

COURT FILE NUMBER QB No. 1884 of 2020 "2019"

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE SASKATOON

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 101098672
SASKATCHEWAN LTD., MORRIS INDUSTRIES LTD., MORRIS SALES and SERVICE LTD.,
CONTOUR REALTY INC., and MORRIS INDUSTRIES (USA) INC.

AMENDED ORIGINATING APPLICATION

NOTICE TO THE RESPONDENTS

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Court. To do so, you must be in Court when the application is heard as shown below:

Where: 520 Spadina Crescent East, Saskatoon, SK

Date: Wednesday, January 8, ~~2020~~19

Time: 10:00 a.m.

Go to the end of this document to see what you can do and when you must do it.

PARTICULARS OF APPLICATION

1. The applicants, 101098672 Saskatchewan Ltd. ("**672**"), Morris Industries Ltd. ("**Morris Industries**"), Morris Sales and Service Ltd. ("**MSS**"), Contour Realty Inc. ("**CRI**"), and Morris Industries (USA) Inc. ("**Morris USA**") (collectively, the "**Morris Group**"), seek an order in the form of draft Order filed (the "**Draft Initial Order**") pursuant to sections 3, 11, 11.02(1), 11.03, 11.2, and 11.52 of the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**"):

- (a) deeming service of the Application Materials upon all parties listed on the Service List established in these proceedings to be good, timely, and sufficient;
- (b) declaring that 672, Morris Industries, MSS, CRI, and Morris USA are companies to which the CCAA applies;
- (c) appointing Alveraz & Marsal Canada Inc. ("**A&M**") as officer of this Honourable Court and monitor pursuant to the CCAA;
- (d) authorizing the Morris Group to:
 - (i) remain in possession and control of its property;
 - (ii) continue to carry on business in a manner consistent with the preservation of its business and property;

- (iii) continue to retain, employ, and pay the professional advisors and employees currently retained or employed by it, with liberty to retain, employ, and pay such further assistants as it deems reasonably necessary or desirable;
- (iv) pay expenses incurred in the ordinary course of business, including certain expenses incurred prior to the date of the Initial Order;
- (v) pay the reasonable fees and disbursements of the Monitor, its counsel, and the Morris Group's counsel;
- (e) staying all proceedings and the exercise of rights or remedies by any person against or in respect of the Morris Group, its directors, and the proposed monitor, or affecting the Morris Group's business or property, except as permitted by the Initial Order, until January 18, 2020, and providing that the Morris Group shall indemnify its directors and officers against obligations and liabilities that they may incur in those capacities after the commencement of these proceedings;
- (f) authorizing the Morris Group to enter into negotiations to obtain and borrow interim financing from an proposed interim lender;
- (g) granting the following charges on the Morris Group's property:
 - (i) a charge in favour of the Monitor, its counsel, and the Morris Group's counsel in respect of their fees and disbursements; and
 - (ii) a charge in favour of the interim lender in respect of amounts advanced to the Morris Group; and
 - (iii) a charge in favour of the directors as security for the indemnity provided by the Morris Group.
- (h) such further and other relief as counsel may request and this Honourable Court may allow.

2. The Morris Group's grounds for making this application are:

- (a) the individual companies comprising the Morris Group are *affiliated debtor companies* (as those terms are defined by the CCAA):
 - (i) 672 is the parent company of the Morris Group, holding 100% of the issued Class A common shares of Morris Industries and all of the issued shares of MSS and CRI;
 - (ii) Morris Industries, the Morris Group's primary operating company, holds all of the issued shares of Morris USA;
 - (iii) each of the Morris Group companies is unable to meet its obligations as they generally become due and are facing an imminent liquidity crisis; and
 - (iv) the total claims against the Morris Group are more than \$5 million;
- (b) A&M has consented to act as the monitor;
- (c) in the absence of Court protection pursuant to the CCAA, the continued operation of the Morris Group's business is in jeopardy, and social and economic losses to the

stakeholders are liable to flow as creditors seek to realize on their security and initiate legal proceedings; and

- (d) the Morris Group therefore requires:
 - (i) a stay of proceedings (and additional relief set out in the Initial Order) to provide the breathing room necessary to preserve the business as a going concern and present value of the property, while also giving it the opportunity to pursue a restructuring of its affairs for the benefit of the stakeholders; and
 - (ii) interim financing to pay certain pre-filing expenses, continue to carry on business in the ordinary course post-filing, and pursue a restructuring of its affairs.

3. The Morris Group's summary of the material facts is as follows:

- (a) the Morris Group is in the business of manufacturing farm equipment for distribution through a network of dealers in Canada, the United States, Australia, and Eastern Europe;
- (b) in recent years, the Morris Group has incurred significant losses, which are attributable to the unfortunate combination of multiple factors, which include, but are not limited to, the following:
 - (i) the Morris Group incurred increased overhead and production costs to grow its business operations and introduce a new product line in 2018; however, the new product line experienced warranty issues requiring a significant capital investment far beyond any foreseeable estimates;
 - (ii) the Morris Group's increased costs were accompanied by decreasing sales attributable to external factors, such as international trade disputes and inclement weather in successive crop years, all of which have negatively affected the agricultural industry as a whole; and
 - (iii) as a result of the Morris Group's declining financial results, it lost access to a longstanding factoring facility that had previously provided for the early payment of a substantial portion of its accounts receivable from its second largest customer base;
- (c) the resulting bulge in the Morris Group's inventory has put additional strain on its working capital, leading to an inability to meet its obligations generally as they became due and the present liquidity crisis; and
- (d) the Morris Group is in the process of formulating a restructuring plan, but requires time and a cash injection in order to continue to implement the same while also continuing to operate its business in the ordinary course during the stay period.

4. In support of this application, the Morris Group relies on the following material or evidence:

- (a) this Amended Originating Application and proof of service;
- (b) the Affidavit of Kevin Adair;
- (c) [Intentionally deleted.]; ~~the Pre-Filing Report of the Monitor~~;
- (d) the Consent of Alveraz & Marsal Canada Inc. to act as Monitor;

- (e) a draft Initial Order in both clean and redlined versions;
- (f) a Brief of Law; and
- (g) such further and other materials as counsel may advise and this Honourable Court may allow.

DATED at Saskatoon, Saskatchewan, this 30th day of December, 2020.

McDOUGALL GAULEY LLP

Per: "Craig Frith"

Solicitors for the applicants, the Morris Group

AMENDED at Saskatoon, Saskatchewan, this 3rd day of January, 2020.

McDOUGALL GAULEY LLP

Per:

Solicitors for the applicants, the Morris Group

This notice is issued at the above-noted judicial centre on the "30th" day of ~~January, 2020~~ "December, 2019.

"K. Brower"

(Deputy) Local Registrar

NOTICE

You are named as a respondent because you have made or are expected to make an adverse claim with respect to this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form.

The rules require that a party moving or opposing an originating application must serve any brief of written argument on each of the other parties and file it at least 3 days before the date scheduled for hearing the originating application.

If you intend to rely on an affidavit or other evidence when the originating application is heard or considered, you must serve a copy of the affidavit and other evidence on the originating applicant at least 10 days before the originating application is to be heard or considered.

CONTACT INFORMATION AND ADDRESS FOR SERVICE

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