 11 Nov 28	Week 12 Dec 5	Week 13 Dec 10	13 Week Total
<b>Receipts</b>															
GST refunds	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157	\$ -	\$ 157
Other receipts	3	-	-	21	-	-	-	-	-	-	-	-	-	-	21
Return of deposits	4	-	-	-	-	-	-	(40)	-	-	-	-	-	-	(40)
<b>Total receipts</b>		-	-	<b>21</b>	-	-	-	<b>(40)</b>	-	-	-	-	<b>157</b>	-	<b>138</b>
<b>Disbursements</b>															
General and administrative	5	0	-	3	-	0	-	17	27	0	-	50	83	0	181
Property taxes and other property liabilities	6	-	-	-	-	-	-	-	-	-	-	-	27	-	27
Statutory obligations	7	-	-	-	-	10	-	162	-	-	-	-	-	-	172
<b>Total disbursements</b>		<b>0</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>179</b>	<b>27</b>	<b>0</b>	<b>-</b>	<b>50</b>	<b>110</b>	<b>0</b>	<b>380</b>
		<b>(0)</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>(10)</b>	<b>-</b>	<b>(219)</b>	<b>(27)</b>	<b>(0)</b>	<b>-</b>	<b>(50)</b>	<b>47</b>	<b>(0)</b>	<b>(242)</b>
<b>Other disbursements</b>															
Professional fees	8	-	139	-	-	-	125	-	-	-	105	-	-	81	450
Contingency	9	-	-	-	15	-	-	-	15	-	-	-	15	-	45
<b>Total other disbursements</b>		<b>-</b>	<b>(139)</b>	<b>-</b>	<b>(15)</b>	<b>-</b>	<b>(125)</b>	<b>-</b>	<b>(15)</b>	<b>-</b>	<b>(105)</b>	<b>-</b>	<b>(15)</b>	<b>(81)</b>	<b>(495)</b>
<b>Net cash flow</b>		<b>\$ (0)</b>	<b>\$ (139)</b>	<b>\$ 18</b>	<b>\$ (15)</b>	<b>\$ (10)</b>	<b>\$ (125)</b>	<b>\$ (219)</b>	<b>\$ (42)</b>	<b>\$ (0)</b>	<b>\$ (105)</b>	<b>\$ (50)</b>	<b>\$ 32</b>	<b>\$ (81)</b>	<b>\$ (737)</b>
<b>Opening cash balance</b>		<b>\$ 31,040</b>	<b>\$ 31,040</b>	<b>\$ 30,901</b>	<b>\$ 30,919</b>	<b>\$ 30,904</b>	<b>\$ 30,894</b>	<b>\$ 30,769</b>	<b>\$ 30,550</b>	<b>\$ 30,508</b>	<b>\$ 30,507</b>	<b>\$ 30,402</b>	<b>\$ 30,352</b>	<b>\$ 30,384</b>	<b>\$ 31,040</b>
Net cash flow		(0)	(139)	18	(15)	(10)	(125)	(219)	(42)	(0)	(105)	(50)	32	(81)	(737)
<b>Ending cash balance</b>		<b>\$ 31,040</b>	<b>\$ 30,901</b>	<b>\$ 30,919</b>	<b>\$ 30,904</b>	<b>\$ 30,894</b>	<b>\$ 30,769</b>	<b>\$ 30,550</b>	<b>\$ 30,508</b>	<b>\$ 30,507</b>	<b>\$ 30,402</b>	<b>\$ 30,352</b>	<b>\$ 30,384</b>	<b>\$ 30,303</b>	<b>\$ 30,303</b>

**1077 Holdings Co-operative and 131465 Ontario Limited**

**Sixth Cash Flow Forecast**

**Notes and Assumptions**

---

<sup>1</sup> The weekly cash flow forecast of 1077 Holdings Co-operative and 1314625 Ontario Limited (collectively, "1077") for the period September 19 to December 10, 2021 has been prepared by the Monitor to set out the cash flow of 1077 (the "Sixth Cash Flow Forecast").

The Sixth Cash Flow Forecast has been prepared based on unaudited financial information and estimates of 1077's projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary and such variations may be material. Neither 1077 nor the Monitor makes any representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized.

The Sixth Cash Flow Forecast reflects estimates and assumptions summarized below with respect to operations most notably, that 1077 continues to operate within the protections afforded under the CCAA and the Amended and Restated Initial Order granted on October 2, 2020 during the CCAA Proceedings. The Sixth Cash Flow Forecast may be updated from time to time.

- 2 GST refunds relate to post-filing expenses incurred during the pendency of the CCAA Proceedings.
- 3 Other receipts relate to an expected insurance refund.
- 4 Return of deposits received by the Monitor subsequent to the Closing Date that relate to accounts receivable that may be for the account of the Purchaser, subject to review of supporting documentation provided by the Purchaser.
- 5 General and administrative costs include payment for storage and future staged destruction of electronic and physical records as well as professional fees for investigating the potential recovery of trade and customs levies applied to certain goods by the the Canada Border and Services Agency.
- 6 Property taxes and other property liabilities include rent for the post-filing occupancy period related to a disclaimed realty lease of a retail store location. The Monitor is awaiting reconciliation of the post-filing liability from the landlord.
- 7 Statutory obligations include estimates for the British Columbia Employer Health Tax for the post-filing period from September 15, 2020 to December 31, 2020 for which the Monitor is awaiting confirmation of amounts owing and a statement of account from the Ministry of Finance, as well as 2019 payroll withholdings deficiencies that may be payable, subject to the Monitor's review and reconciliation.
- 8 Professional fees are estimates of the professional services expected to be provided during the CCAA Proceedings and include fees for the Monitor and its legal counsel and the potential fees of the Claims Officer.
- 9 Contingency costs are included to account for any unexpected expenses and represent 5% of disbursements.



No. S209201  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

AND

IN THE MATTER OF 1077 HOLDINGS CO-OPERATIVE (FORMERLY, MOUNTAIN EQUIPMENT  
CO-OPERATIVE) AND 1314625 ONTARIO LIMITED

PETITIONERS

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

**DECEMBER 1, 2021**

## TABLE OF CONTENTS

1.0	INTRODUCTION .....	- 3 -
2.0	PURPOSE.....	- 3 -
3.0	SCOPE LIMITATION .....	- 4 -
4.0	ACTIVITIES OF THE MONITOR.....	- 4 -
5.0	CLAIMS PROCESS – STATUS UPDATE .....	- 5 -
6.0	ACTUAL CASH FLOW RESULTS COMPARED TO SIXTH CASH FLOW FORECAST ....	- 7 -
7.0	UPDATED CASH FLOW FORECAST .....	- 9 -
8.0	STAY EXTENSION .....	- 10 -
9.0	RECOMMENDATIONS.....	- 11 -

## APPENDIX

Appendix A – Seventh Cash Flow Forecast for the Period November 29, 2021 to June 10, 2022

## 1.0 INTRODUCTION

- 1.1 On September 14, 2020, Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, the “**Petitioners**” or “**1077**”) were granted an initial order (the “**Initial Order**”) by the Supreme Court of British Columbia commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “**Stay Period**”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “**Monitor**”) during the CCAA Proceedings.
- 1.2 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “**Claims Process Order**”) setting a claims process (the “**Claims Process**”) by which creditors may confirm or prove their claims against the Petitioners.
- 1.3 On September 28, 2021, this Honourable Court pronounced an order further extending the Stay Period to December 10, 2021 (the “**Stay Extension Order**”).
- 1.4 Concurrent with this eleventh report of the Monitor dated December 1, 2021 (the “**Eleventh Report**”), the Monitor has filed a notice of application with this Honourable Court, returnable on December 7, 2021, seeking approval of an extension of the Stay Period through to June 10, 2022.
- 1.5 Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor’s website at [www.alvarezandmarsal.com/mec](http://www.alvarezandmarsal.com/mec).

## 2.0 PURPOSE

- 2.1 This Eleventh Report has been prepared by the Monitor in support of its application for an extension of the Stay Period to June 10, 2022, and to provide information to this Honourable Court in respect of the following:
  - a) the activities of the Monitor since the ninth report of the Monitor dated September 21, 2021 (the “**Ninth Report**”);
  - b) a status update on the Monitor’s administration of the Claims Process;
  - c) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the “**Sixth Cash Flow Forecast**”) as appended to the Ninth Report; and
  - d) an updated cash flow forecast for the period November 29, 2021 to June 10, 2022 (the “**Seventh Cash Flow Forecast**”) and comments in respect of same.

2.2 Background information, including capitalized terms not otherwise defined herein, are contained in the Initial Order, the amended and restated initial order pronounced on October 2, 2020 (the “ARIO”), the sale approval and vesting order pronounced on October 2, 2020, and the Monitor’s previous reports, and have not been repeated herein.

### **3.0 SCOPE LIMITATION**

3.1 Certain of the information referred to in this Eleventh Report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

### **4.0 ACTIVITIES OF THE MONITOR**

4.1 The activities of the Monitor since the Ninth Report have included the following:

#### **Review of CCAA Court Materials**

- a) reviewing draft Court application materials in consultation with the Monitor’s legal counsel;

#### **Assisting with Post-Closing Matters related to the Sale Transaction**

- b) reviewing documentation in respect of transferring certain contracts and accounts assumed by the Purchaser;
- c) reconciling deposits and corresponding with the Purchaser to coordinate the return of certain deposits received by the Petitioners that may belong to the Purchaser;

#### **Administering the Claims Process**

- d) administering the Claims Process in accordance with the Claims Process Order (including resolving disputed Claims, dealing with numerous enquiries with Claimants, and preparing application material for the purposes of referring a disputed Employee Claim to this Honourable Court for adjudication), as further described in section 5.0 of this report and as previously described in the Monitor’s prior reports;

#### **Monitoring of Cash Receipts & Disbursements**

- e) preparing and reviewing weekly payments as well as reconciling cash receipts and disbursements of the bank accounts of the Petitioners and trust accounts of the Monitor;
- f) consolidating and closing bank accounts of the Petitioners where appropriate;

### **Statutory and Other Responsibilities**

- g) preparing the confidential tenth report of the Monitor dated October 25, 2021, and this Eleventh Report;
- h) reconciling and filing of post-filing GST returns as well as corresponding with the Canada Revenue Agency (“CRA”) regarding post-filing refunds;
- i) corresponding with the Ministry of Attorney General regarding filing returns, reconciling, and payment of the British Columbia employer health tax;
- j) attending to numerous telephone calls with and correspondence received from the CRA regarding reconciliation of pre-filing payroll withholdings remittances, amendments to banking details, the Monitor’s access to the tax accounts of 1314625 Ontario Limited, and other related matters;
- k) holding discussions with the Canada Border Services Agency (“CBSA”) and the former import and export broker of 1077, Expeditors Canada Inc. (“Expeditors”), to address CBSA’s request for amendments to pre-filing import declarations;
- l) attending to correspondence with the British Columbia and Nova Scotia Workers’ Compensation Boards;
- m) engaging KPMG LLP to assist with trade and customs recovery of levies applied by the CBSA for importation of certain goods;

### **Creditor and Other Stakeholder Matters**

- n) receiving and responding to telephone and email enquiries from trade creditors, members, former employees and other interested parties; and

### **Other Matters**

- o) reviewing information relating to and preparing for the wind-down of 1077’s interest in Park Towns Developments Limited Partnership, a residential townhouse project located in Toronto, Ontario (the “Parktown Project”).

## **5.0 CLAIMS PROCESS – STATUS UPDATE**

### **Update of Claims Process**

- 5.1 Capitalized terms used but not defined in this section of the Eleventh Report have the meaning ascribed to them in the Claims Process Order.
- 5.2 Tabled below is an updated summary of the Claims including the number and quantum of the Proofs of Claims submitted by Claimants and Employee Claimants, Notices of Revision or Disallowance (“NORDs”) issued by the Monitor, Claims accepted by the Monitor (the

“Accepted Claims”), and unresolved Claims that remain subject to dispute (the “Disputed Claims”):

1077 Holdings Co-operative and 1314625 Ontario Limited								
Summary of Claims								
as at November 29, 2021								
(in CAD 000's)								
	Proofs of Claim		Notice of Revision or Disallowance		Accepted Claims		Disputed Claims	
	No.	Claim Amount (\$)	No.	Disallowed Amount (\$)	No.	Accepted Amount (\$)	No.	Disputed Amount (\$)
Landlord	8	\$ 68,829	8	\$ 72,855	6	\$ 19,992	2	\$ 983
Employee	47	3,750	45	2,105	227	8,830	-	-
Trade and other	40	9,956	32	7,836	14	2,299	-	-
Equity	2	1	2	1	-	-	-	-
<b>Total</b>	<b>97</b>	<b>\$ 82,536</b>	<b>87</b>	<b>\$ 82,796</b>	<b>247</b>	<b>\$ 31,121</b>	<b>2</b>	<b>\$ 983</b>

- 5.3 As at the date of this Eleventh Report, the Monitor has received 97 Proofs of Claim with a total claim value of approximately \$82.5 million and has responded to 87 Claimants through NORs, except where the Proof of Claim had been withdrawn by the Claimant, accepted in its entirety by the Monitor, or is pending review by the Monitor.
- 5.4 Subsequent to filing the Ninth Report, total Accepted Claims have increased by \$16.4 million as a result of the Monitor and its legal counsel engaging in extensive discussions with Claimants and Employee Claimants with unresolved claims. As a result of these extensive settlement discussions and negotiations, the Monitor notes the following:
- settlement agreements have been reached with four additional landlord Claimants, one of which is pending execution of final documentation;
  - settlement agreements have been reached with the four remaining Employee Claimants, whose disputed Claims were previously detailed in the Ninth Report, pending the execution of final documentation by one Employee Claimant; and
  - the six remaining trade and other Claimants have withdrawn or otherwise settled their Claims, with one such Claimant still to execute final settlement documentation.
- 5.5 Following the Ninth Report, the Monitor received two additional Proofs of Claim totaling approximately \$48,000 from unsecured trade creditors. These additional Proofs of Claim are currently under review by the Monitor.
- 5.6 Accordingly, and as at the date of this Eleventh Report, there are 247 Accepted Claims totaling \$31.1 million that the Monitor has or is deemed to have accepted.

5.7 Any Claim that is unable to be resolved between a Claimant and the Monitor will be adjudicated by the Court or a Claims Officer at the sole discretion of the Monitor.

**Disputed Claims**

5.8 At present, and as a result of the extensive settlement discussions and negotiations detailed above, there are only two Disputed Claims, totaling \$983,000, that remain unresolved. These Disputed Claims pertain to the retail store previously located in St. Denis, Quebec (the “**St. Denis Property**”).

5.9 As detailed further in the Monitor’s Ninth Report, the lease in respect of the St. Denis Property was disclaimed effective October 16, 2020. Thereafter, two Proofs of Claim (collectively, the “**St. Denis Claim**”) were submitted: one was submitted by the previous landlord, 169159 Canada Inc. (“**169**”), and the second was submitted by Argo Partners (“**Argo**”), a party claiming to have been assigned the St. Denis Claim.

5.10 The Monitor has engaged in discussions with both 169 and Argo in an effort to resolve: (i) the dispute between 169 and Argo as to which party is entitled to assert the St. Denis Claim; and (ii) the quantum of the St. Denis Claim.

5.11 Discussions with and between 169 and Argo are ongoing, and the Monitor is hopeful that the parties will be able to reach a resolution of the St. Denis Claim without the need for adjudication by the Court and/or the Claims Officer.

**6.0 ACTUAL CASH FLOW RESULTS COMPARED TO SIXTH CASH FLOW FORECAST**

6.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has established a weekly cash flow review protocol to compare actual cash flows against the Sixth Cash Flow Forecast.

6.2 The Petitioners’ actual cash receipts and disbursements compared to the Sixth Cash Flow Forecast during the period from September 15, 2020 to November 28, 2021 is summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited  
Cash Flow Variance Analysis  
For the period September 15, 2020 to November 28, 2021  
(in CAD 000's)

	For the 63 Weeks Ended November 28, 2021		
	Actual	Forecast	Variance
<b>Receipts</b>			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,628	-
Other receipts and letters of credit	3,802	3,777	24
GST refunds	150	-	150
Return of deposits	(516)	(556)	40
<b>Total receipts</b>	<b>53,240</b>	<b>53,025</b>	<b>214</b>
<b>Disbursements</b>			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,191	3,292	101
Insurance	145	145	-
Property taxes and other property liabilities	4,498	4,498	-
Statutory obligations	3,592	3,763	172
Consultants	63	63	-
<b>Total disbursements</b>	<b>59,514</b>	<b>59,787</b>	<b>273</b>
	<b>(6,274)</b>	<b>(6,761)</b>	<b>487</b>
<b>Other disbursements</b>			
KERP payments	778	778	-
Professional fees	5,050	5,117	66
Debt service	987	987	-
Contingency	574	604	30
<b>Total other disbursements</b>	<b>(7,389)</b>	<b>(7,486)</b>	<b>96</b>
<b>Net proceeds from Sale Transaction (*)</b>	<b>30,411</b>	<b>30,411</b>	<b>-</b>
<b>Net Cash Flow</b>	<b>\$ 16,747</b>	<b>\$ 16,164</b>	<b>\$ 583</b>
<b>Opening Cash Balance</b>	<b>\$ 14,188</b>	<b>\$ 14,188</b>	<b>\$ -</b>
<b>Net Cash Flow</b>	<b>16,747</b>	<b>16,164</b>	<b>583</b>
<b>Ending Cash Balance</b>	<b>\$ 30,936</b>	<b>\$ 30,352</b>	<b>\$ 583</b>

\* Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.

- 6.3 As at November 28, 2021, the closing cash balance held in trust by the Monitor totaled \$30.9 million. Certain variances in respect of the reported cash receipts and disbursements are as follows:
- total operating receipts were approximately \$214,000 higher than forecast primarily due to earlier than anticipated receipt of post-filing GST refunds; and
  - total operating disbursements were approximately \$369,000 lower than forecast, primarily due to timing differences in respect of general and administrative costs, statutory obligations, and professional fees.
- 6.4 Since the Ninth Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform weekly variance reporting and approval of disbursements. Nothing

has come to the attention of the Monitor that causes the Monitor to believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.

## 7.0 UPDATED CASH FLOW FORECAST

7.1 The Seventh Cash Flow Forecast has been prepared by the Monitor for the period from November 29, 2021 to June 10, 2022 (the “**Forecast Period**”). The Seventh Cash Flow Forecast is attached herewith as Appendix “A” along with accompanying notes and assumptions. A summary of the Seventh Cash Flow Forecast is tabled below:

1077 Holdings Co-operative and 1314625 Ontario Limited	
Seventh Cash Flow Forecast	
For the 28 week period ending on June 10, 2022	
(in CAD 000's)	
	<u>Forecast Period</u>
<b>Receipts</b>	
GST and other refunds	\$ 27
Return of deposits	(45)
<b>Total receipts</b>	<u>(18)</u>
<b>Disbursements</b>	
General and administrative	141
Property taxes and other property liabilities	27
Statutory obligations	168
<b>Total disbursements</b>	<u>336</u>
	(354)
<b>Other disbursements</b>	
Professional fees	824
Contingency	60
<b>Total other disbursements</b>	<u>(884)</u>
<b>Net cash flow</b>	<u>\$ (1,238)</u>
<b>Opening cash balance (*)</b>	<b>\$ 30,936</b>
Net cash flow	(1,238)
<b>Ending cash balance</b>	<u>\$ 29,697</u>

(\*) Of the cash held in trust by the Monitor, \$26.5 million is invested in guaranteed investments certificates issued by a Canadian chartered bank.

7.2 The Monitor’s comments with respect to the Seventh Cash Flow Forecast are as follows:

- a) forecast of receipts consist of the following:
  - i. GST and other refunds of \$27,000 relate to GST refunds anticipated for post-filing expenses incurred during the pendency of the CCAA Proceedings and other refunds with quantum that are not yet known at this time;
  - ii. return of deposits of approximately \$45,000 for funds received in error in the Petitioners’ bank accounts subsequent to the Closing Date, which may be returned to the Purchaser subject to final review and reconciliation of the amounts;

- b) forecast disbursements totaling \$1.2 million consist of the following:
  - i. general and administrative costs of approximately \$141,000 related to estimated costs for storage and destruction of electronic and physical records and fees for engaging Expeditors to review and amend pre-filing import declarations in response to an audit by the CBSA;
  - ii. property liabilities approximating \$27,000 in connection with unpaid post-filing rent amounts due to the landlord of a disclaimed realty lease. The Monitor is awaiting reconciliation from the landlord in respect of the outstanding amounts;
  - iii. statutory obligations of approximately \$168,000 comprised of \$162,000 relating to British Columbia employer health taxes estimated for the period September 15, 2020 to December 31, 2020. The Monitor has been corresponding with the Ministry of Finance to reconcile these amounts, as well as approximately \$1,400 related to payroll withholdings discrepancies for the 2019 year and \$4,800 related to CBSA import fee adjustments which is currently being reviewed by the Monitor; and
  - iv. professional fees of approximately \$824,000 for services provided by the Monitor and its legal counsel, and fees of the Claims Officer.

7.3 At present, the Monitor anticipates it will be holding approximately \$29.7 million at the end of the Forecast Period that will ultimately be made available to unsecured creditors once the outstanding Disputed Claims have been resolved. It is possible that this amount could increase due to additional recoveries from miscellaneous customs levy refunds and the monetization of the Petitioner's interest in the Parktown Project. However, estimates of those potential recoveries have not been reflected in the Seventh Cash Flow Forecast because these recoveries remain uncertain and the quantum, if any, cannot be reasonably approximated at this time.

7.4 The Seventh Cash Flow Forecast has been prepared solely for the purpose described in Note 1 on the face of the Seventh Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

## **8.0 STAY EXTENSION**

8.1 Pursuant to the Stay Extension Order, the Stay Period will expire on December 10, 2021. The Monitor is seeking an extension of the Stay Period to June 10, 2022.

8.2 The Monitor believes the extended Stay Period of approximately six months is reasonable for the following reasons:

- a) during the proposed extension of the Stay Period, the Monitor will have an opportunity to:

- i. resolve the last remaining Disputed Claim and start the process of making a distribution to affected creditors via distribution order and/or prepare a potential plan of compromise and/or arrangement which may be presented to the creditors and stakeholders of the Petitioners;
  - ii. realize on residual assets and/or receivables of the Petitioners, including any trade and customs levy refunds and distributions resulting from the wind-up of the Parktown Project which may present material recoveries for the estate;
  - iii. attend to any remaining activities relating to the wind-down of the Petitioners' operations and business; and
  - iv. a longer extension of the Stay Period will obviate the need for the Monitor to schedule, and incur professional fees and other costs relating to, further applications before this Honourable Court while it focuses on a future distribution to the unsecured creditors of the Petitioners;
- b) the Seventh Cash Flow Forecast indicates that there is sufficient liquidity to continue operating during the requested extension of the Stay Period; and
  - c) no creditor or any stakeholders of the Petitioners would be materially prejudiced by the extension of the Stay Period.

## 9.0 RECOMMENDATIONS

- 9.1 The Monitor respectfully recommends that this Honourable Court grant an order approving an extension of the Stay Period through to June 10, 2022.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 1<sup>st</sup> day of December, 2021.

**Alvarez & Marsal Canada Inc.,  
in its capacity as Monitor of  
1077 and not in its personal or corporate capacity**

per: 

Todd M. Martin  
Senior Vice President

**Appendix A**  
**Seventh Cash Flow Forecast**

1077 Holdings Co-operative and 131465 Ontario Limited  
 Seventh Cash Flow Forecast (Note 1)  
 For the 28 week period ending on June 10, 2022  
 (Unaudited, in 000s CAD)

Week		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	
Week Ending	Notes	Dec 5	Dec 12	Dec 19	Dec 26	Jan 2	Jan 9	Jan 16	Jan 23	Jan 30	Feb 6	Feb 13	Feb 20	Feb 27	Mar 6	Mar 13	
<b>Receipts</b>																	
GST and other refunds	2	\$	\$	\$	10	\$	\$	\$	\$	\$	\$	\$	\$	\$	8	\$	\$
Return of deposits	3						(45)										
<b>Total receipts</b>					10		(45)								8		
<b>Disbursements</b>																	
General and administrative	4	18	1	0	10	24			3	(1)		5	0	60			
Property taxes and other property liabilities	5																
Statutory obligations	6				1				(67)								
<b>Total disbursements</b>		18	1	0	12	24			170	10		5	0	60			
<b>Other disbursements</b>																	
Professional fees	7	45	106	145		5			80				60				
Contingency	8					10				10				10			
<b>Total other disbursements</b>		(45)	(106)	(145)		(15)			(80)	(10)			(60)	(10)			
<b>Net cash flow</b>		\$ (64)	\$ (107)	\$ (145)	\$ (2)	\$ (39)	\$ (45)	\$ -	\$ (250)	\$ (20)	\$ -	\$ (5)	\$ (60)	\$ (62)	\$ -	\$ -	\$ -
<b>Opening cash balance</b>																	
Net cash flow		\$ 30,936	\$ 30,872	\$ 30,765	\$ 30,620	\$ 30,618	\$ 30,579	\$ 30,534	\$ 30,534	\$ 30,285	\$ 30,265	\$ 30,265	\$ 30,260	\$ 30,199	\$ 30,137	\$ 30,137	\$ 30,137
Ending cash balance		(64)	(107)	(145)	(2)	(39)	(45)		(250)	(20)		(5)	(60)	(62)			
<b>Ending cash balance</b>		\$ 30,872	\$ 30,765	\$ 30,620	\$ 30,618	\$ 30,579	\$ 30,534	\$ 30,534	\$ 30,285	\$ 30,265	\$ 30,265	\$ 30,260	\$ 30,199	\$ 30,137	\$ 30,137	\$ 30,137	\$ 30,137

1077 Holdings Co-operative and 131465 Ontario Limited  
 Seventh Cash Flow Forecast (Note 7)  
 For the 28 week period ending on June 10, 2022  
 (Unaudited, in 000s CAD)

Week		Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	Week 26	Week 27	Week 28	28 Week
Week Ending	Notes	Mar 20	Mar 27	Apr 3	Apr 10	Apr 17	Apr 24	May 1	May 8	May 15	May 22	May 29	Jun 5	Jun 10	Total
<b>Receipts</b>															
GST and other refunds	2	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ -	\$ 27
Return of deposits	3	-	-	-	-	-	-	-	-	-	-	-	-	-	(45)
<b>Total receipts</b>		-	-	-	6	-	-	-	-	-	-	3	-	-	(18)
<b>Disbursements</b>															
General and administrative	4	0	10	-	-	0	-	-	-	0	-	-	-	0	141
Property taxes and other property liabilities	5	-	-	-	-	-	-	-	27	-	-	-	-	-	27
Statutory obligations	6	-	-	-	-	-	-	-	-	-	-	-	-	-	168
<b>Total disbursements</b>		0	10	-	-	0	-	-	27	0	-	-	-	0	336
<b>Other disbursements</b>		(0)	(10)	-	6	(0)	-	-	(27)	(0)	-	3	-	(0)	(354)
Professional fees	7	60	-	-	-	60	-	-	-	150	-	-	-	113	824
Contingency	8	-	10	-	-	-	10	-	-	-	-	10	-	-	60
<b>Total other disbursements</b>		(60)	(10)	-	-	(60)	(10)	-	-	(150)	-	(10)	-	(113)	(884)
<b>Net cash flow</b>		\$ (60)	\$ (20)	\$ -	\$ 6	\$ (60)	\$ (10)	\$ -	\$ (27)	\$ (150)	\$ -	\$ (7)	\$ -	\$ (113)	\$ (1,238)
<b>Opening cash balance</b>															
Net cash flow		\$ 30,137	\$ 30,077	\$ 30,058	\$ 30,058	\$ 30,064	\$ 30,004	\$ 29,994	\$ 29,994	\$ 29,967	\$ 29,817	\$ 29,817	\$ 29,810	\$ 29,810	\$ 30,936
Net cash flow		(60)	(20)	-	6	(60)	(10)	-	(27)	(150)	-	(7)	-	(113)	(1,238)
<b>Ending cash balance</b>		\$ 30,077	\$ 30,058	\$ 30,058	\$ 30,064	\$ 30,004	\$ 29,994	\$ 29,994	\$ 29,967	\$ 29,817	\$ 29,817	\$ 29,810	\$ 29,810	\$ 29,697	\$ 29,697

**1077 Holdings Co-operative and 131465 Ontario Limited**

**Seventh Cash Flow Forecast**

**Notes and Assumptions**

---

- 1 The weekly cash flow forecast of 1077 Holdings Co-operative and 1314625 Ontario Limited (collectively, "1077") for the period November 29, 2021 to June 10, 2022 has been prepared by the Monitor to set out the cash flow of 1077 (the "Seventh Cash Flow Forecast").

The Seventh Cash Flow Forecast has been prepared based on unaudited financial information and estimates of 1077's projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary and such variations may be material. Neither 1077 nor the Monitor makes any representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized.

The Seventh Cash Flow Forecast reflects estimates and assumptions summarized below with respect to operations most notably, that 1077 continues to operate within the protections afforded under the CCAA and the Amended and Restated Initial Order granted on October 2, 2020 during the CCAA Proceedings. The Seventh Cash Flow Forecast may be updated from time to time.

- 2 GST and other refunds relate to GST refunds anticipated for post-filing expenses incurred during the pendency of the CCAA Proceedings and other refunds with quantum that are not yet known at this time.
- 3 Return of deposits received by the Monitor subsequent to the Closing Date that relate to accounts receivable that may be for the account of the Purchaser, subject to review of supporting documentation provided by the Purchaser.
- 4 General and administrative costs include payment for storage and future staged destruction of electronic and physical records as well as broker consultation fees for reviewing and amending pre-filing import declarations in response to an audit by the Canada Border and Services Agency ("CBSA").
- 5 Property taxes and other property liabilities include rent for the post-filing occupancy period related to a disclaimed realty lease of a retail store location. The Monitor is awaiting reconciliation of the post-filing liability from the landlord.
- 6 Statutory obligations include estimates for the British Columbia Employer Health Tax for the post-filing period from September 15, 2020 to December 31, 2020 for which the Monitor has been communicating with the Minister of Finance and the Purchaser's payroll department to reconcile certain statements of account, as well as 2019 payroll withholdings deficiencies and CBSA import fees adjustments that may be payable, subject to the Monitor's review and reconciliation.
- 7 Professional fees are estimates of the professional services expected to be provided during the CCAA Proceedings and include fees of 1077's legal counsel, the Monitor and its legal counsel and the potential fees of the Claims Officer.
- 8 Contingency costs are included to account for any unexpected expenses and represent 5% of disbursements.



No. S209201  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

AND

IN THE MATTER OF 1077 HOLDINGS CO-OPERATIVE (FORMERLY, MOUNTAIN EQUIPMENT  
CO-OPERATIVE) AND 1314625 ONTARIO LIMITED

PETITIONERS

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

**March 23, 2022**



ALVAREZ & MARSAL

## TABLE OF CONTENTS

1.0	INTRODUCTION.....	- 3 -
2.0	PURPOSE .....	- 4 -
3.0	TERMS OF REFERENCE.....	- 5 -
4.0	ACTIVITIES OF THE MONITOR.....	- 6 -
5.0	CLAIMS PROCESS – STATUS UPDATE.....	- 8 -
6.0	WAGE EARNER PROTECTION PROGRAM.....	- 9 -
7.0	PROPOSED DISTRIBUTION.....	- 13 -
8.0	NOTICE OF APPLICATION MADE BY FORMER EMPLOYEE .....	- 17 -
9.0	ACTUAL CASH FLOW RESULTS COMPARED TO SEVENTH CASH FLOW FORECAST...-	18 -
10.0	MONITOR’S CONCLUSIONS AND RECOMMENDATIONS.....	- 20 -

## APPENDIX

**Confidential Appendix A -** Dividend Sheet for Proposed Interim Distribution

## 1.0 INTRODUCTION

- 1.1 On September 14, 2020 (the “**Filing Date**”), Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, “**1077**” or the “**Petitioners**”) were granted an initial order (the “**Initial Order**”) by the Supreme Court of British Columbia commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “**Stay Period**”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “**Monitor**”) during the CCAA Proceedings.
- 1.2 On October 2, 2020, this Honourable Court pronounced the amended and restated initial order (the “**ARIO**”) and sale approval and vesting order (the “**SAVO**”) to approve the sale transaction (the “**Sale Transaction**”) contemplated by the asset purchase and sale agreement between the Petitioners and 1264686 B.C. Ltd. (the “**Original Purchaser**”) dated September 11, 2020 (the “**APA**”) for the sale of the Purchased Assets and to vest all of the Purchased Assets in the Original Purchaser’s permitted assignee free and clear of any Encumbrances other than Permitted Encumbrances, as such capitalized terms are defined in the APA.
- 1.3 On October 21, 2020, this Honourable Court pronounced an assignment order to assign all of the rights and obligations of the Petitioners under certain contracts to the Original Purchaser’s assignee, 1266524 B.C. Ltd. (subsequently renamed MEC Mountain Equipment Company Ltd. on January 7, 2021 and referred hereinafter as the “**Purchaser**”). The Sale Transaction closed on October 30, 2020 (the “**Closing Date**”).
- 1.4 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “**Claims Process Order**”) setting a claims process by which creditors may confirm or prove their claims against the Petitioners (the “**Claims Process**”).
- 1.5 On December 7, 2021, this Honourable Court pronounced an order further extending the Stay Period to June 10, 2022 (the “**Stay Extension Order**”).
- 1.6 Concurrent with this twelfth report of the Monitor dated March 23, 2022 (the “**Twelfth Report**”), the Monitor has filed a notice of application with this Honourable Court, returnable on April 1, 2022 (the “**April 1 Application**”), seeking an order authorizing the Petitioners to make one or more distributions to the creditors with Accepted Claims (as defined below), as well as guidance from this Court regarding the applicability of the recent amendments (the “**WEPPA Amendments**”) to the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s. 1 (the

“WEPPA”), and the related provisions of the *Wage Earner Protection Program Regulations*, SOR/2008-222 (the “**WEPP Regulations**”), to these CCAA Proceedings.

- 1.7 Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor’s website at [www.alvarezandmarsal.com/mec](http://www.alvarezandmarsal.com/mec).

## **2.0 PURPOSE**

- 2.1 This Twelfth Report has been prepared by the Monitor to provide this Honourable Court and the Petitioners’ stakeholders with respect of the following:
- a) the activities of the Monitor since the eleventh report of the Monitor dated December 1, 2021 (the “**Eleventh Report**”);
  - b) an update on the Claims Process generally, including an estimate of the potential distributions to creditors with Accepted Claims and timing thereof should this Court grant the proposed Distribution and Sealing Orders (as subsequently defined) sought by the Monitor;
  - c) information regarding the WEPPA Amendments and a request that this Court provide the Monitor with advice and direction as to whether 1077 and its former employees meet the criteria established by section 3.2. of the WEPP Regulations, pursuant to section 5(5) of the WEPPA, as of the date of the proposed Distribution and Sealing Orders (as subsequently defined);
  - d) the Monitor’s comments and recommendations regarding the April 1 Application, pursuant to which the Monitor is seeking orders (the “**Distribution Order**” and the “**Sealing Order**”) for, *inter alia*, the following relief:
    - i. approval of the Monitor’s proposed distribution methodology as detailed in section 7.0 of this report, including confirmation that:
      - (A) all Claims against the Petitioners, including Pre-filing Claims, Restructuring Period Claims, D&O Claims, and Employee Claims, which have been allowed by the Monitor accordance with the Claims Process Order, shall be accepted and valid Claims (the “**Accepted Claims**”) for purposes of the proposed distributions (the “**Proposed Distributions**”);
      - (B) the Monitor shall establish and maintain a reserve fund on account of any and all Claims that are subject to a Notice of Revision or Disallowance and/or a Notice of Dispute, and are therefore not Accepted Claims (the “**Disputed Claims**”);
      - (C) all Claims, except for the Disputed Claims, against the Petitioners, which were: (i) not asserted or preserved as required by the Claims Process Order, or (ii) were

otherwise disallowed by the Monitor pursuant to the Claims Process Order (and which are not Disputed Claims), shall be forever barred and extinguished (each such claim, a **“Barred and Extinguished Claim”**), and any such person asserting a Barred and Extinguished Claim shall not be entitled to participate in the Proposed Distributions;

- (D) that, in the event this Court determines that 1077 and its former employees meet the criteria as set out under WEPPA and the WEPP Regulations (as detailed further in section 6.12 of this Twelfth Report), certain Employee Claimants will be entitled to receive a “top-up” payment, in lieu of the WEPP payments to which they would otherwise be entitled;
- ii. authorizing the Petitioners to make one or more cash distributions to each Claimant and Employee Claimant with an Accepted Claim, in accordance with and pursuant to the Distribution Order;
- iii. sealing the confidential Appendix “A” (the **“Confidential Appendix”**) appended to this Twelfth Report, on the basis that the dividend sheet contained therein contains personal details regarding the Employee Claimants, including *inter alia*: (i) names of the Employee Claimants; (ii) details of the Employee Claimants’ Accepted Claims; and (iii) the amount of each Employee Claimants’ proposed interim distribution;
- e) the Monitor’s comments and recommendations regarding the notice of application submitted by a former employee of the Petitioners on February 7, 2022, regarding the applicability of the WEPPA Amendments in these CCAA Proceedings; and
- f) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the **“Seventh Cash Flow Forecast”**) as appended to the Eleventh Report.

### **3.0 TERMS OF REFERENCE**

- 3.1 The Monitor has prepared this Twelfth Report in connection with the April 1 Application and this report should not be relied on for any other purpose.
- 3.2 Certain of the information referred to in this Twelfth Report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

- 3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
- 3.4 Background information, including capitalized terms not otherwise defined herein, are contained in the Initial Order, ARIO, SAVO, Claims Process Order and the Monitor's previous reports, and have not been repeated herein.

#### **4.0 ACTIVITIES OF THE MONITOR**

- 4.1 The activities of the Monitor since the Eleventh Report have included the following:

##### **Review of CCAA Court Materials**

- a) reviewing draft Court application materials in consultation with the Monitor's legal counsel;

##### **Assisting with Post-Closing Matters related to the Sale Transaction**

- b) reviewing documentation in respect of transferring certain contracts and accounts assumed by the Purchaser;
- c) reconciling deposits and corresponding with the Purchaser to coordinate the return of all deposits received by the Petitioners that may belong to the Purchaser;
- d) preparing for the storage and destruction of physical and electronic financial, human resources, and other records, in accordance with statutory requirements and certain agreements with the Purchaser;

##### **Administering the Claims Process**

- e) administering the Claims Process in accordance with the Claims Process Order (including resolving disputed Claims, amending certain Claims, dealing with numerous enquiries with Claimants and Employee Claimants, and preparing application material for the purposes of making distributions to Claimants), as further described and defined in section 5.0 of this Twelfth Report;
- f) seeking proposals from payroll services providers to assist in the execution of the contemplated distribution to 1077's former employees with Accepted Claims;
- g) corresponding and holding meetings with Service Canada regarding the handling of potential overpayments of employment insurance benefits ("EI") in relation to the contemplated distribution to 1077's former employees with Accepted Claims;
- h) preparing application materials and related analyses for the purposes of determining the applicability of the recent WEPPA Amendments in these proceedings, as well as holding

discussions with a former employee of the Petitioners, Service Canada, and Superintendent of Bankruptcy regarding the matter;

#### **Monitoring of Cash Receipts & Disbursements**

- i) preparing and reviewing weekly payments as well as reconciling cash receipts and disbursements of the trust accounts of the Monitor;
- j) consolidating and closing the remaining bank accounts of the Petitioners;

#### **Statutory and Other Responsibilities**

- k) preparing this Twelfth Report;
- l) reconciling and filing of post-filing GST returns and corresponding with the Canada Revenue Agency (“**CRA**”) regarding post-filing refunds;
- m) corresponding with the Ministry of Attorney General regarding filing returns, reconciling, and payment of the British Columbia employer health tax to the Ministry of Finance;
- n) attending to numerous telephone calls with and correspondence received from the CRA regarding reconciliation of pre-filing payroll withholdings remittances, amendments to banking details, the Monitor’s access to certain tax accounts of 1314625 Ontario Limited, and other related matters;
- o) holding discussions with the Canada Border Services Agency (“**CBSA**”) and customs consultants, Tradewin, to address CBSA’s request for amendments to pre-filing import declarations;
- p) coordinating and advancing the recovery of certain customs levies applied by the CBSA for importation of certain goods with the assistance of KPMG LLP;

#### **Creditor and Other Stakeholder Matters**

- q) receiving and responding to telephone and email enquiries from trade creditors, members, former employees and other interested parties;
- r) responding to requests for employment information from former employees and/or their legal counsel; and

#### **Other Matters**

- s) preparing for and advancing the wind-down of 1077’s interest in Park Towns Developments Limited Partnership (“**Park Towns LP**”), a residential townhouse project located in Toronto, Ontario (“**Park Towns**”).

## 5.0 CLAIMS PROCESS – STATUS UPDATE

### Update of Claims Process

- 5.1 Tabled below is an updated summary of the Claims including the number and quantum of the Proofs of Claims submitted by Claimants and Employee Claimants, Notices of Revision or Disallowance (“NORDs”) issued by the Monitor, Accepted Claims, and Disputed Claims that remain unresolved:

1077 Holdings Co-operative and 1314625 Ontario Limited									
Summary of Claims									
as at March 13, 2022									
(in CAD 000's)									
	Proofs of Claim		Notice of Revision or Disallowance		Accepted Claims		Disputed Claims		
	Claim		Disallowed		Accepted		Disputed		
	No.	Amount (\$)	No.	Amount (\$)	No.	Amount (\$)	No.	Amount (\$)	
Landlord	8	\$ 68,829	8	\$ 72,855	5	\$ 19,901	2	\$ 983	
Employee	48	4,030	46	2,385	228	8,980	-	-	
Trade and other	39	9,672	31	7,599	15	2,151	-	-	
Equity	2	1	2	1	-	-	-	-	
<b>Total</b>	<b>97</b>	<b>\$ 82,532</b>	<b>87</b>	<b>\$ 82,839</b>	<b>248</b>	<b>\$ 31,031</b>	<b>2</b>	<b>\$ 983</b>	

- 5.2 As at the date of this Twelfth Report, the Monitor has received 97 Proofs of Claim with a total claim value of approximately \$82.5 million and has responded to 87 Claimants through NORDs, except where the Proofs of Claim had been withdrawn by the Claimant or accepted in its entirety by the Monitor.
- 5.3 Subsequent to filing the Eleventh Report, total Accepted Claims have decreased by \$90,000 as a result of the following:
- the Monitor issued an amended NORD to revise a Claim downwards by \$42,000 upon review of additional information, which amended NORD was accepted by the Claimant;
  - the Monitor accepted two additional Proofs of Claims from trade and other creditors totaling \$44,000;
  - reclassification of an Accepted Claim in the amount of \$150,000 from “trade and other” to “employee”, upon further review of the underlying nature of the Claim; and
  - removal of the allowed portion of a Disputed Claim totaling \$91,000, pending a resolution between the parties involved, as detailed further in sections 5.5 to 5.8 of this Twelfth Report.
- 5.4 Accordingly, and as at the date of this Twelfth Report, there are 248 Accepted Claims totaling \$31.0 million that the Monitor has or is deemed to have accepted.

## **Disputed Claims**

- 5.5 At present there are two Disputed Claims, totaling \$983,000, that remain unresolved. These Disputed Claims pertain to the retail store previously located in St. Denis, Quebec (the “**St. Denis Property**”).
- 5.6 As detailed in the Monitor’s Eleventh Report, the lease in respect of the St. Denis Property was disclaimed effective October 16, 2020. Thereafter, two Proofs of Claim (collectively, the “**St. Denis Claim**”) were submitted: one was submitted by the previous landlord, 169159 Canada Inc. (“**169**”), and the second was submitted by Argo Partners (“**Argo**”), a party claiming to have been assigned the St. Denis Claim.
- 5.7 The Monitor has engaged in discussions with both 169 and Argo in an effort to resolve the dispute between 169 and Argo as to which party is entitled to assert the St. Denis Claim, as well as the quantum of the claim. However, as at the date of this Twelfth Report, 169 and Argo have been unable to reach a resolution of these issues.
- 5.8 Accordingly, and to avoid further delay in making a distribution to creditors with Accepted Claims, the Monitor intends to create a reserve fund of \$733,000 (the “**St. Denis Claim Reserve**”), which is the amount equivalent to the larger of the two St. Denis Claims, and to make a *pro rata* distribution to the holder of the St. Denis Claim out of the St. Denis Claim Reserve, after a determination has been made regarding both entitlement to and quantum of the St. Denis Claim.

## **6.0 WAGE EARNER PROTECTION PROGRAM**

### **The WEPPA Amendments**

- 6.1 On November 20, 2021, amendments to WEPPA and WEPP Regulations came into force which now authorize the court to make a determination that former employees are entitled to WEPPA payments in the context of CCAA proceedings if the following criteria (set out in section 5(1) of WEPPA) are established:
- a) the individual’s employment ended for a reason prescribed by regulation which includes termination or expiry of the individual’s employment;
  - b) the former employer is subject to proceedings under the CCAA;
  - c) the individual is owed eligible wages by the former employer; and
  - d) a court determines under subsection 5(5) that criteria prescribed by regulation are met [emphasis added].

- 6.2 In this respect, the recently enacted section 5(5) of WEPPA provides that on application by any person, the supervising CCAA court may determine that a former employee satisfies the criteria prescribed by regulation. In turn, section 3.2 of the WEPP Regulations now provides that *“for the purposes of subsection 5(5) of [WEPPA], a court may determine whether the former employer is the former employer of all of whose employees in Canada have been terminated other than any retained to wind down its business operations”* [emphasis added].
- 6.3 At the commencement of the CCAA Proceedings, the Petitioners had approximately 1,500 employees located in Canada, of which 210 employees were terminated on or prior to the Closing Date and a further 16 employees were terminated prior to the CCAA Proceedings with a salary continuance arrangement pursuant to an employment termination agreement (together, the **“Terminated Employees”**). The remaining 1,290 employees (or 86% of total employees) were transferred to the Purchaser upon the Closing Date pursuant to the terms of the APA (the **“Transferred Employees”**).
- 6.4 A determination of whether the Transferred Employees would be considered “terminated” for the purposes of section 3.2 of the WEPP Regulations is complicated by the following:
- a) the APA required the Purchaser to offer employment to all non-unionized employees of the Petitioners (except for those specifically excluded) on terms and conditions that are no less favourable than those they enjoyed with the Petitioners effective on the Closing Date;
  - b) all employees who accepted the Purchaser’s offer were to become employees of the Purchaser on the closing, with their prior service recognized and benefits entitlements continued; and
  - c) the APA further provides that the Purchaser is responsible for the vacation pay and severance pay owed to these employees (whether accruing or arising prior to closing) and liability for other employment-related liabilities arising on or after closing.
- 6.5 However, despite these provisions of the APA, and for the purposes of determining whether the WEPP Amendments apply to these proceedings, the Monitor is of the view that the Petitioners’ employment relationship with the Transferred Employees ended on the Closing Date (being the effective date that their employment was transferred to the Purchaser under the provisions of the APA).
- 6.6 The analysis in respect of the Terminated Employees is more straightforward, as substantially all the Terminated Employees are entitled to statutory termination and severance pay, vacation pay, and/or salary continuance pursuant to the employment standards legislation in their respective

provinces of employment, contractual entitlement, common law entitlement, and/or an employment termination agreement. Accordingly, the Terminated Employees would have “eligible wages” as assessed under WEPPA, subject to the review by Service Canada.

6.7 Therefore, and based on all of the foregoing, the Monitor is of the view that a court would likely determine that section 3.2 of the WEPP Regulations is satisfied, as all former employees (including the Terminated Employees and the Transferred Employees) may, subject to a determination by this Court, be considered “terminated” for the purposes of determining whether section 3.2 of the WEPP Regulations is satisfied.

6.8 As detailed further below, notwithstanding the apparent applicability of WEPP to these CCAA Proceedings, the Monitor is seeking approval of an alternative distribution method that would effectively achieve the same result as WEPP.

#### **Employment and Social Development Canada – Labour Program**

6.9 In consideration of and connection with the WEPPA Amendments, the Monitor has had extensive discussions with representatives of the Labour Program as administered by Employment and Social Development Canada (the “**Labour Program**”), the federal agency responsible for assessing and implementing the WEPP policy, in order to provide the Labour Program with information on the CCAA Proceedings, make inquiries regarding the WEPP eligibility criteria and application to these CCAA Proceedings, and to discuss an alternative (the “**WEPP Alternative**”) distribution method – one that would achieve the same outcome as WEPPA, in a more timely and cost-effective manner. The details of the WEPP Alternative are set out below.

6.10 In the course of these discussions, the Monitor provided representatives of the Labour Program with an update on the status of the Claims Process, including the estimated potential recovery to creditors (which is in the range of \$0.90 on the dollar of their Accepted Claim), and its intention to make an interim distribution some time prior to June 2022.

6.11 The Monitor further advised the Labour Program representatives that it had prepared preliminary analyses demonstrating that, if WEPP was found to be applicable in these CCAA Proceedings:

- a) the majority of the Employee Claimants would receive the same amount under WEPP as they would through the Claims Process as, pursuant to section 36.1(1) of WEPPA, Her Majesty in right of Canada would have a subrogated claim for the amount paid under WEPP – which subrogated claim must be paid in priority prior to any distributions under the Claims Process are made payable to the Employee Claimants; and

- b) of the 228 Employee Claimants, approximately 48 would likely receive a higher amount under WEPP than they would under the Claims Process, based on the assumption that these Employee Claimants would receive the lower of the maximum 2022 WEPP payment of \$8,117.34 and its Accepted Claim amount. These 48 Employee Claimants would each, on average, receive \$115 or in aggregate \$5,500 more under WEPP than the Claims Process.<sup>1</sup>
- 6.12 As the cost to administer WEPP would likely exceed the recovery to these 48 Employee Claimants, and since the remaining Employee Claimants would receive the same amount under both WEPP and through the Claims Process, the Monitor advised of its intention to seek approval of the WEPP Alternative, whereby:
- a) the Monitor would seek approval of a distribution order, instead of a determination under section 5(5) of WEPP, that would expressly provide for a “top-up” in favour of the 48 Employee Claimants, such that they would receive the same amount under WEPP as they would under the Claims Process; and
- b) the sum of \$10,000 (see Note 1 below) would be allocated, on a *pro rata* basis among the other Employee Claimants and Claimants (including landlords and trade and other creditors), which would have a *de minimis* impact on the distribution to which they would otherwise be entitled of approximately \$0.0003 on the dollar of their Accepted Claim.
- 6.13 The Labour Program has indicated its support for the WEPP Alternative, and further advised the Monitor that, in the event a determination is made under section 5(5) of WEPPA, it would likely take until July 2022 before WEPP payments were processed and made payable to the eligible Employee Claimants. The Labour Program further advised that there could be additional delays in the administration of WEPP, as WEPPA contains a dispute resolution mechanism and any disputes arising between the Labour Program and Employee Claimants would need to be resolved.
- 6.14 Accordingly, in the event a determination under section 5(5) of WEPPA is made by this Court, the Monitor is concerned that such a determination would: (i) result in a further delay of distributions being made to creditors (including the non-Employee Claimants) with Accepted Claims; and (ii) increase administration costs to the Petitioners’ estate.
- 6.15 Thus, while the Monitor would be supportive of a determination under section 5(5) of the WEPPA, it is the Monitor’s view that it would be more expeditious and cost effective for this

---

<sup>1</sup> The Monitor notes that the sum of \$5,500 is subject to change based on the resolution of the Disputed Claim and recovery of additional amounts; however, based on the Monitor’s analyses, it is unlikely that the total payable to these 48 Employee Claimants will exceed \$10,000.

court to approve the Distribution Order and the WEPP Alternative (which, as noted above, would result in a “top-up” in favour of the 48 Employee Claimants whose recovery would increase under WEPPA), in lieu of such a determination.

## 7.0 PROPOSED DISTRIBUTION

7.1 As detailed above, the Monitor is applying for the Distribution Order to authorize making one or more distributions to Claimants and Employee Claimants having Accepted Claims using the following proposed distribution methodology (the “**Proposed Distribution Methodology**”):

- a) each Claimant holding an Accepted Claim will receive a *pro rata* distribution up to the maximum amount of their Accepted Claim amount. For greater certainty, Accepted Claims shall include all Claims that have been finally determined in accordance with the Claims Process Order. Any person who was required to but did not assert an Accepted Claim in accordance with the Claims Process Order shall not be entitled to a distribution and shall be forever barred and each claim extinguished;
- b) each Employee Claimant holding an Accepted Claim will receive a *pro rata* distribution up to the maximum amount of their Accepted Claim amount, net of applicable withholding taxes, EI overpayments, and other statutory deductions, if any;
- c) all distributions will be made in Canadian dollars, and any Accepted Claim denominated in a foreign currency shall be converted to Canadian dollars at the Bank of Canada daily average exchange rate as at the Filing Date;
- d) no secured claims or priority claims remain;
- e) no distributions will be made to the holders of the disputed St. Denis Claim, and the Monitor shall create the St. Denis Reserve pending the resolution of entitlement to and quantum of the St. Denis Claim. Following a determination of these issues, the Monitor shall make a *pro rata* distribution to the holder of the St. Denis Claim using the funds in the St. Denis Reserve;
- f) any surplus funds remaining in the St. Denis Claim Reserve after payment of the holder’s *pro rata* distribution, shall be distributed to the holders of Accepted Claims on a *pro rata* basis;
- g) a “top-up” amount will be distributed to those Employee Claimants who would have been positively affected by a determination that WEPP was applicable in these CCAA Proceedings. The total “top-up” amounts will be allocated on a *pro rata* basis to the other Employee Claimants and Claimants;
- h) the distributions made to Employee Claimants shall be in lieu of any and all amounts they might have otherwise received from Service Canada, through its administration of WEPP,

had a determination been made under subsection 5(5) of WEPPA, should the Court approve the WEPP Alternative as described in section 6.12 of this Twelfth Report;

- i) sufficient funds will be withheld from any interim distributions to cover the anticipated administration costs to the completion of the CCAA Proceedings; and
  - j) given the costs of preparing and distributing cheques to creditors and following up on uncashed cheques, the Monitor proposes that the final distribution be made only to those Claimants who would be entitled to distributions of \$10 or more.<sup>2</sup>
- 7.2 If the Distribution Order is granted, and barring any unforeseen issues, the Monitor anticipates making an interim distribution to the holders of Accepted Claims in mid to late May 2022. The Distribution Order further authorizes the Monitor to, subject to the St. Denis Claim Reserve, make further distributions without further Order of this Court.
- 7.3 The Monitor is of the view that the Proposed Distribution Methodology is fair and allows for distributions to be made on an expedited basis and in a cost-effective manner. Accordingly, the Monitor is seeking the approval of this Court of the Proposed Distribution Methodology as described herein.

#### **Potential Distributions to Claimants and Employee Claimants**

- 7.4 In order to assist creditors in estimating their potential recoveries, the Monitor has tabled below an estimate of funds available for the Accepted Claims:

---

<sup>2</sup> This limitation is consistent with Directive 18 as issued by the Office of Superintendent of Bankruptcy where Trustees are not expected to distribute immaterial funds if individual payments are less than \$10 when there are five or more creditors.

**1077 Holdings Co-operative and 1314625 Ontario Limited**  
**Estimated Net Realizations Available for Distribution**  
**(in CAD 000's)**

Ending cash balance as at March 13, 2022	\$	30,353
Estimated future receipts		
GST and other refunds		50
Customs levy refunds		200
Distribution from Park Towns' residual assets		150
		<u>400</u>
Estimated future disbursements		
General and administrative		100
Property liabilities		65
Statutory obligations		150
Professional fees		550
Contingency		70
		<u>935</u>
Estimated net realizations available		<u>29,818</u>
Reserve for Disputed Claim		(733)
<b>Estimated net realizations available for Accepted Claims</b>	<b>\$</b>	<b><u>29,085</u></b>

- 7.5 At present, the Monitor anticipates it will be holding funds of approximately \$29.1 million that will ultimately be made available to unsecured creditors.
- 7.6 As there will be a shortfall on recovery to the unsecured creditors with Accepted Claims, there will be no surplus funds available to make any distributions, interim or otherwise, to 1077's members.
- 7.7 The Monitor's comments with respect to the estimated net realizations are as follows:
- a) estimated receipts totaling approximately \$400,000 consist of the following:
    - i. GST and other refunds of \$50,000 relate to GST refunds anticipated for post-filing expenses incurred during the pendency of the CCAA Proceedings and other refunds with quantum that are not yet known at this time;
    - ii. customs levy refunds of \$200,000 relate to CBSA refunds anticipated for pre-filing duties paid by the Petitioners on importation of certain goods. The investigation with the CBSA is ongoing and actual recoveries may vary significantly; and
    - iii. a distribution from Park Towns, of an amount to be determined, in respect of the Petitioners' interest in the Park Towns LP. Discussions between the Monitor and Park Towns are ongoing, and Park Towns has not yet provided the Monitor with all of the information and supporting documentation pertaining to Park Towns' assets. Accordingly, actual recoveries in respect of the Park Towns project may vary, pending

the receipt of supporting documentation as requested and subject to the review of the Monitor;

- b) estimated disbursements totaling approximately \$900,000 consist of the following:
  - i. general and administrative costs of approximately \$100,000 relate to estimated costs for storage and destruction of electronic and physical records, fees for engaging Tradewin to review and amend pre-filing import declarations in response to an audit by the CBSA, and fees for engaging a third party payroll provider to administer anticipated distributions to Employee Claimants;
  - ii. property liabilities approximating \$65,000 in connection with outstanding property taxes of \$35,000 for the former head office property, as well as unpaid post-filing rent amounts of \$30,000, which are owed to the landlord of the disclaimed St. Denis Property lease, the payment of which is expected to correspond with the resolution of the disputed St. Denis Claim;
  - iii. statutory obligations of approximately \$150,000 which are comprised of:
    - (i) \$138,000 relating to British Columbia employer health taxes estimated for the post-filing period between September 15, 2020 to December 31, 2020. The Monitor has submitted the applicable return which is currently under review by the Ministry of Finance;
    - (ii) \$2,000 relating to payroll withholdings discrepancies for the 2019 year pending further review from the CRA; and
    - (iii) \$10,000 relating to CBSA import fee adjustments, which amount is currently being reviewed by the Monitor with CBSA, CRA, and Tradewin;
  - iv. professional fees of approximately \$550,000 for services provided by the Monitor and its legal counsel;
- c) the sum of \$733,000 shall be used to create the St. Denis Claim Reserve, as detailed in section 5.8 of this Twelfth Report, pending a resolution of entitlement to and quantum of the St. Denis Claim.

7.8 The Monitor performed an analysis to determine the estimated potential recovery by creditors of the Petitioners. As summarized in the table below, subject to the resolution of the Disputed Claims as well as actual receipts collected and disbursements paid, the anticipated recovery to Claimants is in the range of 90% of their Accepted Claim.

**1077 Holdings Co-operative and 1314625 Ontario Limited**  
**Estimated Potential Recoveries and Proposed Distribution to Claimants**  
**as at March 13, 2022**  
**(in CAD 000's)**

	Estimated Recovery	Proposed Interim Distribution	Accepted Claim	
			Median	Average
Estimated net realizations available for Accepted Claims	\$ 29,085			
Accepted Claims				
Landlord	19,901	\$ 14,925	\$ 3,750	\$ 3,980
Employee - eligible for top-up	94,485	71	1	2
- other	8,885	6,664	26	49
Trade and other	2,151	1,613	18	143
	<u>31,031,184</u>	<u>23,273</u>	<u>\$ 3,796</u>	<u>\$ 4,175</u>
<b>Illustrative recovery to Claimants</b>	<b>94%</b>	<b>75%</b>		

- 7.9 The Monitor intends to make an interim distribution in May 2022, and is of the view that the aggregate total of the interim distribution should be no more than \$23.3 million (or 75% of the total Accepted Claims). The table above provides the ‘median’ and ‘average’ claim of each category of Accepted Claims for illustrative purposes.
- 7.10 Appended to this Twelfth Report is the confidential Appendix A (the “**Confidential Appendix**”) containing a dividend sheet detailing the Claimants and Employee Claimants, their Accepted Claims, and proposed interim distribution. As the Confidential Appendix contains personal details in respect of the Employee Claimants, including names and information regarding each individual Employee Claimant’s Claim amounts, the Monitor respectfully requests that this Honourable Court permit the Confidential Appendix to be filed under and pursuant to the Sealing Order.
- 7.11 The proposed interim distribution will ensure that the Monitor retains a sufficient holdback of funds to make further distributions in respect of the Disputed Claims, as well as to fund administration and other costs for the pendency of the CCAA Proceedings. It is anticipated that a final distribution will be made following the resolution of all residual matters pertaining to the CCAA Proceedings including the resolution of the Disputed Claims and collection of all anticipated receipts.
- 8.0 NOTICE OF APPLICATION MADE BY FORMER EMPLOYEE**
- 8.1 On February 7, 2022, a notice of application was filed by Aerin Kristjaan Bonnell Davies (the “**Davies Application**”) to be heard on February 17, 2022, in general chambers. The Davies

Application was subsequently rescheduled to proceed before the Honourable Madam Justice Fitzpatrick, who is seized of these CCAA Proceedings, on April 1, 2022,

- 8.2 In essence, the Davies Application requests that this Court make a determination as to whether the Petitioners and its former employees met the criteria under the WEPPA Amendments, the details of which are provided in WEPPA, which is described in section 6.2 and not repeated herein.
- 8.3 On March 7, 2022, the Monitor corresponded with the applicant to discuss an overview of the Proposed Distribution Methodology, including the “top-up” approach to those Employee Claimants who would be impacted by WEPP. At that time, Ms. Davies indicated that they did not oppose the WEPP Alternative at that time.
- 8.4 The Monitor is of the view that the relief it is seeking in the April 1 Application fully addresses the substance of the Davies Application, as the Monitor is seeking either: (i) approval of the WEPP Alternative; or (ii) direction from this Honourable Court as to whether a determination under section 5(5) of WEPPA ought to be made.

**9.0 ACTUAL CASH FLOW RESULTS COMPARED TO SEVENTH CASH FLOW FORECAST**

- 9.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has established a weekly cash flow review protocol to compare actual cash flows against the Seventh Cash Flow Forecast.
- 9.2 The Petitioners’ actual cash receipts and disbursements compared to the Seventh Cash Flow Forecast during the period from September 15, 2020 to March 13, 2022 is summarized in the table below:

**I077 Holdings Co-operative and 1314625 Ontario Limited**  
**Cash Flow Variance Analysis**  
**For the period September 15, 2020 to March 13, 2022**  
**(in CAD 000's)**

	For the 78 Weeks Ended March 13, 2022		
	Actual	Forecast	Variance
<b>Receipts</b>			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,628	-
Other receipts and letters of credit	3,856	3,802	54
GST refunds	164	168	(4)
Return of deposits	(601)	(561)	(40)
<b>Total receipts</b>	<b>53,223</b>	<b>53,212</b>	<b>11</b>
<b>Disbursements</b>			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,268	3,323	54
Insurance	145	145	-
Property taxes and other property liabilities	4,498	4,498	-
Statutory obligations	3,592	3,760	168
Consultants	63	63	-
<b>Total disbursements</b>	<b>59,591</b>	<b>59,814</b>	<b>222</b>
	<b>(6,368)</b>	<b>(6,601)</b>	<b>233</b>
<b>Other disbursements</b>			
KERP payments	778	778	-
Professional fees	5,539	5,492	(47)
Debt service	987	987	-
Contingency	574	604	30
<b>Total other disbursements</b>	<b>(7,878)</b>	<b>(7,861)</b>	<b>(17)</b>
<b>Net proceeds from Sale Transaction</b>	<b>30,411</b>	<b>30,411</b>	<b>-</b>
<b>Net Cash Flow</b>	<b>\$ 16,165</b>	<b>\$ 15,949</b>	<b>\$ 216</b>
<b>Opening Cash Balance</b>	<b>\$ 14,188</b>	<b>\$ 14,188</b>	<b>\$ -</b>
Net Cash Flow	16,165	15,949	216
<b>Ending Cash Balance</b>	<b>\$ 30,353</b>	<b>\$ 30,137</b>	<b>\$ 216</b>

\* Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.

9.3 As at March 13, 2022, the closing cash balance held in trust by the Monitor totaled \$30.4 million. Certain variances in respect of the reported cash receipts and disbursements are as follows:

- a) total operating receipts were generally consistent with forecast; and
- b) total operating disbursements were approximately \$205,000 lower than forecast, primarily due to timing differences in respect of general and administrative costs, statutory obligations, and professional fees.

9.4 Since the Eleventh Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform weekly variance reporting and approval of disbursements. Nothing has come to the attention of the Monitor that causes the Monitor to

believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.

**10.0 MONITOR'S CONCLUSIONS AND RECOMMENDATIONS**

10.1 Based on all of the forgoing, the Monitor respectfully recommends that this Honourable Court grant the Distribution and Sealing Orders as sought, and dismiss the Davies Application referenced herein.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 23<sup>rd</sup> day of March, 2022.

**Alvarez & Marsal Canada Inc.,  
in its capacity as Monitor of  
1077 and not in its personal or corporate capacity**



Todd M. Martin  
Senior Vice President



Vicki Chan  
Vice President



No. S209201  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

AND

IN THE MATTER OF 1077 HOLDINGS CO-OPERATIVE (FORMERLY, MOUNTAIN EQUIPMENT  
CO-OPERATIVE) AND 1314625 ONTARIO LIMITED

PETITIONERS

**THIRTEENTH REPORT OF THE MONITOR**

**ALVAREZ & MARSAL CANADA INC.**

**May 26, 2022**



ALVAREZ & MARSAL

**TABLE OF CONTENTS**

1.0 INTRODUCTION .....- 1 -

2.0 PURPOSE.....- 3 -

3.0 TERMS OF REFERENCE .....- 3 -

4.0 ACTIVITIES OF THE MONITOR .....- 3 -

5.0 CLAIMS PROCESS – STATUS UPDATE .....- 5 -

6.0 INTERIM DISTRIBUTION.....- 6 -

7.0 ACTUAL CASH FLOW RESULTS COMPARED TO SEVENTH CASH FLOW FORECAST ..- 7 -

8.0 UPDATED CASH FLOW FORECAST .....- 9 -

9.0 STAY EXTENSION .....- 11 -

10.0 MONITOR’S CONCLUSIONS AND RECOMMENDATIONS .....- 11 -

**APPENDIX**

**Appendix A - Eighth Cash Flow Forecast for the Period May 23, 2022 to December 9, 2022**

## 1.0 INTRODUCTION

- 1.1 On September 14, 2020, Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, “1077” or the “Petitioners”) were granted an initial order (the “Initial Order”) by the Supreme Court of British Columbia commencing proceedings (the “CCAA Proceedings”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “Stay Period”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “Monitor”) during the CCAA Proceedings.
- 1.2 On October 2, 2020, this Honourable Court pronounced the amended and restated initial order (the “ARIO”) and sale approval and vesting order to approve the sale transaction (the “Sale Transaction”) contemplated by the asset purchase and sale agreement between the Petitioners and 1264686 B.C. Ltd. (the “Original Purchaser”) dated September 11, 2020 (the “APA”) for the sale of the Purchased Assets and to vest all of the Purchased Assets in the Original Purchaser’s permitted assignee free and clear of any Encumbrances other than Permitted Encumbrances, as such capitalized terms are defined in the APA.
- 1.3 On October 21, 2020, this Honourable Court pronounced an assignment order to assign all of the rights and obligations of the Petitioners under certain contracts to the Original Purchaser’s assignee, 1266524 B.C. Ltd. (subsequently renamed MEC Mountain Equipment Company Ltd. on January 7, 2021 and referred hereinafter as the “Purchaser”). The Sale Transaction closed on October 30, 2020.
- 1.4 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “Claims Process Order”) setting a claims process by which creditors may confirm or prove their claims against the Petitioners (the “Claims Process”).
- 1.5 On December 7, 2021, this Honourable Court pronounced an order further extending the Stay Period to June 10, 2022 (the “Stay Extension Order”).
- 1.6 On March 29, 2022, this Honourable Court pronounced the following orders:
- a) an order (the “Distribution Order”) granting, *inter alia*, the following relief:
    - i. approval of the following distribution methodology (the “Distribution Methodology”), to be applied by the Monitor in administering any distributions in these CCAA Proceedings (the “Distributions”):

- (A) all Claims against the Petitioners, including Pre-filing Claims, Restructuring Period Claims, D&O Claims, and Employee Claims, which have been allowed by the Monitor in accordance with the Claims Process Order, shall be accepted and valid Claims (the “**Accepted Claims**”) for purposes of participating in any Distributions;
  - (B) directing the Monitor to establish and maintain a reserve fund for Claims that are subject to a Notice of Revision or Disallowance and/or a Notice of Dispute, and are therefore not Accepted Claims (the “**Disputed Claims**”);
  - (C) all Claims against the Petitioners, except for the Disputed Claims, that were: (i) not asserted or preserved as required by the Claims Process Order, or (ii) were otherwise disallowed by the Monitor pursuant to the Claims Process Order (and which are not Disputed Claims), shall be forever barred and extinguished (each such claim, a “**Barred and Extinguished Claim**”), and any such person asserting a Barred and Extinguished Claim shall not be entitled to participate in the Distributions;
  - (D) approval of a “top-up” payment to certain Employee Claimants, in lieu of the payments under the Wage Earners Protection Program (the “**WEPP**”) to which they would otherwise have been entitled, and allocating the total “top-up” amounts to the other Employee Claimants and Claimants on a *pro rata* basis;
  - (E) authorizing the Petitioners to make one or more cash Distributions to each Claimant and Employee Claimant holding an Accepted Claim;
  - (F) confirming that the Distributions made to the Employee Claimants shall be in lieu of any and all amounts that might have otherwise received from Service Canada, through its administration of the WEPP, and
- b) an order sealing the confidential appendix appended to the twelfth report of the Monitor dated March 23, 2022 (the “**Twelfth Report**”), consisting of a dividend sheet (the “**Dividend Sheet**”) with the proposed interim distribution amounts payable to each Employee Claimant, on the basis that the Dividend Sheet contained personal and sensitive details pertaining to the Employee Claimants.

1.7 Concurrent with this thirteenth report of the Monitor dated May 26, 2022 (the “**Thirteenth Report**”), the Monitor has filed a notice of application with this Honourable Court, returnable on June 3, 2022 (the “**June 3 Application**”), seeking approval of a further extension of the Stay Period through to December 9, 2022.

1.8 Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor's website at [www.alvarezandmarsal.com/mec](http://www.alvarezandmarsal.com/mec) (the "**Monitor's Website**").

## **2.0 PURPOSE**

2.1 This Thirteenth Report has been prepared by the Monitor in support of its application for an extension of the Stay Period to December 9, 2022, and to provide this Honourable Court and the Petitioners' stakeholders information with respect to the following:

- a) the activities of the Monitor since the Twelfth Report;
- b) an update on the Monitor's administration of the Claims Process, including the Monitor's preparation to complete an interim distribution by June 3, 2022;
- c) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the "**Seventh Cash Flow Forecast**"), as appended to the eleventh report of the Monitor dated December 1, 2021; and
- d) an updated cash flow forecast for the period May 23, 2022 to December 9, 2022 (the "**Eighth Cash Flow Forecast**"), and the Monitor's comments in respect of same.

## **3.0 TERMS OF REFERENCE**

3.1 The Monitor has prepared this Thirteenth Report in connection with the June 3 Application and this report should not be relied on for any other purpose.

3.2 Certain of the information referred to in this Thirteenth Report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

3.4 Background information, including capitalized terms not otherwise defined herein, are contained in the Initial Order, ARIO, Claims Process Order, and Distribution Order, and the Monitor's previous reports, and have not been repeated herein.

## **4.0 ACTIVITIES OF THE MONITOR**

4.1 The activities of the Monitor since the Twelfth Report have included the following:

### **Review of CCAA Court Materials**

- a) reviewing draft Court application materials in consultation with the Monitor's legal counsel;

### **Administering the Claims Process and Interim Distribution**

- b) administering the Claims Process in accordance with the Claims Process Order (including resolving Disputed Claims and dealing with numerous enquiries with Claimants and Employee Claimants);
- c) preparing for an interim distribution to Claimants and Employee Claimants holding Accepted Claims, in accordance with the Distribution Methodology set out in and approved by the Distribution Order;
- d) engaging and coordinating with a third-party payroll service provider to assist the Monitor in completing an interim distribution to Employee Claimants with Accepted Claims;
- e) corresponding with Service Canada regarding the handling of potential overpayments of employment insurance benefits ("EI") in relation to the contemplated distribution to Employee Claimants with Accepted Claims;

### **Monitoring of Cash Receipts & Disbursements**

- f) preparing and reviewing weekly payments, as well as reconciling cash receipts and disbursements of the trust accounts of the Monitor;

### **Statutory and Other Responsibilities**

- g) preparing this Thirteenth Report;
- h) reconciling and filing of post-filing GST returns and corresponding with the Canada Revenue Agency ("CRA") regarding post-filing refunds;
- i) corresponding with the Ministry of Finance regarding the assessment and payment of the British Columbia employer health tax;
- j) corresponding with the British Columbia Workers' Compensation Board regarding calculation and reconciliation of post-filing benefits premiums;
- k) attending to numerous telephone calls with and correspondence received from the CRA regarding reconciliation of pre-filing payroll withholdings remittances and other related matters;
- l) corresponding with the Canada Border Services Agency ("CBSA") and customs consultants, Tradewin, to address CBSA's request for amendments and other enquiries from CBSA and the Canadian Food Inspection Agency;

- m) coordinating and advancing the recovery of certain customs levies applied by the CBSA for importation of certain goods with the assistance of KPMG LLP;
- n) preparing for the storage and destruction of physical and electronic financial, human resources, and other records, in accordance with statutory requirements and certain agreements with the Purchaser;

**Creditor and Other Stakeholder Matters**

- o) receiving and responding to telephone and email enquiries from trade creditors, members, former employees and other interested parties; and

**Other Matters**

- p) preparing for and advancing the wind-down of 1077’s interest in Park Towns Developments Limited Partnership, a residential townhouse project located in Toronto, Ontario (the “**Park Towns Project**”).

**5.0 CLAIMS PROCESS – STATUS UPDATE**

**Update of Claims Process**

- 5.1 Tabled below is a summary of the Claims, which remain unchanged from the Twelfth Report, including the number and quantum of the Proofs of Claims submitted by Claimants and Employee Claimants, Notices of Revision or Disallowance issued by the Monitor, Accepted Claims, and Disputed Claims that remain unresolved:

1077 Holdings Co-operative and 1314625 Ontario Limited								
Summary of Claims								
as at May 20, 2022								
(in CAD 000's)								
	Proofs of Claim		Notice of Revision or Disallowance		Accepted Claims		Disputed Claims	
	No.	Claim Amount (\$)	No.	Disallowed Amount (\$)	No.	Accepted Amount (\$)	No.	Disputed Amount (\$)
Landlord	8	\$ 68,829	8	\$ 72,855	5	\$ 19,901	2	\$ 983
Employee	48	4,030	46	2,385	228	8,980	-	-
Trade and other	39	9,672	31	7,599	15	2,151	-	-
Equity	2	1	2	1	-	-	-	-
<b>Total</b>	<b>97</b>	<b>\$ 82,532</b>	<b>87</b>	<b>\$ 82,839</b>	<b>248</b>	<b>\$ 31,031</b>	<b>2</b>	<b>\$ 983</b>

- 5.2 As at the date of this Thirteenth Report, there are 248 Accepted Claims totaling \$31.0 million that the Monitor has or is deemed to have accepted.

## Disputed Claims

- 5.3 As detailed in the Twelfth Report, the Disputed Claims consist of two duplicative Proofs of Claims totaling \$983,000 (collectively, the “**St. Denis Claims**”) submitted for the retail store previously located in St. Denis, Quebec. One Proof of Claim was submitted by the former landlord, 169159 Canada Inc. (“**169**”), and a second submitted by Argo Partners (“**Argo**”), a party claiming to have been assigned the St. Denis Claim.
- 5.4 Despite efforts by the Monitor and its legal counsel, the dispute between 169 and Argo remains unresolved. Accordingly, and as directed by the Distribution Order, the Monitor has established a reserve fund of \$733,000 (the “**St. Denis Reserve**”), which is the amount equivalent to the larger of the two St. Denis Claims. The St. Denis Reserve will be held in trust by the Monitor pending a resolution of the entitlement and quantum of the St. Denis Claim and, as further directed by the Distribution Order, no distributions will be made in connection with the St. Denis Claim until such time as the dispute between 169 and Argo has been resolved.

## 6.0 INTERIM DISTRIBUTION

- 6.1 As detailed further in the Twelfth Report, the Monitor is in the process of arranging for an interim distribution (the “**Interim Distribution**”) to be made to all Claimants and Employee Claimants holding Accepted Claims before June 3, 2022. An announcement will be posted on the Monitor’s Website once the Interim Distribution has been completed.
- 6.2 As presented in the table below, the total amount of the Interim Distribution will be \$23.3 million, representing 75% of the total Accepted Claims:

1077 Holdings Co-operative and 1314625 Ontario Limited Interim Distribution to Claimants as at May 20, 2022 (in CAD 000's)				
	Accepted Claims		Interim Distribution	
	No.	Accepted Amount (\$)		
Landlord	5	\$ 19,901	\$	14,925
Employees	228	8,980		6,735
Trade and other	15	2,151		1,613
	<b>248</b>	<b>\$ 31,031</b>	<b>\$</b>	<b>23,273</b>
<b>Recovery to Claimants</b>				<b>75%</b>

- 6.3 The Interim Distribution will be made as follows, in accordance with the Distribution Methodology:
- a) each Claimant holding an Accepted Claim will receive a *pro rata* distribution of their Accepted Claim amount;
  - b) each Employee Claimant holding an Accepted Claim will receive a *pro rata* distribution of their Accepted Claim amount, net of applicable withholding taxes, EI overpayments, and other statutory deductions, if any;
  - c) the distribution will be made in Canadian dollars;
  - d) no distribution will be made to the holders of the disputed St. Denis Claim until such time as the dispute between 169 and Argo has been resolved; and
  - e) the distributions made to Employee Claimants shall be in lieu of any and all amounts they might have otherwise received from Service Canada, through its administration of WEPP, had a determination been made under subsection 5(5) of *Wage Earners Protection Program Act*.
- 6.4 The “top-up” payment payable to those Employee Claimants entitled to such a payment under the Distribution Order (and in accordance with the Distribution Methodology) will be calculated at the time a final distribution is made.
- 6.5 The quantum of the Interim Distribution will allow the Monitor to retain a sufficient holdback of funds in respect of the St. Denis Reserve, make meaningful further distributions to Claimants and Employee Claimants in connection with their Accepted Claims, as well as to fund administration and other costs for the pendency of the CCAA Proceedings.
- 6.6 It is anticipated that a final distribution will be made following the resolution of all residual matters pertaining to the CCAA Proceedings, including the resolution of the Disputed Claims and collection of all anticipated receipts, which is projected to occur in late Fall of 2022. The total anticipated recovery to Claimants continues to be in the range of 90% of their Accepted Claim. This is consistent with the analysis presented by the Monitor at paragraph 7.8 of the Twelfth Report, and such analysis is therefore not repeated herein.
- 7.0 ACTUAL CASH FLOW RESULTS COMPARED TO SEVENTH CASH FLOW FORECAST**
- 7.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has established a weekly cash flow review protocol to compare actual cash flows against the Seventh Cash Flow Forecast.

- 7.2 The Petitioners' actual cash receipts and disbursements compared to the Seventh Cash Flow Forecast during the period from September 15, 2020 to May 22, 2022 is summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited			
Cash Flow Variance Analysis			
For the period September 15, 2020 to May 22, 2022			
(in CAD 000's)			
	For the 88 Weeks Ended May 22, 2022		
	Actual	Forecast	Variance
<b>Receipts</b>			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,628	-
Other receipts and letters of credit	3,994	3,802	192
GST refunds	164	174	(10)
Return of deposits	(601)	(561)	(40)
<b>Total receipts</b>	<b>53,361</b>	<b>53,218</b>	<b>142</b>
<b>Disbursements</b>			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,308	3,332	24
Insurance	145	145	-
Property taxes and other property liabilities	4,498	4,525	27
Statutory obligations	3,592	3,760	168
Consultants	63	63	-
<b>Total disbursements</b>	<b>59,631</b>	<b>59,850</b>	<b>219</b>
	<b>(6,271)</b>	<b>(6,632)</b>	<b>361</b>
<b>Other disbursements</b>			
KERP payments	778	778	-
Professional fees	5,681	5,762	80
Debt service	987	987	-
Contingency	574	624	50
<b>Total other disbursements</b>	<b>(8,021)</b>	<b>(8,151)</b>	<b>130</b>
<b>Net proceeds from Sale Transaction</b>	<b>30,411</b>	<b>30,411</b>	<b>-</b>
<b>Net Cash Flow</b>	<b>\$ 16,120</b>	<b>\$ 15,629</b>	<b>\$ 491</b>
<b>Opening Cash Balance</b>	<b>\$ 14,188</b>	<b>\$ 14,188</b>	<b>\$ -</b>
Net Cash Flow	16,120	15,629	491
<b>Ending Cash Balance</b>	<b>\$ 30,308</b>	<b>\$ 29,817</b>	<b>\$ 491</b>
<i>* Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.</i>			

- 7.3 As at May 22, 2022, the closing cash balance held in trust by the Monitor totaled \$30.3 million. Certain variances in respect of the reported cash receipts and disbursements are as follows:

- a) total operating receipts were approximately \$142,000 higher than forecast, primarily due to interest earned on guaranteed investment certificates upon their maturity; and
- b) total operating disbursements were approximately \$349,000 lower than forecast, primarily due to timing differences in respect of statutory obligations and professional fees.

7.4 Since the Twelfth Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform weekly variance reporting and approval of disbursements. Nothing has come to the attention of the Monitor that causes the Monitor to believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.

## 8.0 UPDATED CASH FLOW FORECAST

8.1 The Eighth Cash Flow Forecast has been prepared by the Monitor for the period from May 23, 2022 to December 9, 2022 (the “Forecast Period”). The Eighth Cash Flow Forecast is attached herewith as Appendix “A” along with accompanying notes and assumptions. A summary of the Eighth Cash Flow Forecast is tabled below:

1077 Holdings Co-operative and 1314625 Ontario Limited	
Eighth Cash Flow Forecast	
For the 29 week period ending on December 9, 2022	
(in CAD 000's)	
	<u>Forecast Period</u>
<b>Receipts</b>	
GST and other refunds	\$ 39
<b>Total receipts</b>	<u>39</u>
<b>Disbursements</b>	
General and administrative	26
Property taxes and other property liabilities	62
Statutory obligations	164
<b>Total disbursements</b>	<u>252</u>
	(212)
<b>Other disbursements</b>	
Professional fees	375
Contingency	35
<b>Total other disbursements</b>	<u>(410)</u>
<b>Interim distribution</b>	(23,273)
<b>Net cash flow</b>	<u>\$ (23,896)</u>
<b>Opening cash balance</b>	\$ 30,308
Net cash flow	(23,896)
<b>Ending cash balance</b>	<u>\$ 6,412</u>

- 8.2 The Monitor's comments with respect to the Eighth Cash Flow Forecast are as follows:
- a) forecast of receipts consist of GST and other refunds of \$39,000 relate to GST refunds anticipated for post-filing expenses incurred during the pendency of the CCAA Proceedings, return of deposits held as retainers by restructuring professionals, and other refunds with quantum that are not yet known at this time;
  - b) forecast disbursements totaling \$23.9 million consist of the following:
    - i. general and administrative costs of approximately \$26,000 relate to estimated fees for engaging Tradewin to review and amend pre-filing import declarations in response to an audit by the CBSA and fees for engaging a third-party payroll provider to administer distributions to Employee Claimants;
    - ii. property liabilities approximating \$62,000 in connection with outstanding property taxes for the former head office property and rent for post-filing occupancy period related to a disclaimed St. Denis realty lease, the payment of which is expected to correspond with the resolution of the disputed St. Denis Claim;
    - iii. statutory obligations of approximately \$164,000 relate primarily to British Columbia employer health taxes and British Columbia Workers' Compensation Benefits premiums estimated for the period September 15, 2020 to December 31, 2020. The Monitor is in correspondence with the respective agencies and is reviewing assessments and preparing calculations and documents as necessary;
    - iv. professional fees of approximately \$375,000 for services provided by the Monitor and its legal counsel; and
    - v. Interim Distribution of \$23.3 million to Claimants and Employee Claimants holding Accepted Claims, as discussed in section 6.0 of this report.
- 8.3 At present, the Monitor anticipates it will be holding approximately \$6.4 million at the end of the Forecast Period, inclusive of the St. Denis Reserve, that will ultimately be made available to Claimants once the outstanding Disputed Claims have been resolved. It is the Monitor's intention to make best efforts to complete a final distribution prior to the end of the Forecast Period.
- 8.4 It is possible that this amount could increase due to additional recoveries from miscellaneous customs levy refunds and the monetization of the Petitioners' interest in the Park Towns Project. However, estimates of those potential recoveries have not been reflected in the Eighth Cash Flow Forecast because these recoveries remain uncertain and the quantum, if any, cannot be reasonably approximated at this time.

8.5 The Eighth Cash Flow Forecast has been prepared solely for the purpose described in Note 1 on the face of the Eighth Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

## **9.0 STAY EXTENSION**

9.1 Pursuant to the Stay Extension Order, the Stay Period will expire on June 10, 2022. The Monitor is seeking an extension of the Stay Period to December 9, 2022.

9.2 The Monitor believes the extended Stay Period of approximately six months is reasonable for the following reasons:

- a) during the proposed extension of the Stay Period, the Monitor will have an opportunity to:
  - i. complete the Interim Distribution as contemplated in section 6.0 of this report;
  - ii. resolve the last remaining Disputed Claim, with the aim to complete a final distribution to affected creditors prior to the end of the Forecast Period;
  - iii. realize on residual assets and/or receivables of the Petitioners, including any trade and customs levy refunds and distributions resulting from the wind-up of the Park Towns Project, which may present material recoveries for the estate;
  - iv. attend to any remaining activities relating to the wind-down of the Petitioners' operations and business; and
  - v. a longer extension of the Stay Period will obviate the need for the Monitor to schedule, and incur professional fees and other costs relating to, further applications before this Honourable Court while it focuses on resolving and completing the outstanding issues and making future distribution(s) to the Petitioners' unsecured creditors;
- b) the Eighth Cash Flow Forecast indicates that there is sufficient liquidity to continue operating during the requested extension of the Stay Period; and
- c) no creditor or any stakeholders of the Petitioners would be materially prejudiced by the extension of the Stay Period.

## **10.0 MONITOR'S CONCLUSIONS AND RECOMMENDATIONS**

10.1 The Monitor respectfully recommends that this Honourable Court grant an order approving an extension of the Stay Period through to December 9, 2022.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 26<sup>th</sup> day of May, 2022.

**Alvarez & Marsal Canada Inc.,  
in its capacity as Monitor of  
1077 and not in its personal or corporate capacity**



Todd M. Martin  
Senior Vice President



Vicki Chan  
Vice President

**Appendix A**

**Eighth Cash Flow Forecast**

1077 Holdings Co-operative and 131465 Ontario Limited  
 Eighth Cash Flow Forecast (Note 1)  
 For the 29 week period ending on December 9, 2022  
 (Unaudited, in 000s CAD)

Week		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15
Week Ending	Notes	May 29	Jun 5	Jun 12	Jun 19	Jun 26	Jul 3	Jul 10	Jul 17	Jul 24	Jul 31	Aug 7	Aug 14	Aug 21	Aug 28	Sep 4
<b>Receipts</b>																
GST and other refunds	2	\$ 19	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ -	\$ -
<b>Total receipts</b>		<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Disbursements</b>																
General and administrative	3	-	-	8	-	-	-	-	-	-	5	-	-	-	-	-
Property taxes and other property liabilities	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Statutory obligations	5	-	-	-	-	-	-	164	-	-	-	-	-	-	-	-
<b>Total disbursements</b>		<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other disbursements</b>		<b>19</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>(164)</b>	<b>4</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>
Professional fees	6	-	-	5	100	-	-	-	31	-	-	-	-	-	15	-
Contingency	7	-	-	-	5	-	-	-	5	-	-	-	5	-	-	-
<b>Total other disbursements</b>		<b>-</b>	<b>-</b>	<b>(5)</b>	<b>(105)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5)</b>	<b>(15)</b>	<b>-</b>	<b>-</b>
<b>Interim distribution</b>	8	<b>-</b>	<b>(23,273)</b>	<b>-</b>												
<b>Net cash flow</b>		<b>\$ 19</b>	<b>\$ (23,273)</b>	<b>\$ (8)</b>	<b>\$ (105)</b>	<b>\$ 10</b>	<b>\$ -</b>	<b>\$ (164)</b>	<b>\$ (32)</b>	<b>\$ -</b>	<b>\$ (5)</b>	<b>\$ -</b>	<b>\$ (2)</b>	<b>\$ 15</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Opening cash balance</b>		<b>\$ 30,308</b>	<b>\$ 30,327</b>	<b>\$ 7,054</b>	<b>\$ 7,041</b>	<b>\$ 6,936</b>	<b>\$ 6,946</b>	<b>\$ 6,946</b>	<b>\$ 6,781</b>	<b>\$ 6,749</b>	<b>\$ 6,749</b>	<b>\$ 6,744</b>	<b>\$ 6,744</b>	<b>\$ 6,742</b>	<b>\$ 6,727</b>	<b>\$ 6,727</b>
<b>Net cash flow</b>		<b>19</b>	<b>(23,273)</b>	<b>(8)</b>	<b>(105)</b>	<b>10</b>	<b>-</b>	<b>(164)</b>	<b>(32)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>(2)</b>	<b>15</b>	<b>-</b>	<b>-</b>
<b>Ending cash balance</b>		<b>\$ 30,327</b>	<b>\$ 7,054</b>	<b>\$ 7,041</b>	<b>\$ 6,936</b>	<b>\$ 6,946</b>	<b>\$ 6,946</b>	<b>\$ 6,781</b>	<b>\$ 6,749</b>	<b>\$ 6,749</b>	<b>\$ 6,744</b>	<b>\$ 6,744</b>	<b>\$ 6,742</b>	<b>\$ 6,727</b>	<b>\$ 6,717</b>	<b>\$ 6,727</b>

1077 Holdings Co-operative and 131465 Ontario Limited  
 Eighth Cash Flow Forecast (Note 1)  
 For the 29 week period ending on December 9, 2022  
 (Unaudited, in 000s CAD)

Week		Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	Week 26	Week 27	Week 28	Week 29	29 Week
Week Ending	Notes	Sep 11	Sep 18	Sep 25	Oct 2	Oct 9	Oct 16	Oct 23	Oct 30	Nov 6	Nov 13	Nov 20	Nov 27	Dec 4	Dec 9	Total
<b>Receipts</b>																
GST and other refunds	2	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 2	\$ 39
<b>Total receipts</b>				1	-	-	-	-	-	-	-	1	-	-	2	39
<b>Disbursements</b>																
General and administrative	3	-	-	-	5	-	8	-	-	-	-	-	-	-	-	26
Property taxes and other property liabilities	4	-	-	35	-	-	-	-	-	-	-	-	27	-	-	62
Statutory obligations	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	164
<b>Total disbursements</b>				35	5	-	8	-	-	-	-	-	27	-	-	252
				(34)	(5)	-	(8)	-	-	-	-	1	(27)	-	2	(212)
<b>Other disbursements</b>																
Professional fees	6	-	15	-	-	-	85	-	-	-	-	20	-	-	105	375
Contingency	7	5	-	-	-	5	-	-	-	-	5	-	-	-	5	35
<b>Total other disbursements</b>		(5)	(15)	-	-	(5)	(85)	-	-	-	(25)	-	-	-	(110)	(410)
<b>Interim distribution</b>	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,273)
<b>Net cash flow</b>		\$ (5)	\$ (15)	\$ (34)	\$ (5)	\$ (5)	\$ (13)	\$ -	\$ -	\$ -	\$ (25)	\$ 1	\$ (27)	\$ -	\$ (108)	\$ (23,896)
<b>Opening cash balance</b>		\$ 6,727	\$ 6,722	\$ 6,707	\$ 6,673	\$ 6,668	\$ 6,663	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,546	\$ 6,547	\$ 6,520	\$ 6,520	\$ 30,308
<b>Net cash flow</b>		(5)	(15)	(34)	(5)	(5)	(13)	-	-	-	(25)	1	(27)	-	(108)	(23,896)
<b>Ending cash balance</b>		\$ 6,722	\$ 6,707	\$ 6,673	\$ 6,668	\$ 6,663	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,546	\$ 6,547	\$ 6,520	\$ 6,520	\$ 6,412	\$ 6,412

## **1077 Holdings Co-operative and 131465 Ontario Limited**

### **Eighth Cash Flow Forecast**

#### **Notes and Assumptions**

---

- 1 The weekly cash flow forecast of 1077 Holdings Co-operative and 131465 Ontario Limited (collectively, "1077") for the period May 23, 2022 to December 9, 2022 has been prepared by the Monitor to set out the cash flow of 1077 (the "Eighth Cash Flow Forecast").

The Eighth Cash Flow Forecast has been prepared based on unaudited financial information and estimates of 1077's projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary and such variations may be material. Neither 1077 nor the Monitor makes any representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized.

The Eighth Cash Flow Forecast reflects estimates and assumptions summarized below with respect to operations most notably, that 1077 continues to operate within the protections afforded under the CCAA and the Amended and Restated Initial Order granted on October 2, 2020 during the CCAA Proceedings. The Eighth Cash Flow Forecast may be updated from time to time.

- 2 GST and other refunds relate to GST refunds anticipated for post-filing expenses incurred during the pendency of the CCAA Proceedings, return of deposits held as retainers by certain restructuring professionals, and other refunds with quantum that are not yet known at this time.
- 3 General and administrative costs include broker consultation fees for reviewing and amending pre-filing import declarations in response to an audit by the Canada Border and Services Agency and fees for engaging a third party payroll provider to administer distributions to Employee Claimants.
- 4 Property taxes and other property liabilities include outstanding property taxes for the former head office property and rent for post-filing occupancy period related to a disclaimed realty lease of a retail store location, which the Monitor is awaiting reconciliation of the post-filing liability from the landlord.
- 5 Statutory obligations include amounts payable for the British Columbia Employer Health Tax and estimates for the British Columbia Workers' Compensation Benefits premiums for the post-filing period from September 15, 2020 to December 31, 2020. The Monitor is in correspondence with the respective agencies and is reviewing assessments and preparing calculations and documents as necessary.
- 6 Professional fees are estimates of the professional services expected to be provided during the CCAA Proceedings and include fees of the Monitor and its legal counsel.
- 7 Contingency costs are included to account for any unexpected expenses and represent approximately 5% of operating and other disbursements.
- 8 An interim distribution is anticipated to be paid to Claimants and Employee Claimants holding Accepted Claims pursuant to the court-approved distribution methodology.



No. S209201  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

AND

IN THE MATTER OF 1077 HOLDINGS CO-OPERATIVE (FORMERLY, MOUNTAIN EQUIPMENT  
CO-OPERATIVE) AND 1314625 ONTARIO LIMITED

PETITIONERS

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

**November 29, 2022**



**ALVAREZ & MARSAL**

## TABLE OF CONTENTS

1.0	INTRODUCTION.....	- 1 -
2.0	PURPOSE .....	- 2 -
3.0	TERMS OF REFERENCE.....	- 3 -
4.0	ACTIVITIES OF THE MONITOR.....	- 3 -
5.0	CLAIMS PROCESS – STATUS UPDATE .....	- 4 -
6.0	INTERIM DISTRIBUTIONS .....	- 5 -
7.0	ACTUAL CASH FLOW RESULTS COMPARED TO EIGHTH CASH FLOW FORECAST .	- 7 -
8.0	UPDATED CASH FLOW FORECAST .....	- 8 -
9.0	STAY EXTENSION .....	- 10 -
10.0	MONITOR’S CONCLUSIONS AND RECOMMENDATIONS.....	- 10 -

## APPENDIX

**Appendix A** - Ninth Cash Flow Forecast for the Period November 21, 2022 to March 31, 2023

## 1.0 INTRODUCTION

- 1.1 On September 14, 2020, Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, “1077” or the “**Petitioners**”) were granted an initial order (the “**Initial Order**”) by the Supreme Court of British Columbia commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “**Stay Period**”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “**Monitor**”) during the CCAA Proceedings.
- 1.2 On October 2, 2020, this Honourable Court pronounced the amended and restated initial order (the “**ARIO**”) and sale approval and vesting order to approve the sale transaction (the “**Sale Transaction**”) contemplated by the asset purchase and sale agreement between the Petitioners and 1264686 B.C. Ltd. (the “**Original Purchaser**”) dated September 11, 2020 (the “**APA**”) for the sale of the Purchased Assets and to vest all of the Purchased Assets in the Original Purchaser’s permitted assignee free and clear of any Encumbrances other than Permitted Encumbrances, as such capitalized terms are defined in the APA. The Sale Transaction closed on October 30, 2020.
- 1.3 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “**Claims Process Order**”) setting a claims process by which creditors may confirm or prove their claims against the Petitioners (the “**Claims Process**”).
- 1.4 On March 29, 2022, this Honourable Court granted an order (the “**Distribution Order**”) granting, *inter alia*, the approval of the following distribution methodology (the “**Distribution Methodology**”), to be applied by the Monitor in administering any distributions in these CCAA Proceedings (the “**Distributions**”):
- a) all Claims against the Petitioners, including Pre-filing Claims, Restructuring Period Claims, D&O Claims, and Employee Claims, which have been allowed by the Monitor in accordance with the Claims Process Order, shall be accepted and valid Claims (the “**Accepted Claims**”) for purposes of participating in any Distributions;
  - b) directing the Monitor to establish and maintain a reserve fund for Claims that are subject to a Notice of Revision or Disallowance and/or a Notice of Dispute, and are therefore not Accepted Claims (the “**Disputed Claims**”);

- c) approval of a “top-up” payment to certain Employee Claimants, in lieu of the payments under the Wage Earners Protection Program (“**WEPP**”) to which they would otherwise have been entitled, and allocating the total “top-up” amounts to the other Employee Claimants and Claimants on a pro rata basis;
  - d) confirming that the Distributions made to the Employee Claimants shall be in lieu of any and all amounts that might have otherwise received from Service Canada, through its administration of the WEPP;
  - e) authorizing the Petitioners to make one or more cash Distributions to each Claimant and Employee Claimant holding an Accepted Claim; and
  - f) directing the Monitor to make final distributions only to those Claimants who would be entitled to distributions of \$10.00 or more.
- 1.5 On June 3, 2022, this Honourable Court pronounced an order further extending the Stay Period to December 9, 2022 (the “**Stay Extension Order**”).
- 1.6 The Monitor has filed a notice of application with this Honourable Court, returnable on December 6, 2022 (the “**December 6 Application**”), seeking approval of a further extension of the Stay Period through to March 31, 2023.
- 1.7 Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor’s website at [www.alvarezandmarsal.com/mec](http://www.alvarezandmarsal.com/mec) (the “**Monitor’s Website**”).

## **2.0 PURPOSE**

- 2.1 This Fourteenth Report dated November 29, 2022 (the “**Fourteenth Report**”) Report has been prepared by the Monitor in support of its application for an extension of the Stay Period to March 31, 2022, and to provide this Honourable Court and the Petitioners’ stakeholders information with respect to the following:
- a) the activities of the Monitor since the Monitor’s Thirteenth Report dated May 26, 2022 (the “**Thirteenth Report**”);
  - b) an update on the Monitor’s administration of the Claims Process, including the Monitor’s interim distributions made to date;
  - c) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the “**Eighth Cash Flow Forecast**”), as appended to the Thirteenth Report; and
  - d) an updated cash flow forecast for the period November 21, 2022 to March 31, 2023 (the “**Ninth Cash Flow Forecast**”), and the Monitor’s comments in respect of same.

### **3.0 TERMS OF REFERENCE**

- 3.1 The Monitor has prepared this Fourteenth Report in connection with the December 6 Application and this report should not be relied on for any other purpose.
- 3.2 Certain of the information referred to in this Fourteenth Report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the *Chartered Professional Accountants of Canada Handbook* has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.
- 3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
- 3.4 Background information, including capitalized terms not otherwise defined herein, are contained in the Initial Order, ARIO, Claims Process Order, and Distribution Order, and the Monitor's previous reports, and have not been repeated herein.

### **4.0 ACTIVITIES OF THE MONITOR**

- 4.1 The activities of the Monitor since the Thirteenth Report have included the following:

#### **Review of CCAA Court Materials**

- a) reviewing draft Court application materials in consultation with the Monitor's legal counsel;

#### **Administering the Claims Process and Interim Distributions**

- b) administering the Claims Process in accordance with the Claims Process Order (including resolving a final Disputed Claim, the St. Denis Claim as further detailed in section 5.0 of this report, and dealing with numerous enquiries from Claimants and Employee Claimants);
- c) making two interim distributions totaling approximately \$28.2 million to Claimants and Employee Claimants holding Accepted Claims (the "**Interim Distributions**"), in accordance with the Distribution Methodology as set out in and approved by the Distribution Order;
- d) corresponding and following up with numerous Claimants and Employee Claimants and/or their legal counsel regarding their Interim Distributions, as well as outstanding cheques and updating addresses and contact information as required;
- e) coordinating with a third-party payroll service provider to assist the Monitor in completing the distributions and Records of Employment for Employee Claimants with Accepted Claims;

### **Monitoring of Cash Receipts & Disbursements**

- f) preparing and reviewing weekly payments, as well as reconciling cash receipts and disbursements of the trust accounts of the Monitor;

### **Asset Realization and Recovery Matters**

- g) advancing the wind-down of 1077's interest in Park Towns Developments Limited Partnership, a residential townhouse project located in Toronto, Ontario (the "**Park Towns Project**");
- h) corresponding with the Canada Border Services Agency ("**CBSA**") and customs consultants, Tradewin, to address CBSA's request for amendments and other enquiries from CBSA and the Canadian Food Inspection Agency;
- i) coordinating and advancing the recovery of certain customs levies applied by the CBSA for importation of certain goods with the assistance of KPMG LLP;

### **Statutory and Other Responsibilities**

- j) preparing this Fourteenth Report and Ninth Cash Flow Forecast;
- k) reconciling and filing of post-filing GST returns and corresponding with the Canada Revenue Agency ("**CRA**") regarding post-filing refunds;
- l) corresponding with the Ministry of Finance regarding the assessment and payment of the British Columbia employer health tax and making payment of same;
- m) corresponding with the British Columbia Workers' Compensation Board regarding calculation and reconciliation of post-filing benefits premiums and making payment of same;
- n) attending to numerous telephone calls with and correspondence received from the CRA regarding trust audit requests, reconciliation of pre-filing payroll withholdings remittances, and other related matters; and
- o) receiving and responding to telephone and email enquiries from trade creditors, members, former employees and other interested parties.

## **5.0 CLAIMS PROCESS – STATUS UPDATE**

### **Update of Claims Process**

- 5.1 Tabled below is a summary of the Claims, including the number and quantum of the Proofs of Claims submitted by Claimants and Employee Claimants, Notices of Revision or Disallowance issued by the Monitor, and Accepted Claims:

1077 Holdings Co-operative and 1314625 Ontario Limited  
 Summary of Claims  
 as at November 29, 2022  
 (in CAD 000's)

	Proofs of Claim		Notice of Revision or Disallowance		Accepted Claims		Disputed Claims	
	No.	Claim Amount (\$)	No.	Disallowed Amount (\$)	No.	Accepted Amount (\$)	No.	Disputed Amount (\$)
Landlord	8	\$ 68,829	8	\$ 72,855	6	\$ 20,591	-	\$ -
Employee	48	4,030	46	2,385	228	8,980	-	-
Trade and other	39	9,672	31	7,599	15	2,151	-	-
Equity	2	1	2	1	-	-	-	-
<b>Total</b>	<b>97</b>	<b>\$ 82,532</b>	<b>87</b>	<b>\$ 82,839</b>	<b>249</b>	<b>\$ 31,722</b>	<b>-</b>	<b>\$ -</b>

5.2 As at the date of this Fourteenth Report, there are 249 Accepted Claims totaling \$31.7 million that the Monitor has, or is deemed to have, accepted and there are no unresolved Disputed Claims remaining.

**St. Denis Claims**

5.3 The Thirteenth Report detailed two remaining Disputed Claims consisting of duplicative Proofs of Claims totaling \$983,000 (collectively, the “**St. Denis Claims**”) submitted for the retail store previously located in St. Denis, Quebec. One Proof of Claim was submitted by the former landlord, 169159 Canada Inc. (“**169**”), and a second submitted by Argo Partners (“**Argo**”), a party claiming to have been assigned the St. Denis Claim.

5.4 As a result of numerous discussions and significant correspondence, on June 21, 2022, the Monitor and its legal counsel reached an agreement with 169 and Argo regarding the quantification of the St. Denis Claim. Pursuant to the terms of the agreement, any payments made pertaining to the St. Denis Claim were to be paid in trust to Gowlings WLG (Canada) LLP, pending a determination of entitlement between 169 and Argo outside of this Claims Process.

5.5 Following the resolution of the St. Denis Claim, the Monitor dissolved the reserve fund established pursuant to the Distribution Order, and interim distributions were made in respect of the St. Denis Claim pursuant to the approved Distribution Methodology.

**6.0 INTERIM DISTRIBUTIONS**

6.1 As at the date of this Fourteenth Report, the Monitor has made two Interim Distributions to all Claimants and Employee Claimants holding Accepted Claims: the first on or about May 31, 2022 and the second on November 28, 2022. Announcements have been posted on the Monitor’s Website to notify parties that the Interim Distributions have been completed.

- 6.2 As presented in the table below, the total amount of the Interim Distributions made to date is \$28.2 million, representing 89% of the total Accepted Claims:

1077 Holdings Co-operative and 1314625 Ontario Limited Interim Distribution to Claimants as at November 29, 2022 (in CAD 000's)					
	Accepted Claims		Interim Distributions		
	No.	Accepted Amount (\$)	May 31, 2022	November 28, 2022	Total
Landlord	6	\$ 20,591	\$ 15,443	\$ 2,883	\$ 18,326
Employees	228	8,980	6,735	1,257	7,992
Trade and other	15	2,151	1,613	301	1,914
	<b>249</b>	<b>\$ 31,722</b>	<b>\$ 23,791</b>	<b>\$ 4,441</b>	<b>\$ 28,233</b>
<b>Recovery to Claimants</b>			<b>75%</b>	<b>14%</b>	<b>89%</b>

- 6.3 The Interim Distribution were made in accordance with the approved Distribution Methodology as detailed in the Distribution Order and the Thirteenth Report.
- 6.4 The quantum of the Second Interim Distributions made on or around November 28, 2022 was in the amount of \$4.4 million or approximately \$0.14 per dollar of Accepted Claims. The Monitor funded this amount so as to leave a cash reserve in the estate for the estimated on-going costs of the CCAA Proceedings and to ensure that a final distribution to Claimants and Employee Claimants in early 2023 would be in excess of \$10.00 per Claim.
- 6.5 It is anticipated that a final distribution will be made following the resolution of all residual matters pertaining to the CCAA Proceedings which primarily consist of collecting the following receipts:
- a) net trade and customs levy refunds relating to the importation of certain goods. The CBSA has completed its review and assessment of the customs levies and the Monitor has been following up as to the timing of the issuance of the refunds which may be in the range of \$350,000; and
  - b) distributions resulting from the wind-up of the Park Towns Project.
- 6.6 Once the remaining assets referenced in 6.5 above have been monetized, the total anticipated recovery to Claimants is expected to be in the range of 94% of their Accepted Claim, which remains consistent with the estimated recoveries presented by the Monitor in previous reports.

**7.0 ACTUAL CASH FLOW RESULTS COMPARED TO EIGHTH CASH FLOW FORECAST**

7.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has established a weekly cash flow review protocol to compare actual cash flows against the Eighth Cash Flow Forecast.

7.2 The Petitioners' actual cash receipts and disbursements compared to the Eighth Cash Flow Forecast during the period from September 15, 2020 to November 20, 2022 is summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited Cash Flow Variance Analysis For the period September 15, 2020 to November 20, 2022 (in CAD 000's)			
	For the 113 Weeks Ended November 20, 2022		
	Actual	Forecast	Variance
<b>Receipts</b>			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,628	-
Other receipts and letters of credit	4,155	3,994	161
GST refunds	168	191	(24)
Return of deposits	(601)	(601)	-
<b>Total receipts</b>	<u>53,526</u>	<u>53,388</u>	<u>138</u>
<b>Disbursements</b>			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,315	3,334	19
Insurance	145	145	-
Property taxes and other property liabilities	4,512	4,533	22
Statutory obligations	3,757	3,756	(1)
Consultants	63	63	-
<b>Total disbursements</b>	<u>59,816</u>	<u>59,856</u>	<u>40</u>
	<u>(6,291)</u>	<u>(6,468)</u>	<u>177</u>
<b>Other disbursements</b>			
KERP payments	778	778	-
Professional fees	5,930	5,951	22
Debt service	987	987	-
Contingency	574	604	30
<b>Total other disbursements</b>	<u>(8,269)</u>	<u>(8,321)</u>	<u>52</u>
<b>Interim Distribution</b>	(23,791)	(23,273)	518
<b>Net proceeds from Sale Transaction</b>	<u>30,411</u>	<u>30,411</u>	<u>-</u>
<b>Net Cash Flow</b>	<u>\$ (7,940)</u>	<u>\$ (7,651)</u>	<u>\$ (289)</u>
<b>Opening Cash Balance</b>	\$ 14,188	\$ 14,188	\$ -
Net Cash Flow	(7,940)	(7,651)	(289)
<b>Ending Cash Balance</b>	<u>\$ 6,248</u>	<u>\$ 6,538</u>	<u>\$ (289)</u>

\* Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.

- 7.3 As at November 20, 2022, the closing cash balance held in trust by the Monitor totaled \$6.2 million. Certain variances in respect of the reported cash receipts and disbursements are as follows:
- a) total operating receipts were approximately \$138,000 higher than forecast, primarily due to interest earned on guaranteed investment certificates upon their maturity;
  - b) total operating disbursements were approximately \$92,000 lower than forecast, primarily due to timing differences in respect of statutory obligations and professional fees; and
  - c) an interim distribution of \$518,000 was made to the St. Denis Claim following its resolution.
- 7.4 Since the Thirteenth Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform weekly variance reporting and approval of disbursements. Nothing has come to the attention of the Monitor that causes the Monitor to believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.

## **8.0 UPDATED CASH FLOW FORECAST**

- 8.1 The Ninth Cash Flow Forecast has been prepared by the Monitor for the period from November 21, 2022 to March 31, 2023 (the “**Forecast Period**”). The Ninth Cash Flow Forecast is attached herewith as Appendix “**A**” along with accompanying notes and assumptions. A summary of the Ninth Cash Flow Forecast is tabled below:

1077 Holdings Co-operative and 1314625 Ontario Limited	
Ninth Cash Flow Forecast	
For the 19 week period ending on March 31, 2023	
(in CAD 000's)	
	<u>Forecast Period</u>
<b>Receipts</b>	
GST and other refunds	\$ 30
Other receipts	400
<b>Total receipts</b>	<u>430</u>
<b>Disbursements</b>	
General and administrative	110
Property taxes	35
Statutory obligations	10
<b>Total disbursements</b>	<u>155</u>
	275
<b>Other disbursements</b>	
Professional fees	380
Contingency	50
<b>Total other disbursements</b>	<u>(430)</u>
<b>Interim distribution</b>	(4,441)
<b>Net cash flow</b>	<u>\$ (4,597)</u>
<b>Opening cash balance</b>	\$ 6,248
Net cash flow	(4,597)
<b>Ending cash balance</b>	<u>\$ 1,652</u>

8.2 The Monitor's comments with respect to the Ninth Cash Flow Forecast are as follows:

- a) forecast of receipts consist of GST and other refunds of \$430,000 relate to GST refunds anticipated for post-filing expenses incurred during the pendency of the CCAA Proceedings and anticipated recovery of customs levies and distribution from the Park Town Projects;
- b) forecast disbursements totaling \$585,000 consist of the following:
  - i. general and administrative costs of approximately \$110,000 relate to estimated fees for engaging KPMG LLP to assist with the recovery of customs levies, Tradewin to review and amend pre-filing import declarations in response to an audit by the CBSA and enquiries received from other trade inspection agencies, and a third-party payroll provider to administer distributions to Employee Claimants;
  - ii. property liabilities approximating \$35,000 in connection with outstanding property taxes for the former head office property;
  - iii. statutory obligations of approximately \$10,000 relate primarily to assessments completed by the CRA pertaining to pensionable and insurable earnings reviews, subject to the Monitor's review and reconciliation;
  - iv. professional fees of approximately \$380,000 for services provided by the Monitor and its legal counsel; and

- v. a second Interim Distribution of \$4.4 million to Claimants and Employee Claimants holding Accepted Claims, as discussed in section 6.0 of this report, which was distributed on November 28, 2022.

8.3 At present, the Monitor anticipates it will be holding approximately \$1.6 million at the end of the Forecast Period, that will ultimately be made available to Claimants once the remaining receipts, as detailed in paragraph 6.5, have been collected. It is the Monitor's intention to make best efforts to complete a final distribution prior to the end of the Forecast Period.

8.4 The Ninth Cash Flow Forecast has been prepared solely for the purpose described in Note 1 on the face of the Ninth Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

## **9.0 STAY EXTENSION**

9.1 Pursuant to the Stay Extension Order, the Stay Period will expire on December 9, 2022. The Monitor is seeking an extension of the Stay Period to March 31, 2023.

9.2 The Monitor believes the extended Stay Period of approximately four months is reasonable for the following reasons:

- a) during the proposed extension of the Stay Period, the Monitor will have an opportunity to:
  - i. realize on residual assets and/or receivables of the Petitioners, including any trade and customs levy refunds and distributions resulting from the wind-up of the Park Towns Project, which may present material recoveries for the estate;
  - ii. complete a final distribution to affected creditors prior to the end of the Forecast Period; and
  - iii. attend to any remaining activities relating to the wind-down of the Petitioners' operations and business.
- b) the Ninth Cash Flow Forecast indicates that there is sufficient liquidity to continue operating during the requested extension of the Stay Period; and
- c) no creditor or any stakeholders of the Petitioners would be materially prejudiced by the extension of the Stay Period.

## **10.0 MONITOR'S CONCLUSIONS AND RECOMMENDATIONS**

10.1 The Monitor respectfully recommends that this Honourable Court grant an order approving an extension of the Stay Period through to March 31, 2023.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 29<sup>th</sup> day of November, 2022.

**Alvarez & Marsal Canada Inc.,  
in its capacity as Monitor of  
1077 and not in its personal or corporate capacity**



Todd M. Martin  
Senior Vice President



Vicki Chan  
Vice President

**Appendix A**  
**Ninth Cash Flow Forecast**

1077 Holdings Co-operative and 131465 Ontario Limited  
Ninth Cash Flow Forecast (Note 1)  
For the 19 week period ending on March 31, 2022  
(Unaudited, in 000s CAD)

Week		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12
Week Ending	Notes	Nov 27	Dec 4	Dec 11	Dec 18	Dec 25	Jan 1	Jan 8	Jan 15	Jan 22	Jan 29	Feb 5	Feb 12
<b>Receipts</b>													
GST and other refunds	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20	\$ -	\$ -	\$ -	\$ 2
Other receipts	3	-	-	-	-	-	-	-	-	-	-	-	350
<b>Total receipts</b>									<b>20</b>				<b>352</b>
<b>Disbursements</b>													
General and administrative	4	-	-	7	-	-	-	5	-	-	5	-	80
Property taxes	5	-	-	-	-	-	-	-	-	-	-	-	-
Statutory obligations	6	-	-	-	-	-	-	10	-	-	-	-	-
<b>Total disbursements</b>				<b>7</b>				<b>15</b>			<b>5</b>		<b>80</b>
				(7)				(15)	20		(5)		272
<b>Other disbursements</b>													
Professional fees	7	18	-	-	67	-	-	-	55	-	-	-	-
Contingency	8	10	-	-	-	10	-	-	-	-	10	-	-
<b>Total other disbursements</b>		<b>(28)</b>			<b>(67)</b>	<b>(10)</b>			<b>(55)</b>		<b>(10)</b>		
<b>Interim distribution</b>													
	9	-	(4,441)	-	-	-	-	-	-	-	-	-	-
<b>Net cash flow</b>		<b>\$ (28)</b>	<b>\$ (4,441)</b>	<b>\$ (7)</b>	<b>\$ (67)</b>	<b>\$ (10)</b>	<b>\$ -</b>	<b>\$ (15)</b>	<b>\$ (35)</b>	<b>\$ -</b>	<b>\$ (15)</b>	<b>\$ -</b>	<b>\$ 272</b>
<b>Opening cash balance</b>													
Net cash flow		\$ 6,248	\$ 6,220	\$ 1,779	\$ 1,772	\$ 1,705	\$ 1,695	\$ 1,695	\$ 1,680	\$ 1,645	\$ 1,645	\$ 1,630	\$ 1,630
		(28)	(4,441)	(7)	(67)	(10)	-	(15)	(35)	-	(15)	-	272
<b>Ending cash balance</b>	10	<b>\$ 6,220</b>	<b>\$ 1,779</b>	<b>\$ 1,772</b>	<b>\$ 1,705</b>	<b>\$ 1,695</b>	<b>\$ 1,695</b>	<b>\$ 1,680</b>	<b>\$ 1,645</b>	<b>\$ 1,645</b>	<b>\$ 1,630</b>	<b>\$ 1,630</b>	<b>\$ 1,902</b>

1077 Holdings Co-operative and 131465 O:  
Ninth Cash Flow Forecast (Note 1)  
For the 19 week period ending on March 3  
(Unaudited, in 000s CAD)

Week Week Ending	Notes	Week 13 Feb 19	Week 14 Feb 26	Week 15 Mar 5	Week 16 Mar 12	Week 17 Mar 19	Week 18 Mar 26	Week 19 Mar 31	19 Week Total
<b>Receipts</b>									
GST and other refunds	2	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 30
Other receipts	3	-	-	-	50	-	-	-	400
<b>Total receipts</b>		<b>-</b>	<b>5</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>430</b>
<b>Disbursements</b>									
General and administrative	4	-	-	-	8	-	5	-	110
Property taxes	5	-	-	-	-	-	35	-	35
Statutory obligations	6	-	-	-	-	-	-	-	10
<b>Total disbursements</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>40</b>	<b>-</b>	<b>155</b>
		<b>-</b>	<b>5</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>(40)</b>	<b>3</b>	<b>275</b>
<b>Other disbursements</b>									
Professional fees	7	55	-	-	-	55	-	130	380
Contingency	8	-	10	-	-	-	-	10	50
<b>Total other disbursements</b>		<b>(55)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>(55)</b>	<b>-</b>	<b>(140)</b>	<b>(430)</b>
<b>Interim distribution</b>	9	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,441)</b>
<b>Net cash flow</b>		<b>\$ (55)</b>	<b>\$ (5)</b>	<b>\$ -</b>	<b>\$ 42</b>	<b>\$ (55)</b>	<b>\$ (40)</b>	<b>\$ (137)</b>	<b>\$ (4,597)</b>
<b>Opening cash balance</b>		<b>\$ 1,902</b>	<b>\$ 1,847</b>	<b>\$ 1,841</b>	<b>\$ 1,841</b>	<b>\$ 1,883</b>	<b>\$ 1,828</b>	<b>\$ 1,788</b>	<b>\$ 6,248</b>
Net cash flow		(55)	(5)	-	42	(55)	(40)	(137)	(4,597)
<b>Ending cash balance</b>	10	<b>\$ 1,847</b>	<b>\$ 1,841</b>	<b>\$ 1,841</b>	<b>\$ 1,883</b>	<b>\$ 1,828</b>	<b>\$ 1,788</b>	<b>\$ 1,652</b>	<b>\$ 1,652</b>

## **1077 Holdings Co-operative and 131465 Ontario Limited**

### **Ninth Cash Flow Forecast**

#### **Notes and Assumptions**

---

- 1 The weekly cash flow forecast of 1077 Holdings Co-operative and 1314625 Ontario Limited (collectively, "1077") for the period November 21, 2022 to March 31, 2023 has been prepared by the Monitor to set out the cash flow of 1077 (the "Ninth Cash Flow Forecast").

The Ninth Cash Flow Forecast has been prepared based on unaudited financial information and estimates of 1077's projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary and such variations may be material. Neither 1077 nor the Monitor makes any representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized.

The Ninth Cash Flow Forecast reflects estimates and assumptions summarized below with respect to operations most notably, that 1077 continues to operate within the protections afforded under the CCAA and the Amended and Restated Initial Order granted on October 2, 2020 during the CCAA Proceedings. The Ninth Cash Flow Forecast may be updated from time to time.

- 2 GST and other refunds related to post-filing expenses incurred during the pendency of the CCAA Proceedings.
- 3 Other receipts consist of estimated settlement of the Parktown interest held by 1077 and potential recovery of trade and customs levies applied to certain goods by the the Canada Border and Services Agency.
- 4 General and administrative costs include estimated professional fees to 1077's consultants to assist with the recovery of customs levies, former customs broker to assist with audits initiated by the Canada Border and Services Agency, and a third-party payroll provider for services related to the interim distributions, as well as banking fees and mailing costs.
- 5 Property taxes include property taxes related to the former head office.
- 6 Statutory obligations include payroll withholdings adjustments that may be payable, subject to the Monitor's review and reconciliation.
- 7 Professional fees are estimates of the professional services expected to be provided during the CCAA Proceedings and include fees of the Monitor and its legal counsel.
- 8 Contingency costs are included to account for any unexpected expenses and represent approximately 13% of operating and other disbursements.
- 9 An interim distribution is anticipated to be made during the week ending December 4, 2022 to all Claimants and Employee Claimants holding Accepted Claims, as defined in the Distribution Order granted March 29, 2022, inclusive of any applicable withholding taxes, EI overpayments, and other statutory deductions, where applicable, to be withheld and remitted to the Canada Revenue Agency and other tax authorities.
- 10 For purposes of this cash flow, the estimated closing cash balance of \$1.6 million will be made available to Claimants as a final distribution once the remaining receipts have been collected.



No. S209201  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

AND

IN THE MATTER OF 1077 HOLDINGS CO-OPERATIVE (FORMERLY, MOUNTAIN EQUIPMENT  
CO-OPERATIVE) AND 1314625 ONTARIO LIMITED

PETITIONERS

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

**March 23, 2023**



ALVAREZ & MARSAL

**TABLE OF CONTENTS**

1.0	INTRODUCTION .....	- 1 -
2.0	PURPOSE.....	- 2 -
3.0	TERMS OF REFERENCE .....	- 2 -
4.0	ACTIVITIES OF THE MONITOR.....	- 3 -
5.0	FINAL DISTRIBUTION.....	- 4 -
6.0	ACTUAL CASH FLOW RESULTS COMPARED TO NINTH CASH FLOW FORECAST .....	- 5 -
7.0	UPDATED CASH FLOW FORECAST .....	- 7 -
8.0	BANKRUPTCY ASSIGNMENT.....	- 8 -
9.0	STAY EXTENSION .....	- 9 -
10.0	MONITOR'S CONCLUSIONS AND RECOMMENDATIONS .....	- 9 -

**APPENDIX**

**Appendix A - Tenth Cash Flow Forecast for the Period March 13, 2023 to September 29, 2023**

## 1.0 INTRODUCTION

- 1.1 On September 14, 2020, Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, “1077” or the “Petitioners”) were granted an initial order (the “Initial Order”) by the Supreme Court of British Columbia commencing proceedings (the “CCAA Proceedings”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “Stay Period”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “Monitor”) during the CCAA Proceedings.
- 1.2 On October 2, 2020, this Honourable Court pronounced the amended and restated initial order (the “ARIO”) and sale approval and vesting order to approve the sale transaction (the “Sale Transaction”) contemplated by the asset purchase and sale agreement between the Petitioners and 1264686 B.C. Ltd. (the “Original Purchaser”) dated September 11, 2020 (the “APA”) for the sale of the Purchased Assets and to vest all of the Purchased Assets in the Original Purchaser’s permitted assignee free and clear of any Encumbrances other than Permitted Encumbrances, as such capitalized terms are defined in the APA. The Sale Transaction closed on October 30, 2020.
- 1.3 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “Claims Process Order”) setting a claims process by which creditors may confirm or prove their claims against the Petitioners (the “Claims Process”).
- 1.4 On March 29, 2022, this Honourable Court granted an order (the “Distribution Order”) granting, *inter alia*, the approval of a distribution methodology (the “Distribution Methodology”), to be applied by the Monitor in administering any distributions in these CCAA Proceedings, which included, among other things, (i) authorizing the Petitioners to make one or more cash distributions to each Claimant and Employee Claimant holding an Accepted Claim; and (ii) directing the Monitor to make final distributions only to those Claimants who would be entitled to distributions of \$10.00 or more.
- 1.5 On December 6, 2022, this Honourable Court pronounced an order further extending the Stay Period to March 31, 2023.
- 1.6 The Monitor has filed a notice of application with this Honourable Court, returnable on March 30, 2023 (the “March 30<sup>th</sup> Application”), seeking approval of an order (the “Stay Extension Order”) which, among other things:

- a) grants the Monitor the authority to assign the Petitioners into bankruptcy following a final distribution in accordance with the Distribution Methodology (the “**Final Distribution**”); and
- b) extends the Stay Period to September 29, 2023.
- c) Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor’s website at [www.alvarezandmarsal.com/mec](http://www.alvarezandmarsal.com/mec).

## **2.0 PURPOSE**

2.1 This Fifteenth Report dated March 23, 2023 (the “**Fifteenth Report**”) has been prepared by the Monitor in support of its application for a Stay Extension Order and to provide this Honourable Court and the Petitioners’ stakeholders information with respect to the following:

- a) the activities of the Monitor since the Monitor’s Fourteenth Report dated November 29, 2022 (the “**Fourteenth Report**”);
- b) an update on the anticipated Final Distribution;
- c) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the “**Ninth Cash Flow Forecast**”), as appended to the Fourteenth Report;
- d) an updated cash flow forecast for the period March 13, 2023 to September 29, 2023 (the “**Tenth Cash Flow Forecast**”), and the Monitor’s comments in respect of same; and
- e) the Monitor’s conclusions and recommendations.

## **3.0 TERMS OF REFERENCE**

3.1 The Monitor has prepared this Fifteenth Report in connection with the March 30<sup>th</sup> Application and this report should not be relied on for any other purpose.

3.2 Certain of the information referred to in this Fifteenth Report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the *Chartered Professional Accountants Canada Handbook* has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

3.4 Background information, including capitalized terms not otherwise defined herein, are contained in the Initial Order, ARIO, Claims Process Order, and Distribution Order, and the Monitor's previous reports, and have not been repeated herein.

#### **4.0 ACTIVITIES OF THE MONITOR**

4.1 The activities of the Monitor since the Fourteenth Report have included the following:

##### **Review of CCAA Court Materials**

a) reviewing draft Court application materials in consultation with the Monitor's legal counsel;

##### **Administering the Claims Process and Interim Distributions**

- b) administering the Claims Process in accordance with the Claims Process Order (including dealing with numerous enquiries from Claimants and Employee Claimants);
- c) corresponding and following up with numerous Claimants and Employee Claimants and/or their legal counsel regarding their Interim Distributions, as well as outstanding cheques and updating addresses and contact information as required;
- d) coordinating with a third-party payroll service provider to assist the Monitor in preparing annual income tax forms for Employee Claimants with Accepted Claims and other tax compliance reporting;

##### **Monitoring of Cash Receipts & Disbursements**

e) preparing and reviewing weekly payments, as well as reconciling cash receipts and disbursements of the trust accounts of the Monitor;

##### **Asset Realization and Recovery Matters**

- f) advancing the wind-down of 1077's interest in Park Towns Developments Limited Partnership, a residential townhouse project located in Toronto, Ontario (the "**Park Towns Project**");
- g) corresponding with the Canada Border Services Agency ("**CBSA**") and customs consultants, Tradewin, to address CBSA's request for amendments and other enquiries;
- h) coordinating and advancing the recovery of certain customs levies applied by the CBSA for the importation of certain goods with the assistance of KPMG LLP;

##### **Statutory and Other Responsibilities**

i) preparing this Fifteenth Report and Tenth Cash Flow Forecast;

- j) reconciling and/or filing pre-filing payroll withholding remittances and post-filing GST returns and corresponding with the Canada Revenue Agency (“CRA”) regarding post-filing refunds and other related matters;
- k) attending to enquiries from the CRA regarding an audit of the Canada Emergency Wage Subsidy (the “CEWS Audit”) received by the Petitioners for the period between March 15, 2020 to November 30, 2020;
- l) attending to enquiries from former employees requesting copies of their personnel files and other related payroll records; and
- m) receiving and responding to telephone and email enquiries from members and former employees.

## **5.0 FINAL DISTRIBUTION**

- 5.1 As detailed in the Fourteenth Report, there are 249 Accepted Claims totaling \$31.7 million that the Monitor has, or is deemed to have, accepted and there are no unresolved Disputed Claims remaining.
- 5.2 As at the date of this Fifteenth Report, the Monitor has made two Interim Distributions: the first on or about May 31, 2022 and the second on November 28, 2022, together totaling \$28.2 million and representing 89% of the total Accepted Claims. There are 21 distribution cheques issued to Claimants and Employee Claimants which total approximately \$127,000 that have not cleared the Petitioners’ bank account. The Monitor periodically reviews the bank account and makes best efforts to contact the specific Claimants and Employee Claimants in order to re-issue and/or redirect the cheques, where possible.
- 5.3 The Monitor has maintained a cash reserve in the estate for the estimated on-going costs of the CCAA Proceedings and to ensure that the Final Distribution to Claimants and Employee Claimants would be in excess of \$10.00 per Claim, as further discussed in section 7.3 of this report.
- 5.4 It is anticipated that the Final Distribution will be made following the resolution of all residual matters pertaining to the CCAA Proceedings, which consist primarily of the following:
  - a) collecting trade and customs levy refunds relating to the importation of certain goods. The CBSA has completed its review and assessment of the customs levies and the Monitor has been continually following up as to the timing of the issuance of the refunds which may be in the range of \$350,000;

- b) receiving distributions resulting from the wind-up of the Park Towns Project, which has been advanced since the Fourteenth Report with a purchase agreement drafted and pending execution; and
- c) completing the CEWS Audit and payment of any post-filing assessments, if applicable.

5.5 Once the remaining matters referenced in 5.4 above have been resolved, the total anticipated recovery to Claimants is expected to be in the range of 94% of their Accepted Claim, which remains consistent with the estimated recoveries presented by the Monitor in previous reports.

## **6.0 ACTUAL CASH FLOW RESULTS COMPARED TO NINTH CASH FLOW FORECAST**

6.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has established a weekly cash flow review protocol to compare actual cash flows against the Ninth Cash Flow Forecast.

6.2 The Petitioners' actual cash receipts and disbursements compared to the Ninth Cash Flow Forecast during the period from September 15, 2020 to March 12, 2023 is summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited  
Cash Flow Variance Analysis  
For the period September 15, 2020 to March 12, 2023  
(in CAD 000's)

	For the 129 Weeks Ended March 12, 2023		
	Actual	Forecast	Variance
<b>Receipts</b>			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,628	-
Other receipts and letters of credit	4,282	4,555	(273)
GST refunds	177	194	(18)
Return of deposits	(601)	(601)	-
<b>Total receipts</b>	<b>53,662</b>	<b>53,952</b>	<b>(290)</b>
<b>Disbursements</b>			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,318	3,420	102
Insurance	145	145	-
Property taxes and other property liabilities	4,512	4,512	-
Statutory obligations	3,757	3,767	10
Consultants	63	63	-
<b>Total disbursements</b>	<b>59,819</b>	<b>59,932</b>	<b>112</b>
	<b>(6,157)</b>	<b>(5,979)</b>	<b>(178)</b>
<b>Other disbursements</b>			
KERP payments	778	778	-
Professional fees	6,110	6,125	15
Debt service	987	987	-
Contingency	574	614	40
<b>Total other disbursements</b>	<b>(8,449)</b>	<b>(8,504)</b>	<b>55</b>
<b>Interim Distributions</b>	<b>(28,233)</b>	<b>(28,233)</b>	<b>-</b>
<b>Net proceeds from Sale Transaction</b>	<b>30,411</b>	<b>30,411</b>	<b>-</b>
<b>Net Cash Flow</b>	<b>\$ (12,428)</b>	<b>\$ (12,305)</b>	<b>\$ (123)</b>
<b>Opening Cash Balance</b>	<b>\$ 14,188</b>	<b>\$ 14,188</b>	<b>\$ -</b>
Net Cash Flow	(12,428)	(12,305)	(123)
<b>Ending Cash Balance</b>	<b>\$ 1,761</b>	<b>\$ 1,883</b>	<b>\$ (123)</b>

\* Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.

6.3 As at March 12, 2023, the closing cash balance held in trust by the Monitor totaled approximately \$1.8 million. Certain variances in respect of the reported cash receipts and disbursements are as follows:

- total operating receipts were approximately \$290,000 lower than forecast, primarily due to the pending recovery of customs levies from the CBSA and settlement receipts related to the Park Towns Project, which have not yet been collected, and offset by return of retainers from various professionals involved in the CCAA Proceedings; and
- total operating disbursements were approximately \$167,000 lower than forecast, primarily due to timing differences with respect to payment of consultant fees, which were incurred to assist in the recovery of the customs levies, and the fact that less time had been incurred by

the Monitor and its counsel as it awaits final resolution of certain governmental audits and reviews.

- 6.4 Since the Fourteenth Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform weekly variance reporting and approval of disbursements. Nothing has come to the attention of the Monitor that causes the Monitor to believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.

## 7.0 UPDATED CASH FLOW FORECAST

- 7.1 The Tenth Cash Flow Forecast has been prepared by the Monitor for the period from March 13, 2023 to September 29, 2023 (the “Forecast Period”). The Tenth Cash Flow Forecast is attached herewith as Appendix “A” along with accompanying notes and assumptions. A summary of the Tenth Cash Flow Forecast is tabled below:

1077 Holdings Co-operative and 1314625 Ontario Limited	
Tenth Cash Flow Forecast	
For the 29 week period ending on September 29, 2023	
(in CAD 000's)	
	Forecast Period
<b>Receipts</b>	
GST and other refunds	\$ 30
Other receipts	410
<b>Total receipts</b>	<b>440</b>
<b>Disbursements</b>	
General and administrative	95
Property taxes	35
Statutory obligations	10
<b>Total disbursements</b>	<b>140</b>
	299
<b>Other disbursements</b>	
Professional fees	150
Contingency	30
<b>Total other disbursements</b>	<b>(180)</b>
<b>Net cash flow</b>	<b>\$ 119</b>
<b>Opening cash balance</b>	<b>\$ 1,761</b>
Net cash flow	119
<b>Ending cash balance</b>	<b>\$ 1,880</b>

- 7.2 The Monitor’s comments with respect to the Tenth Cash Flow Forecast are as follows:
- a) forecast receipts totaling \$440,000 relate to interest earned and GST refunds anticipated for post-filing expenses incurred during the pendency of the CCAA Proceedings, as well as the anticipated recovery of customs levies and distribution from the Park Towns Project;
  - b) forecast disbursements totaling \$320,000 consist of the following:

- i. general and administrative costs of approximately \$95,000 relate to estimated fees for engaging KPMG LLP to assist with the recovery of customs levies, fees for a third-party payroll provider to administer distributions to Employee Claimants and preparation of related tax forms, and estimated mailing and banking fees for the Final Distribution;
- ii. property liabilities approximating \$35,000 in connection with outstanding property taxes for the former head office property;
- iii. statutory obligations of approximately \$10,000 relate primarily to assessments completed by the CRA pertaining to pensionable and insurable earnings reviews, subject to the Monitor's review and reconciliation; and
- iv. professional fees of approximately \$150,000 for services provided by the Monitor and its legal counsel. We note that this estimate of professional fees has been reduced since the date of the Monitor's last report as outstanding matters have been resolved or are expected to be resolved in the near term.

7.3 At present, the Monitor anticipates it will be holding approximately \$1.9 million at the end of the Forecast Period, which is higher than the \$1.7 million reported in the Monitor's Fourteenth Report, as a result of higher than anticipated return of retainers, interest earned on cash held, and proceeds from the Park Towns Project. The majority of the \$1.9 million balance will be used to make the Final Distribution with a balance of funds, expected not to exceed \$50,000, reserved to administer the Petitioners' bankrupt estate and resolve any remaining residual matters in the estate, if any. It is the Monitor's intention to make best efforts to complete the Final Distribution prior to the end of the Forecast Period.

7.4 The Tenth Cash Flow Forecast has been prepared solely for the purpose described in Note 1 on the face of the Tenth Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

## **8.0 BANKRUPTCY ASSIGNMENT**

8.1 The Monitor is seeking the additional power to assign the Petitioners into bankruptcy following the Final Distribution. With all of the assets sold and the Claims Process complete, it is the Monitor's view that an assignment of the Petitioners into bankruptcy would provide transparency and certainty to all stakeholders that the business and affairs of the Petitioners have been wound down to completion with no outstanding matters remaining. In addition, a bankruptcy filing would afford certain protections to the Petitioners' financial, membership and other personal and

proprietary data and ensure that the records are securely maintained in accordance with the *Bankruptcy and Insolvency Act*, R.S.C., 1985 c. B-3 and the *Income Tax Act*, R.S.C., 1985, c. 1.

- 8.2 The Monitor intends to assign the Petitioners into bankruptcy following the Final Distribution and upon this Honourable Court granting the following: (i) approval of the reports of the Monitor filed in these CCAA Proceedings and the activities and conduct of the Monitor as described therein; (ii) approval of the fees and disbursements of the Monitor and Monitor's legal counsel; (iii) terminating these CCAA Proceedings and discharging the Monitor; and (iv) approval of other ancillary matters or relief sought, as may be considered necessary. It is contemplated that the termination of the CCAA Proceedings and discharge of the Monitor will become effective upon filing an assignment of the Petitioners into bankruptcy.

## **9.0 STAY EXTENSION**

- 9.1 Pursuant to the Stay Extension Order, the Stay Period will expire on March 31, 2023. The Monitor is seeking an extension of the Stay Period to September 29, 2023.

- 9.2 The Monitor believes the extended Stay Period of approximately six months is reasonable for the following reasons:

- a) during the proposed extension of the Stay Period, the Monitor will have an opportunity to:
  - i. realize on residual assets and/or receivables of the Petitioners, including any trade and customs levy refunds and distributions resulting from the wind-up of the Park Towns Project, which may present material recoveries for the estate;
  - ii. complete the Final Distribution to affected creditors prior to the end of the Forecast Period;
  - iii. assign the Petitioners into bankruptcy upon completion of the Final Distribution; and
  - iv. attend to any remaining activities relating to the wind-down of the Petitioners' operations and business, including resolution of the CEWS Audit.
- b) the Tenth Cash Flow Forecast indicates that there is sufficient liquidity to continue operating during the requested extension of the Stay Period; and
- c) no creditor or any stakeholders of the Petitioners would be materially prejudiced by the extension of the Stay Period.

## **10.0 MONITOR'S CONCLUSIONS AND RECOMMENDATIONS**

- 10.1 For the reasons set out in this Fifteenth Report, the Monitor is of the view that the requests are reasonable and respectfully recommends that this Honourable Court grant the proposed Stay Extension Order.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 23<sup>rd</sup> day of March, 2023.

**Alvarez & Marsal Canada Inc.,  
in its capacity as Monitor of  
1077 and not in its personal or corporate capacity**



Todd M. Martin  
Senior Vice President



Vicki Chan  
Vice President

**Appendix A**  
**Tenth Cash Flow Forecast**

1877 Holdings Co-operative and 131465 Ontario Limited  
 Ninth Cash Flow Forecast (Note 1)  
 For the 29 week period ending on September 29, 2023  
 (Unaudited, in 000's C.I.D.)

Week Ending	Week 1 Mar 19	Week 2 Mar 26	Week 3 Apr 2	Week 4 Apr 9	Week 5 Apr 16	Week 6 Apr 23	Week 7 Apr 30	Week 8 May 7	Week 9 May 14	Week 10 May 21	Week 11 May 28	Week 12 Jun 4	Week 13 Jun 11	Week 14 Jun 18	Week 15 Jun 25	Week 16 Jul 2	Week 17 Jul 9
<b>Receipts</b>																	
GST and other refunds				19										2			
Other receipts																	
<b>Total receipts</b>				19										2			
<b>Disbursements</b>																	
General and administrative																	
Property taxes																	
Statutory obligations																	
<b>Total disbursements</b>																	
<b>Other disbursements</b>																	
Professional fees	30			35				13					13				13
Contingency																	
<b>Total other disbursements</b>	(30)			(35)				(13)					(13)				(13)
<b>Net cash flow</b>				(16)				(11)					(11)				(11)
<b>Opening cash balance</b>	1,761	1,731	1,721	1,728	1,712	1,707	1,707	1,707	1,696	1,696	1,691	1,691	1,649	1,638	1,633	1,633	1,693
<b>Net cash flow</b>	(10)		(1)	(16)	(15)	(13)	(6)	(11)					(11)				(11)
<b>Ending cash balance</b>	1,751	1,731	1,720	1,712	1,697	1,694	1,697	1,696	1,696	1,691	1,691	1,691	1,638	1,633	1,633	1,633	1,691

1077 Holdings Cooperative and 131465 Ontario Limited  
 Tenth Cash Flow Forecast (Note 1)  
 For the 29 week period ending on September 29, 2022  
 (Unaudited, in 000 C\$)

Week Ending	Week 18 Jul 16	Week 19 Jul 23	Week 20 Jul 30	Week 21 Aug 6	Week 22 Aug 13	Week 23 Aug 20	Week 24 Aug 27	Week 25 Sep 3	Week 26 Sep 10	Week 27 Sep 17	Week 28 Sep 24	Week 29 Sep 29	29 Week Total
<b>Receipts</b>													
GST and other rebates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total receipts</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Disbursements</b>													
General and administrative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Statutory obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total disbursements</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Other disbursements</b>													
Professional fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total other disbursements</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net cash flow</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating cash balance:	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)
Net cash flow:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending cash balance</b>	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)	\$ (961)

## **1077 Holdings Co-operative and 131465 Ontario Limited**

### **Tenth Cash Flow Forecast**

#### **Notes and Assumptions**

---

- 1 The weekly cash flow forecast of 1077 Holdings Co-operative and 1314625 Ontario Limited (collectively, "1077") for the period March 13, 2023 to September 29, 2023 has been prepared by the Monitor to set out the cash flow of 1077 (the "Tenth Cash Flow Forecast").

The Tenth Cash Flow Forecast has been prepared based on unaudited financial information and estimates of 1077's projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary and such variations may be material. Neither 1077 nor the Monitor makes any representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized.

The Tenth Cash Flow Forecast reflects estimates and assumptions summarized below with respect to operations most notably, that 1077 continues to operate within the protections afforded under the CCAA and the Amended and Restated Initial Order granted on October 2, 2020 during the CCAA Proceedings. The Tenth Cash Flow Forecast may be updated from time to time.

- 2 GST and other refunds related to post-filing expenses incurred during the pendency of the CCAA Proceedings.
- 3 Other receipts consist of the estimated settlement of the Park Towns interest held by 1077 and potential recovery of trade and customs levies applied to the importation of certain goods by the Canada Border and Services Agency.
- 4 General and administrative costs include estimated professional fees payable to 1077's consultants to assist with the recovery of customs levies, a third-party payroll provider for services related to the interim and final distributions, as well as banking fees and mailing costs.
- 5 Property taxes include property taxes related to the former head office.
- 6 Statutory obligations include payroll withholdings adjustments that may be payable, subject to the Monitor's review and reconciliation.
- 7 Professional fees are estimates of the professional services expected to be provided during the CCAA Proceedings and include fees of the Monitor and its legal counsel.
- 8 Contingency costs are included to account for any unexpected expenses and represent approximately 10% of operating and other disbursements.
- 9 For purposes of this cash flow, the estimated closing cash balance of \$1.9 million will be available for the issuance of the Final Distribution and a reserve to administer the Petitioners' bankrupt estate and attend to any residual matters, which is not expected to exceed \$50,000.



No. S209201  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

AND

IN THE MATTER OF 1077 HOLDINGS CO-OPERATIVE (FORMERLY, MOUNTAIN EQUIPMENT  
CO-OPERATIVE) AND 1314625 ONTARIO LIMITED

PETITIONERS

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

**September 20, 2023**



ALVAREZ & MARSAL

## TABLE OF CONTENTS

1.0	INTRODUCTION .....	- 1 -
2.0	PURPOSE.....	- 2 -
3.0	TERMS OF REFERENCE .....	- 2 -
4.0	ACTIVITIES OF THE MONITOR.....	- 3 -
5.0	FINAL DISTRIBUTION.....	- 4 -
6.0	ACTUAL CASH FLOW RESULTS COMPARED TO TENTH CASH FLOW FORECAST ...	- 5 -
7.0	UPDATED CASH FLOW FORECAST .....	- 7 -
8.0	STAY EXTENSION .....	- 8 -
9.0	MONITOR'S CONCLUSIONS AND RECOMMENDATIONS .....	- 9 -

## APPENDIX

**Appendix A -** Eleventh Cash Flow Forecast for the Period September 18, 2023 to November 30, 2023

## 1.0 INTRODUCTION

- 1.1 On September 14, 2020, Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, “1077” or the “**Petitioners**”) were granted an initial order (the “**Initial Order**”) by the Supreme Court of British Columbia commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “**Stay Period**”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “**Monitor**”) during the CCAA Proceedings.
- 1.2 On October 2, 2020, this Honourable Court pronounced the amended and restated initial order (the “**ARIO**”) and sale approval and vesting order to approve the sale transaction (the “**Sale Transaction**”) contemplated by the asset purchase and sale agreement between the Petitioners and 1264686 B.C. Ltd. (the “**Original Purchaser**”) dated September 11, 2020 (the “**APA**”) for the sale of the Purchased Assets and to vest all of the Purchased Assets in the Original Purchaser’s permitted assignee free and clear of any Encumbrances other than Permitted Encumbrances, as such capitalized terms are defined in the APA. The Sale Transaction closed on October 30, 2020.
- 1.3 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “**Claims Process Order**”) setting a claims process by which creditors may confirm or prove their claims against the Petitioners.
- 1.4 On March 29, 2022, this Honourable Court granted an order (the “**Distribution Order**”) granting, *inter alia*, the approval of a distribution methodology (the “**Distribution Methodology**”), to be applied by the Monitor in administering any distributions in these CCAA Proceedings, which included, among other things, (i) authorizing the Petitioners to make one or more cash distributions to each Claimant and Employee Claimant holding an Accepted Claim; and (ii) directing the Monitor to make final distributions only to those Claimants who would be entitled to distributions of \$10.00 or more.
- 1.5 On March 30, 2023, this Honourable Court pronounced an order further extending the Stay Period to September 29, 2023 (the “**September Stay Expiry**”) and granted, among other things, the Monitor the authority to make an assignment of bankruptcy on behalf of the Petitioners pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, following a

final distribution in accordance with the Distribution Methodology (the “**Final Distribution**”) and an order of this Honourable Court terminating the CCAA Proceedings

- 1.6 Concurrent with this report, the Monitor has filed a notice of application with this Honourable Court, returnable on September 29, 2023 (the “**September 29 Application**”), seeking approval of an order (the “**Stay Extension Order**”) to extend the Stay Period to November 30, 2023.
- 1.7 Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor’s website at [www.alvarezandmarsal.com/mec](http://www.alvarezandmarsal.com/mec).

## **2.0 PURPOSE**

- 2.1 This Sixteenth Report dated September 20, 2023 (the “**Sixteenth Report**”) has been prepared by the Monitor in support of its application for the Stay Extension Order and to provide this Honourable Court and the Petitioners’ stakeholders information with respect to the following:
- a) the activities of the Monitor since the Monitor’s Fifteenth Report dated March 23, 2023 (the “**Fifteenth Report**”);
  - b) an update on the anticipated Final Distribution;
  - c) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the “**Tenth Cash Flow Forecast**”), as appended to the Fifteenth Report;
  - d) an updated cash flow forecast for the period September 18, 2023 to November 30, 2023 (the “**Eleventh Cash Flow Forecast**”), and the Monitor’s comments in respect of same; and
  - e) the Monitor’s conclusions and recommendations.

## **3.0 TERMS OF REFERENCE**

- 3.1 The Monitor has prepared this Sixteenth Report in connection with the September 29 Application and this report should not be relied on for any other purpose.
- 3.2 Certain of the information referred to in this Sixteenth Report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the *Chartered Professional Accountants Canada Handbook* has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

- 3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
- 3.4 Background information, including capitalized terms not otherwise defined herein, are contained in the Initial Order, ARIO, Claims Process Order, and Distribution Order, and the Monitor's previous reports, and have not been repeated herein.

#### **4.0 ACTIVITIES OF THE MONITOR**

- 4.1 The activities of the Monitor since the Fifteenth Report have included the following:

##### **Review of CCAA Court Materials**

- a) reviewing draft Court application materials in consultation with the Monitor's legal counsel;

##### **Attending to Matters Related to the Interim Distributions**

- b) addressing numerous enquiries from Claimants, Employee Claimants and statutory authorities related to the Interim Distributions and anticipated Final Distribution;
- c) corresponding and following up with numerous Claimants and Employee Claimants and/or their legal counsel regarding their Interim Distributions, as well as outstanding cheques and updating addresses and contact information as required;

##### **Monitoring of Cash Receipts & Disbursements**

- d) preparing and reviewing bi-weekly payments, as well as reconciling cash receipts and disbursements of the trust accounts of the Monitor;

##### **Asset Realization and Recovery Matters**

- e) completing the wind-down of 1077's interest in Park Towns Developments Limited Partnership, a residential townhouse project located in Toronto, Ontario, which consisted of numerous discussions and correspondence with legal counsel of the general partner and directors of Park Towns Developments GP Inc., resulting in settlement proceeds of \$60,000;
- f) coordinating and advancing the recovery of certain customs levies applied by the Canada Border Services Agency ("CBSA") and administered by the Canada Revenue Agency ("CRA") for the importation of certain goods with the assistance of KPMG LLP ("KPMG"), resulting in net receipts of \$372,000 collected by the Monitor on September 13, 2023 (the "CBSA Refund");

##### **Statutory and Other Responsibilities**

- g) preparing this Sixteenth Report and Eleventh Cash Flow Forecast;

- h) reconciling and/or filing pre-filing payroll withholding remittances and post-filing GST returns and corresponding with the CRA regarding post-filing refunds and other related matters;
- i) concluding the CRA's audit of the Canada Emergency Wage Subsidy received by the Petitioners for the period between March 15, 2020 to November 30, 2020;
- j) attending to numerous enquiries from former employees requesting physical and electronic copies of their personnel files and other related employment records and information; and
- k) receiving and responding to telephone and email enquiries from members.

## **5.0 FINAL DISTRIBUTION**

- 5.1 As detailed in the Fifteenth Report, there are 249 Accepted Claims totaling \$31.7 million that the Monitor has, or is deemed to have, accepted and there are no unresolved Disputed Claims remaining.
- 5.2 To date, the Monitor has made two Interim Distributions: the first on or about May 31, 2022 and the second on November 28, 2022, together totaling \$28.2 million and representing 89% of the total Accepted Claims. There are 6 Employee Claimants who have not yet deposited their Interim Distribution cheques, which in aggregate totals to \$84,411. The Monitor periodically reviews its trust bank account and has made best efforts to contact the specific Claimants and Employee Claimants in order to re-issue and/or redirect the cheques, where possible.
- 5.3 The Monitor has maintained a cash reserve in the estate for the estimated on-going costs of the CCAA Proceedings and to ensure that the Final Distribution to Claimants and Employee Claimants would be in excess of \$10.00 per Claim, as further discussed in section 7.3 of this report.
- 5.4 The Monitor had anticipated receiving the CBSA Refund well in advance of the September Stay Expiry, and to this end, the Monitor had engaged both the CBSA and the CRA in extensive communications consisting of phone calls, emails, and customer service enquiries to provide all necessary information to advance the issuance and delivery of the CBSA Refund. On August 28, 2023, KPMG was advised by the CBSA that the process of issuing a cheque for the CBSA Refund had been initiated, which was subsequently received by the Monitor's office on September 13, 2023.
- 5.5 While waiting for the resolution and issuance of the CBSA Refund, the Monitor had considered an interim distribution prior to the September Stay Expiry, however, decided to forgo such a distribution due to the incremental expenses and professional fees that would be incurred by the

estate in advancing an interim distribution in addition to the eventual Final Distribution, which would decrease the overall recovery to Claimants.

5.6 With the collection of the CBSA Refund, the Monitor has begun preparations for the Final Distribution and the total anticipated recovery to Claimants is expected to be in the range of 94% of their Accepted Claim, which remains consistent with the estimated recoveries presented by the Monitor in previous reports. It is the Monitor's intention to make best efforts to effect the Final Distribution as soon as possible, which is anticipated to occur no later than the end of October 2023.

## **6.0 ACTUAL CASH FLOW RESULTS COMPARED TO TENTH CASH FLOW FORECAST**

6.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has modified the cash flow review protocol to review actual cash flows against the Tenth Cash Flow Forecast from a weekly basis to bi-weekly to reflect the decreased activity in the accounts and minimize associated professional fees.

6.2 The Petitioners' actual cash receipts and disbursements compared to the Tenth Cash Flow Forecast during the period from September 15, 2020 to September 17, 2023 is summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited  
Cash Flow Variance Analysis  
For the period September 15, 2020 to September 17, 2023  
(in CAD 000's)

	For the 157 Weeks Ended September 17, 2023		
	Actual	Forecast	Variance
<b>Receipts</b>			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,628	-
Other receipts and letters of credit	4,755	4,692	63
GST refunds	187	205	(17)
Return of deposits	(601)	(601)	-
<b>Total receipts</b>	<b>54,146</b>	<b>54,100</b>	<b>46</b>
<b>Disbursements</b>			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,320	3,413	93
Insurance	145	145	-
Property taxes and other property liabilities	4,512	4,547	35
Statutory obligations	3,760	3,767	7
Consultants	63	63	-
<b>Total disbursements</b>	<b>59,825</b>	<b>59,960</b>	<b>135</b>
	<b>(5,679)</b>	<b>(5,860)</b>	<b>180</b>
<b>Other disbursements</b>			
KERP payments	778	778	-
Professional fees	6,223	6,260	37
Debt service	987	987	-
Contingency	574	599	25
<b>Total other disbursements</b>	<b>(8,562)</b>	<b>(8,624)</b>	<b>62</b>
<b>Interim Distributions</b>	<b>(28,233)</b>	<b>(28,233)</b>	<b>-</b>
<b>Net proceeds from Sale Transaction</b>	<b>30,411</b>	<b>30,411</b>	<b>-</b>
<b>Net Cash Flow</b>	<b>\$ (12,063)</b>	<b>\$ (12,305)</b>	<b>\$ 243</b>
<b>Opening Cash Balance</b>	<b>\$ 14,188</b>	<b>\$ 14,188</b>	<b>\$ -</b>
<b>Net Cash Flow</b>	<b>(12,063)</b>	<b>(12,305)</b>	<b>243</b>
<b>Ending Cash Balance</b>	<b>\$ 2,126</b>	<b>\$ 1,883</b>	<b>\$ 243</b>

*\* Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.*

6.3 As at September 17, 2023, the closing cash balance held in trust by the Monitor totaled approximately \$2.1 million. Certain variances in respect of the reported cash receipts and disbursements are as follows:

- a) total operating receipts were approximately \$46,000 higher than forecast, primarily due to higher than anticipated interest income and CBSA Refund amount, which were offset by delays in receiving GST refunds from the CRA; and

b) total operating disbursements were approximately \$197,000 lower than forecast, primarily due to timing differences with respect to payment of certain general and administrative expenses and property taxes, along with lower than anticipated professional fees.

6.4 Since the Fifteenth Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform bi-weekly variance reporting and approval of disbursements. Nothing has come to the attention of the Monitor that causes the Monitor to believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.

**7.0 UPDATED CASH FLOW FORECAST**

7.1 The Eleventh Cash Flow Forecast has been prepared by the Monitor for the period from September 18, 2023 to November 30, 2023 (the “Forecast Period”). The Eleventh Cash Flow Forecast is attached herewith as Appendix “A” along with accompanying notes and assumptions. A summary of the Eleventh Cash Flow Forecast is tabled below:

1077 Holdings Co-operative and 1314625 Ontario Limited	
Eleventh Cash Flow Forecast	
For the 11 week period ending on November 30, 2023	
(in CAD 000's)	
	Forecast Period
<b>Receipts</b>	
GST and other refunds	\$ 13
<b>Total receipts</b>	<u>13</u>
<b>Disbursements</b>	
General and administrative	92
Property taxes	35
Statutory obligations	4
<b>Total disbursements</b>	<u>131</u>
	(118)
<b>Other disbursements</b>	
Professional fees	130
Contingency	14
<b>Total other disbursements</b>	<u>(144)</u>
<b>Net cash flow</b>	<u>\$ (262)</u>
<b>Opening cash balance</b>	\$ 2,126
Net cash flow	(262)
<b>Ending cash balance</b>	<u>\$ 1,864</u>

7.2 The Monitor’s comments with respect to the Eleventh Cash Flow Forecast are as follows:

- a) forecast receipts totaling \$13,000 relate to GST refunds anticipated for post-filing expenses incurred during the pendency of the CCAA Proceedings;
- b) forecast disbursements totaling \$275,000 consist of the following:

- i. general and administrative costs of approximately \$92,000 relate to estimated fees for engaging KPMG to assist with the recovery of the CBSA Refund and a third-party payroll provider to administer distributions to Employee Claimants and preparation of related tax forms, and estimated mailing and banking fees for the Final Distribution;
- ii. property liabilities approximating \$35,000 in connection with outstanding property taxes for the former head office property;
- iii. statutory obligations of approximately \$4,000 relate primarily to assessments pertaining to the CRA's pensionable and insurable earnings reviews; and
- iv. professional fees of approximately \$130,000 for services provided by the Monitor and its legal counsel (refer to section 7.3 below regarding a reserve for a future bankruptcy of the 1077 estate).

7.3 At present, the Monitor anticipates it will be holding approximately \$1.9 million at the end of the Forecast Period, which is consistent with the Monitor's Fifteenth Report. The majority of the \$1.9 million balance will be used to make the Final Distribution in accordance with the Distribution Methodology with a balance of funds, expected not to exceed \$75,000, reserved to administer the Petitioners' bankrupt estate and resolve any remaining residual matters in the CCAA Proceedings, if any.

7.4 The Eleventh Cash Flow Forecast has been prepared solely for the purpose described in Note 1 on the face of the Eleventh Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

## **8.0 STAY EXTENSION**

8.1 Pursuant to the Stay Extension Order, the Stay Period will expire on September 29, 2023. The Monitor is seeking an extension of the Stay Period to November 30, 2023.

8.2 The Monitor believes extending the Stay Period for 9 weeks is reasonable for the following reasons:

- a) during the proposed extension of the Stay Period, the Monitor will have an opportunity to:
  - i. complete the Final Distribution to affected creditors, make the necessary statutory remittances, and make reasonable efforts to follow-up with any undeposited cheques prior to the end of the Forecast Period;
  - ii. prepare for the issuance of annual tax forms for the Employee Claimants and other tax compliance reporting as required;

- iii. assign the Petitioners into bankruptcy upon completion of the Final Distribution and the termination of these CCAA Proceedings, as authorized by the Court order granted March 30, 2023; and
  - iv. attend to any remaining activities relating to the wind-down of the Petitioners' operations and business.
- b) the Eleventh Cash Flow Forecast indicates that there is sufficient liquidity to continue operating during the requested extension of the Stay Period; and
  - c) no creditor or any stakeholders of the Petitioners would be materially prejudiced by the extension of the Stay Period.

**9.0 MONITOR'S CONCLUSIONS AND RECOMMENDATIONS**

9.1 For the reasons set out in this Sixteenth Report, the Monitor is of the view that the requests are reasonable and respectfully recommends that this Honourable Court grant the proposed Stay Extension Order.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 20<sup>th</sup> day of September, 2023.

**Alvarez & Marsal Canada Inc.,  
in its capacity as Monitor of  
1077 and not in its personal or corporate capacity**



Todd M. Martin  
Senior Vice President



Vicki Chan  
Vice President

**APPENDIX A**

**Eleventh Cash Flow Forecast**

1077 Holdings Co-operative and 131465 Ontario Limited  
Eleventh Cash Flow Forecast (Note 1)  
For the 11 week period ending on November 30, 2023  
(Unaudited, in 000s CAD)

Week Week Ending	Notes	Week 1 Sep 24	Week 2 Oct 1	Week 3 Oct 8	Week 4 Oct 15	Week 5 Oct 22	Week 6 Oct 29	Week 7 Nov 5	Week 8 Nov 12
<b>Receipts</b>									
GST and other refunds	2	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ -	\$ 1
<b>Total receipts</b>		-	-	-	13	-	-	-	1
<b>Disbursements</b>									
General and administrative	3	-	-	0	-	-	79	0	-
Property taxes	4	-	-	-	-	-	35	-	-
Statutory obligations	5	-	-	4	-	-	-	-	-
<b>Total disbursements</b>		-	-	4	-	-	114	0	-
		-	-	(4)	13	-	(114)	(0)	1
<b>Other disbursements</b>									
Professional fees	6	13	-	-	45	-	-	-	-
Contingency	7	-	5	-	-	-	5	-	-
<b>Total other disbursements</b>		(13)	(5)	-	(45)	-	(5)	-	-
<b>Net cash flow</b>		\$ (13)	\$ (5)	\$ (4)	\$ (32)	\$ -	\$ (119)	\$ (0)	\$ 1
<b>Opening cash balance</b>		\$ 2,126	\$ 2,113	\$ 2,108	\$ 2,104	\$ 2,071	\$ 2,071	\$ 1,952	\$ 1,952
Net cash flow		(13)	(5)	(4)	(32)	-	(119)	(0)	1
<b>Ending cash balance</b>	8	\$ 2,113	\$ 2,108	\$ 2,104	\$ 2,071	\$ 2,071	\$ 1,952	\$ 1,952	\$ 1,953

1077 Holdings Co-operative and 131465 Ontario Limited  
Eleventh Cash Flow Forecast (Note 1)  
For the 11 week period ending on November 30, 2023  
(Unaudited, in 000s CAD)

Week Week Ending	Notes	Week 9 Nov 19	Week 10 Nov 26	Week 11 Nov 30	11 Weeks Total
<b>Receipts</b>					
GST and other refunds	2	\$ -	\$ -	\$ -	\$ 13
<b>Total receipts</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>
<b>Disbursements</b>					
General and administrative	3	11	-	2	92
Property taxes	4	-	-	-	35
Statutory obligations	5	-	-	-	4
<b>Total disbursements</b>		<b>11</b>	<b>-</b>	<b>2</b>	<b>131</b>
		<b>(11)</b>	<b>-</b>	<b>(2)</b>	<b>(118)</b>
<b>Other disbursements</b>					
Professional fees	6	33	-	40	130
Contingency	7	4	-	-	14
<b>Total other disbursements</b>		<b>(37)</b>	<b>-</b>	<b>(40)</b>	<b>(144)</b>
<b>Net cash flow</b>		<b>\$ (48)</b>	<b>\$ -</b>	<b>\$ (42)</b>	<b>\$ (262)</b>
<b>Opening cash balance</b>		<b>\$ 1,953</b>	<b>\$ 1,905</b>	<b>\$ 1,905</b>	<b>\$ 2,126</b>
Net cash flow		(48)	-	(42)	(262)
<b>Ending cash balance</b>	8	<b>\$ 1,905</b>	<b>\$ 1,905</b>	<b>\$ 1,864</b>	<b>\$ 1,864</b>

## **1077 Holdings Co-operative and 131465 Ontario Limited**

### **Eleventh Cash Flow Forecast**

#### **Notes and Assumptions**

---

- 1 The weekly cash flow forecast of 1077 Holdings Co-operative and 131465 Ontario Limited (collectively, "1077") for the period September 18, 2023 to November 30, 2023 has been prepared by the Monitor to set out the cash flow of 1077 (the "Eleventh Cash Flow Forecast").

The Eleventh Cash Flow Forecast has been prepared based on unaudited financial information and estimates of 1077's projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary and such variations may be material. Neither 1077 nor the Monitor makes any representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized.

The Eleventh Cash Flow Forecast reflects estimates and assumptions summarized below with respect to operations most notably, that 1077 continues to operate within the protections afforded under the CCAA and the Amended and Restated Initial Order granted on October 2, 2020 during the CCAA Proceedings. The Eleventh Cash Flow Forecast may be updated from time to time.

- 2 GST refunds related to post-filing expenses incurred during the pendency of the CCAA Proceedings.
- 3 General and administrative costs include estimated professional fees payable to 1077's consultant to assist with the recovery of customs levies, a third-party payroll provider for services related to the final distributions, as well as associated banking fees and mailing costs.
- 4 Property taxes include property taxes related to the former head office.
- 5 Statutory obligations include assessments pertaining to the CRA's pensionable and insurable earnings review that may be payable, subject to the Monitor's review and reconciliation.
- 6 Professional fees are estimates of the professional services expected to be provided during the CCAA Proceedings and include fees of the Monitor and its legal counsel.
- 7 Contingency costs are included to account for any unexpected expenses and represent approximately 5% of operating and other disbursements.
- 8 For purposes of this cash flow, the estimated closing cash balance of \$1.9 million will be available for the issuance of the Final Distribution and a reserve to administer the Petitioners' bankrupt estate and attend to any residual matters, which is not expected to exceed \$75,000.