

COURT FILE NUMBER Q.B. No. 1884 of 2019

COURT COURT OF QUEEN'S BENCH FOR SASAKATCHEWAN

JUDICIAL CENTRE SASKATOON

PROCEEDINGS IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c.C-36, AS AMENDED (the "CCAA")

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.

DOCUMENT **EIGHTH REPORT OF THE MONITOR**

JULY 24, 2020

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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INTRODUCTION

1. On January 8, 2020 (the “**Filing Date**”), upon the application of counsel for 101098672 Saskatchewan Ltd. (“**672**”), Morris Industries Ltd. (“**MIL**”), Morris Sales and Service Ltd. (“**MSS**”), Contour Realty Inc. (“**CRI**”) and Morris Industries (USA) Inc. (“**MUSA**”) (collectively, the “**Morris Group**”, the “**Applicants**”, the “**Company**” or the “**Companies**”), the Court of Queen’s Bench for Saskatchewan (the “**Court**”) made an order (the “**Initial Order**”) granting a stay of proceedings in respect of the Companies until January 16, 2020 pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985, c. C-36, as amended (the “**CCAA**”). The proceedings commenced under the CCAA by the Applicants are referred to herein as the “**CCAA Proceedings**”.
2. The Initial Order provided limited relief to the Applicants including (without limitation) an initial stay of proceedings (the “**Stay**”) in favour of the Applicants and their assets through to January 16, 2020, an administrative charge (the “**Administrative Charge**”) and a directors’ charge (“**Directors Charge**”).
3. The Court appointed Alvarez & Marsal Canada Inc. as monitor (the “**Monitor**” or “**A&M**”) in the CCAA Proceedings.
4. On January 16, 2020, the Court granted an Amended and Restated Initial Order (the “**ARI Order**”) providing an extension of the Stay through to (and including) March 27, 2020 (the “**Second Stay Extension**”), a claims process order (the “**Claims Procedure Order**”), a sales and investment solicitation process order (the “**SISP Order**”) and an interim lender’s charge (the “**DIP Charge**”).
5. On February 16, 2020, as a result of the resignation or pending resignation of all of the directors of the Companies, the Court granted an order expanding the Monitor’s powers (the “**EMP Order**”), in order to (among other things), authorize and empower the Monitor to perform various activities on behalf of the Company, including entering into any contracts, collecting receipts and approving all disbursements on behalf of the Company.

Since the EMP Order, further Orders were granted by the Court with respect to auction orders, increasing interim financing borrowings, amending the SISF and multiple extensions to the stay of proceedings. The most recent Order granted by the Court was on July 3, 2020, (the “**July 3rd Stay Extension Hearing**”), where the Court granted an extension of the stay of proceedings to July 31, 2020, primarily to allow the Company, by and through the Monitor, to work towards satisfaction of the conditions to closing of the executed two asset purchase agreements (the “**APA’s**”), as provided to the Court in the Confidential Appendix to the Seventh Report.

6. Further information regarding the CCAA Proceedings, including copies of the Initial Order, the Amended and Restated Initial Order, and other orders, application materials and reports of the Monitor are available on the Monitor’s website at: www.alvarezandmarsal.com/morris (the “**Case Website**”).

PURPOSE

7. The purpose of this eighth report (the “**Eighth Report**”) is to provide this Court with information respecting the following:
 - a) activities of the Monitor since the Seventh Report dated June 30, 2020;
 - b) a brief update on the Morris Group’s business and financial affairs;
 - c) an update regarding the SISF and satisfying outstanding conditions to the APA’s;
 - d) a comparison of the Morris Group’s actual cash receipts and disbursements to the cash flow forecast appended to the Seventh Report of the Monitor (the “**Sixth Cash Flow Forecast**”) for the period June 26, 2020 to July 17, 2020;
 - e) the Applicants’ updated cash flow forecast from July 20, 2020 through to August 31, 2020;

- f) the request for approval of the Monitor’s activities and the professional fees and costs of the Monitor and its legal counsel; and
 - g) the request for a further extension of the Stay of Proceedings to August 31, 2020.
- 8. Capitalized words or terms not defined in this Report are as defined in the Initial Order, the Amended and Restated Initial Order, other orders of this Honourable Court and the prior reports (the “**Prior Reports**”) of the Monitor, as the case may be.
- 9. All references in this Report to dollars are in Canadian currency.

TERMS OF REFERENCE AND DISCLAIMER

- 10. In preparing this Report, A&M, in its capacity as Monitor, has been provided with and necessarily relied upon unaudited financial and other information supplied (the “**Information**”), and representations made to it, by certain senior management of the Morris Group (“**Management**”), the Applicants and certain external advisors or consultants of the Company. Except as otherwise described in this Report in respect of the Morris Group’s cash flow forecast:
 - a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the Chartered Professional Accountants Canada Handbook (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
 - b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts

and projections, as outlined in the CPA Handbook, has not been performed.

11. Although this information has been subject to review, A&M has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management, the Applicants or otherwise provided by the Companies. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this report, or otherwise used to prepare this report.
12. Future oriented financial information referred to in this Report was prepared based on estimates and assumptions provided by senior management and employees of the Morris Group. Unless expressly stated, forecasts and projections included in this Report do not reflect the potential financial impact of COVID-19 on the Company's operations. Although the Company has taken various measures to increase safety and to mitigate costs, it is impossible to quantify with certainty the true impact of COVID-19 on the Company's future business operations. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results may vary from the projections, even if the assumptions materialize, and the variations could be significant.

ACTIVITIES OF THE MONITOR

13. Since the Seventh Report, the Monitor's activities have included (but not been limited to):

- a) conducting ongoing discussions, meetings and communications with Management, employees and advisors of the Companies regarding the Companies' business and financial affairs;
- b) ongoing communications with the Company's key stakeholders and secured creditors and their respective legal counsel, including the continuing involvement of the Monitor's independent legal counsel, MLT Aikins LLP ("MLTA");
- c) extensive communications with the Morris Group's various customer (dealers);
- d) assisting the Company in bolstering its sales and collection efforts in selling parts to Morris' customers and, thereby, increasing collections during the Reporting Period;
- e) detailed analysis of accounts receivable across the Companies' dealer network in efforts to collect outstanding balances subsequent to the spring seeding (revenue generating) season;
- f) finalizing collections of returns, parts and inventories to various distributors and original equipment manufacturers who, primarily on a pre-filing basis, supplied inventory to MSS for resale;
- g) collection of data and analysis of the comprehensive inventory count of all inventory located in Morris' facilities in Yorkton, Saskatchewan and Minnedosa, Manitoba, as well as a third-party managed warehouse in Minot, North Dakota;

- h) monitoring the Company's response to COVID-19 and other operational matters of the Company during the proceedings;
- i) detailed review of ongoing production and procurement activities at each of the production facilities mainly in respect of firm orders and forecast orders from the Company's major customer located in Australia;
- j) review of month-end reporting of inventory and receivable balances to the primary secured creditor and interim financing lender, BMO;
- k) ongoing review of purchase requisitions and other funding requests pursuant to the requirements under the Interim Financing Facility;
- l) assisting the Company in applying for and receiving funds available under the Canada Emergency Wage Subsidy ("CEWS") program;
- m) exclusive discussions, due diligence assistance, operational transition planning and negotiations with SFLP with respect to entering into and finalizing the APAs, and satisfaction of the conditions and other pre-closing activities, as further described below;
- n) ongoing separate discussions with the senior secured lenders, both BMO and FCC, of the Morris Group as it relates to the executed APAs;
- o) communicating with the representative of the Retail, Wholesale and Department Store Union, Local 955 (the "**Union**") certified to represent unionized employees at the Company's production facility in Yorkton, Saskatchewan.

OPERATIONAL UPDATE SINCE THE SEVENTH REPORT

14. Since the Seventh Report:

- a) the Companies continued to sell manufactured whole goods and parts inventory to dealers in the normal course, receiving assistance from assembly depots as required and continued to actively pursue the collection of accounts receivable. As at June 30, 2020, the Companies maintained approximately \$2.6 million of trade accounts receivable due from various dealers across Canada, the U.S. and Eastern Europe (excluding Australia);
- b) the Companies have issued to their long-standing client, a dealer located in Australia (the “**Australian Dealer**”), approximately \$12.0 million of invoices for products shipped by Morris Group to the Australian Dealer over the past eighteen months. The Company has been able to collect approximately \$7.5 million of the \$12.0 million and the remaining agreed upon portion is expected to be collected in the near term;
- c) The Company continues to produce whole good units in anticipation of the confirmation of orders for specific units from its Australian Dealer and correspondingly has been arranging for procurement of key inputs for the 2020/2021 order book; and
- d) the Company, by and through the Monitor and its legal counsel, continued to host multiple communications with the Bank of Montreal (“**BMO**”) and Farm Credit Canada (“**FCC**”), with respect to the CCAA Proceedings and the status of the SISP. The Company continues to report to BMO, as the DIP Lender, in accordance with the DIP Facility agreement, including bi-weekly cash flow reporting along with margin reports. The Monitor assisted the Company in the preparation of this cash flow reporting to BMO.

UPDATE ON THE SISP

15. As disclosed in the Seventh Report, the Monitor executed the APA's with SFLP on June 30, 2020 after SFLP obtained board approval. A copy of the APAs were included in a confidential appendix to the Seventh Report, which included a brief summary of the APAs.
16. The Monitor and SFLP have been working towards satisfying remaining conditions to the APA's. The Monitor and SFLP were anticipating that all remaining conditions would have been satisfied by now. However, there remain certain outstanding conditions to satisfy which will likely be removed in early August 2020. The Monitor anticipates that once the conditions have been satisfied and/or waived, the Monitor will immediately file court materials seeking a sale approval and vesting order from this Honourable Court approving the APAs. In addition, the Monitor is advised that BMO will also bring forward its Application For Bankruptcy Order against Morris Group at the same time.
17. The Monitor has prepared a brief update to this Honourable Court with respect to the remaining outstanding conditions to be satisfied on the APAs and has included it in Confidential Appendix 1. Due to the confidential nature of this information, and since the APAs are currently under confidential seal with this Court, the Monitor is of the respectful view that Confidential Appendix 1 also be sealed, as disclosure of this information could materially prejudice the ability of parties to the transaction to close the transaction. Further, the Monitor is of the view that creditors of Morris would not be materially prejudiced by sealing of this information.

CASH FLOW RESULTS

18. The Company's actual cash receipts and disbursements compared to the Fifth Cash Flow Forecast for the period from June 27, 2020 to July 17, 2020 (the "**Reporting Period**"), appended to the Seventh Report of the Monitor are summarized below:

MORRIS GROUP
Cash Flow Variance Analysis
For the period June 27, 2020 to July 17, 2020
(In CAD \$000s)

	Jan. 8 to Jul. 17, 2020	June 27 to July 17, 2020		
	Actual	Actual	Forecast	Var (\$)
Receipts				
Whole goods collections	2,657	313	373	(60)
Parts collections	2,822	310	334	(24)
Draw on EDC insured foreign receivable	101	101	-	101
Sale of excess inventory	1,601	-	8	(8)
CEWS receipts	862	-	285	(285)
Other collections	108	1	-	1
Total receipts	8,151	725	999	(275)
Disbursements				
Production costs	1,415	209	365	156
Operating expenses	1,373	84	46	(38)
Critical Suppliers	252	-	-	-
Wind down of MSS	62	-	-	-
Insurance costs	511	49	49	(0)
Payroll and related	4,090	298	310	12
Pension	466	90	90	(0)
Marketing costs	50	-	-	-
Rent	363	54	54	-
Other operating costs	670	95	134	39
DIP interest, fees and costs	521	58	64	6
Professional fees and costs	2,790	89	271	181
Other Expenses	14	-	-	-
Total disbursements	12,577	1,025	1,382	357
Net cash flow from operations	(4,426)	(300)	(383)	82
DIP draws (repayments)	4,426	300	383	82
Net cash flow from financing	4,426	300	383	82
Net cash flow	\$ -	\$ -	\$ -	\$ -
Interim Financing (DIP Facility)				
Maximum Available DIP	\$ 6,500	\$ 6,500	\$ 6,500	
Opening Drawn Balance	\$ 1,243	\$ 5,369	\$ 5,369	\$ -
Draws (Repayments)	4,426	300	383	82
Ending DIP Balance (Cash)	5,669	5,669	5,751	82
DIP Availability during the Period	\$ 831	\$ 831	\$ 749	\$ 82
Australian Dealer Collections				
Opening Cash Balance	\$ -	\$ 4,983	\$ 4,983	\$ -
Collections	7,483	2,500	2,702	(202)
Draws	(101)	(101)	-	(101)
Endng Cash Balance	\$ 7,382	\$ 7,382	\$ 7,686	\$ (303)

19. Over the Reporting Period, the Company experienced a favorable cash flow variance of approximately \$82,000 as a result of various permanent and temporary differences, most notably:

- a) Whole goods and parts collections were collectively \$84,000 lower than forecast due in part to permanent and temporary differences with respect to timing of collections;
- b) Canada Emergency Wage Subsidy receipts were \$285,000 lower than forecast due to the timing of its collection;
- c) EDC insured foreign receivable collection is \$303,000 lower than forecast due to timing differences. Further collections are anticipated during the forecast period in the Seventh Cash Flow Forecast (defined below);
- d) Production costs were \$156,000 lower than forecast due to both timing and permanent differences. Approximately \$250,000 is anticipated to be paid in the coming weeks and are reflected in the Seventh Cash Flow Forecast;
- e) Operating expenses were \$38,000 higher than forecast due to higher costs of freight and other expenses;
- f) Professional fees are \$181,000 lower than forecast due to timing differences with respect to payment of the Monitor's fees for the period June 2020. The Monitor intends to pay professional fees and costs for June before the end of July 2020;

UPDATED CASH FLOW FORECAST

20. The Updated Cash Flow Forecast (the “**Seventh Cash Flow Forecast**”) for the Forecast Period is attached as Appendix A along with accompanying notes and assumptions, and a summary of the Seventh Cash Flow Forecast is tabled below:

MORRIS GROUP 7 Week Cash Flow Forecast For the Period July 20, 2020 to August 31, 2020 <i>(in CAD \$000s)</i>	
Receipts	
Whole goods collections	\$ 202
Parts collections	772
Sale of excess inventory	44
Canada Emergency Wage Subsidy receipts	341
Total Receipts	1,360
Disbursements	
Production costs	249
Operating expenses	159
Insurance costs	45
Payroll and related	871
Pension	109
Rent	61
Other operating costs	121
DIP interest, fees and costs	394
PMSI priority payments	254
Professional fees and costs	510
Total Operating Disbursements	2,774
Net Cash Flow	\$ (1,414)
DIP Draw (Repayments)	275
Net Cash Flow Remaining	\$ (1,139)
EDC Insured Foreign Receivables Previously Collected	\$ 7,483
Opening balance	7,384
Forecast collections	203
Net cash flow remaining	(1,139)
Ending cash available	\$ 6,448
Interim Financing Availability (Max)	\$ 6,500
Opening balance	5,669
DIP draws (repayments)	275
Ending balance	\$ 5,944
Remaining Interim Financing Availability	\$ 556

21. By the end of Forecast Period, the ending cash available is projected to be \$6.4 million, which will allow the Company the option to repay the existing DIP loan drawn of approximately \$5.9 million. Accordingly, it is estimated that the remaining interim financing availability will be approximately \$556,000, primarily based on further collections of the EDC insured foreign accounts receivable, collecting receipts from confirmed whole goods orders and forecast parts sales, and receiving additional cash receipts from the CEWS program, offset by forecast operating costs and other costs of the proceedings during the Forecast Period.
22. The Monitor's comments with respect to the Seventh Cash Flow Forecast are as follows:
- a) Whole goods and parts collections total approximately \$974,000, of which \$202,000 relate to whole goods orders and \$772,000 relate to forecast part sales and collections. The forecast parts collections reflect collection of the end of the seeding season sales and are consistent with historical performance;
 - b) Sale of excess inventory include the balance of collections expected from the return of unused third-party branded equipment (MSS inventory) to the original manufacturer as discussed in Prior Reports;
 - c) Canada Emergency Wage Subsidy receipts were previously received and reported in Seventh Report by the Company in June 2020. An additional application for CEWS has been submitted and is expected to be received at the end of July 2020 consistent with the timelines provided by the Government of Canada;
 - d) Disbursements include payments in the ordinary course within the CCAA proceedings and on normal payment terms;
 - e) DIP fees and costs of approximately \$394,000 are anticipated to be paid relating to interest and professional fees and costs of the DIP

lenders/BMO's legal counsel as permitted in the DIP Commitment Letter dated March 27th, 2020 and amended from time to time;

- f) Professional fees and disbursements of the Monitor and its counsel for the period of June and July 2020 are paid during the Forecast Period, which also include estimated retainers for the anticipated bankruptcy process;
- g) PMSI priority payments in respect of certain equipment sold through auction are forecast to be paid, subject to a review of the enforceability and validity of the security as well as appropriate cost allocations; and
- h) EDC insured foreign receivable collections are anticipated to be collected over the Forecast Period. This payment represents a portion of the amount outstanding expected to be collected in the Seventh Cash Flow Forecast.

23. The Seventh Cash Flow Forecast is based on assumptions regarding future events provided by Management. Management advises that actual results will vary from the information presented even if the Cash Flow Assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Seventh Cash Flow Forecast will be accurate. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Eighth Report or relied upon by the Monitor in preparing this Eighth Report.

APPROVAL OF FEES AND EXPENSES

24. As previously reported, pursuant to paragraphs 31 to 32, inclusive, of the Amended and Restated Initial Order, the Monitor sought and received approvals from this Honourable Court of the professional fees of the Monitor and its legal counsel leading up to the Filing Date (January 8, 2020) and from the Filing Date to May 31, 2020.

25. The Monitor seeks further approval from this Honourable Court of the respective professional fees and disbursements of the Monitor and its legal counsel for the period of time from June 1, 2020 to June 30, 2020.
26. Professional fees and disbursements rendered by the Monitor, from June 1, 2020 to June 30, 2020, total \$192,634.53 (exclusive of GST) (the “**Monitor’s Fees and Costs**”). These fees include those of the Monitor and its affiliated company, Alvarez & Marsal Canada Securities ULC, totaling \$38,787, with corresponding additional expenses incurred and made on behalf of the Company totalling \$314.44. The accounts will be made available upon request and are summarized in Appendix B to this Report.
27. Professional fees and disbursements rendered by MLT Aikins LLP, the Monitor’s counsel, from June 1, 2020 to June 30, 2020, total \$75,998.25 (exclusive of GST and PST) (the “**Monitor’s Counsel Fees and Costs**”). The accounts will be made available upon request and are summarized in Appendix B to this Report.
28. The accounts of the Monitor and its legal counsel outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work.
29. The Morris Group has paid the professional fees and costs of the Monitor and the Monitor’s legal counsel for the period of time from January 1, 2020 through to May 31, 2020 and January 1, 2020 to June 30, 2020, respectively. These payments are reflected in the actual cash flow receipts and disbursements discussed above. Payment of the Monitor’s professional fees and costs for the period June 1 to 30, 2020 are contemplated in the Seventh Cash Flow Forecast.
30. The Monitor respectfully submits that its professional fees and disbursements and those of its legal counsel are fair and reasonable in the circumstances, given the extensive tasks required to be performed by the Monitor and its legal counsel within the CCAA Proceedings, including, in regard to: (i) negotiations of the APA’s with SFLP and comprehensive communication with significant stakeholders involved in

the CCAA Proceedings, including the Union and Morris' secured creditors, unsecured creditors and various dealers; and (ii) the exercise of the enhanced powers of the Monitor required to be performed pursuant to the EMP Order, which includes the Monitor providing managerial oversight over the entire operations of the Morris Group.

31. The Monitor and its legal counsel anticipate rendering invoices for their respective fees and disbursements for services rendered in July of 2020 in short order. These professional fees and disbursements are contemplated in the Seventh Cash Flow Forecast. The Monitor will report further to this Honourable Court with respect to these fees and disbursements in due course.

EXTENSION OF THE STAY OF PROCEEDINGS

32. Pursuant to the Initial Order, the stay period is set to expire on July 31, 2020. As described in the application materials filed on Friday July 24, 2020, the Companies are seeking an Order granting an extension of the stay period from July 31, 2020 to August 31, 2020 (the “**Fifth Stay Extension Order**”).
33. The Monitor has considered various factors with respect to the Morris Group's application for the Fifth Stay Extension Order to August 31, 2020, including:
 - a) the likelihood and timing of the Company closing the transaction contemplated with SFLP (subject to satisfaction of conditions included in the APA and Court approval);
 - b) whether there would be any material financial prejudice to any of the Morris Group's creditors;
 - c) the fact that the Company appears to have sufficient liquidity until satisfaction of conditions of the SFLP APA and seeking Court approval;
 - d) the level of support for such an extension communicated by the Morris Group's primary secured creditors;

- e) whether the Morris Group is acting in good faith and with due diligence; and
 - f) whether the Morris Group's prospects of effecting a viable restructuring would be enhanced by an extension of the Stay of Proceedings.
34. The Monitor is of the view that the Morris Group is (and continues to be) acting in good faith and with due diligence and that there would not be material prejudice to the Morris Group's stakeholders should the proposed stay extension to August 31, 2020 be granted by this Honourable Court.
35. The Monitor will continue to work with SFLP in order to satisfy the conditions of the SFLP APA and seek Court approval in due course.

MONITOR'S RECOMMENDATION

36. The Monitor respectfully recommends that this Honourable Court grant the following:

- a) the proposed Fifth Stay Extension Order to August 31, 2020;
- b) an order approving the fees and disbursements of the Monitor and its legal counsel for the June 1 to June 30, 2020 period; and
- c) an Order approving the Monitor's actions, activities and conduct as described in this Eighth Report.

All of which is respectfully submitted to this Honourable Court this 24th day of July 2020.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Monitor of 101098672 Saskatchewan Ltd.,
Morris Industries Ltd., Morris Sales and Service Ltd.,
Contour Realty Inc. and Morris Industries (USA) Inc.
and not in its personal or corporate capacity**



Per: _____
Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President



Per: _____
Chad Artem, CPA, CA, CBV
Senior Manager

Appendix A

Seventh Cash Flow Forecast to August 31, 2020

MORRIS GROUP
7 Week Cash Flow Forecast
For the Period July 20, 2020 to August 31, 2020
(in CAD \$000s)

<i>Week ended</i>	<i>Notes</i>	Week 1 24-Jul-20	Week 2 31-Jul-20	Week 3 7-Aug-20	Week 4 14-Aug-20	Week 5 21-Aug-20	Week 6 28-Aug-20	Week 7 31-Aug-20	Week 1 to 7 Total
Receipts									
Whole goods collections	1	159	27	-	-	-	16	-	\$ 202
Parts collections	2	157	157	157	75	75	75	75	772
Sale of excess inventory	3	-	8	-	36	-	-	-	44
Canada Emergency Wage Subsidy receipts	4	-	-	341	-	-	-	-	341
Total Receipts		316	192	498	112	75	92	75	1,360
Disbursements									
Production costs	5	10	105	57	57	20	-	-	249
Operating expenses	6	95	30	11	5	19	-	-	159
Insurance costs	7	16	20	-	-	5	5	-	45
Payroll and related	8	300	-	285	-	257	-	29	871
Pension	8	-	90	-	-	-	19	-	109
Rent	9	-	31	-	-	-	31	-	61
Other operating costs	10	1	45	62	13	-	-	-	121
DIP interest, fees and costs	11	-	268	60	5	-	-	62	394
PMSI priority payments	12	-	-	254	-	-	-	-	254
Professional fees and costs	13	205	3	-	303	-	-	-	510
Total Operating Disbursements		627	592	729	381	301	54	90	2,774
Net Cash Flow		\$ (311)	\$ (400)	\$ (231)	\$ (270)	\$ (225)	\$ 38	\$ (15)	\$ (1,414)
DIP Draw (Repayments)	11	275	-	-	-	-	-	-	275
Net Cash Flow Remaining		\$ (36)	\$ (400)	\$ (231)	\$ (270)	\$ (225)	\$ 38	\$ (15)	\$ (1,139)
EDC Insured Foreign Receivable Previously Collected									
Opening cash balance	14	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483
Forecast Foreign A/R collections		7,384	7,348	7,151	6,920	6,651	6,425	6,463	7,384
Ending cash balance		\$ 7,384	\$ 7,551	\$ 7,151	\$ 6,920	\$ 6,651	\$ 6,425	\$ 6,463	\$ 7,588
Net cash flow per above		(36)	(400)	(231)	(270)	(225)	38	(15)	(1,139)
Ending cash available		\$ 7,348	\$ 7,151	\$ 6,920	\$ 6,651	\$ 6,425	\$ 6,463	\$ 6,448	\$ 6,448
Interim Financing Availability (Max)									
Opening balance	11	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500
DIP draw (repayments)		5,669	5,944	5,944	5,944	5,944	5,944	5,944	5,669
Ending balance		\$ 5,944	\$ 5,944	\$ 5,944	\$ 5,944	\$ 5,944	\$ 5,944	\$ 5,944	\$ 5,944
Remaining Interim Financing Availability		\$ 556	\$ 556	\$ 556	\$ 556	\$ 556	\$ 556	\$ 556	\$ 556

NOTES AND ASSUMPTIONS

7 Week Cash Flow Forecast

Notice to Reader

The weekly cash flow projections for the Morris Group and its related entities has been prepared by Management based on unaudited financial information, and management's estimates of its projected receipts and disbursements. Users are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary, even if the assumptions materialize, and such variations may be material. There are no representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized.

The projection includes estimates and assumptions discussed below with respect to operations and certain asset sales and for clarity are under the assumption that Morris Group continues to operate within the protections afforded as a result of the CCAA Order granted on January 8th, 2020 and as may be amended from time to time during the CCAA proceedings. Upon such amendments, Management will update its cash flow forecast accordingly as included herein.

- 1 Whole goods collections include previously shipped whole goods products and committed orders not yet shipped. Collections of whole goods are generally predictable and receipts from the remaining sold products are expected to be collected by the end of August 2020.
- 2 Parts collections are starting to decline due to the end of the seeding season. This forecast is based on the latest estimate from the Management of the Parts division.
- 3 Sale of excess inventory consists of estimated net proceeds from the put back of the remaining unused equipment to third party equipment manufacturers.
- 4 Canada Emergency Wage Subsidy ("CEWS") receipts were received in June 2020 following approval of three applications. A fourth application for the CEWS in the amount of approximately \$341,000 was submitted with the funds expected to be received in Week 3.
- 5 The Morris Group continues to produce primarily parts to service their early order program for dealers across the Morris Group network, however this is nearing the end of its program. The Company has been ramping up their material purchases for an Australian order in order to meet their time-lines.
- 6 Estimated costs associated with ongoing production and operating activities.
- 7 Insurance includes group and corporate insurance policies with scheduled monthly payments.
- 8 Management is continuing to evaluate the potential for targeted reductions in payroll during the CCAA proceedings based on the various restructuring plans being analyzed and evaluated, also taking into account the time-lines and milestones of the SISP. The Work Share program effectively reducing hours to 80% has been extended through to March 27, 2021. Three applications for government relief under the Canada Emergency Wage Subsidy program were submitted and accepted in early June 2020 and subsidies have been received by the Company. A fourth application for CEWS has been submitted funds are expected to be received.
- 9 Rent includes lease payments for all of Morris' currently occupied premises.
- 10 Other operating costs includes payments of WCB insurance, bank fees, utilities, software, IT, travel and related costs.
- 11 Legal professional fees and costs associated with securing and servicing the necessary in place DIP Facility, which bears an interest rate of 12%.
- 12 Purchase money security interest relating to two Kubota units and four DLL-financed units sold through the Ritchie Bros. auction that may result in a payouts of security interests, subject to the validity and enforceability of the security.
- 13 Expected professional fees to be incurred by Morris' professional and legal advisors as well as the CCAA Monitor and Monitor's counsel.
- 14 The EDC insured foreign receivable is expected to be collected. The Australian Dealer has paid \$7.5 million of the net accounts receivable with the balance of approximately \$200,000 to be paid and held in trust by the Monitor's legal counsel and released upon satisfaction of certain terms. Certain accounts receivable reconciliation matters remain pending and may result in additional recoveries totalling approximately \$972,000, which are not included in the forecast period. \$7.4 million of the EDC insured foreign receivable is being held in trust by the Monitor's legal counsel until all expected payments have been received and reconciled against the Australian Dealer's records.

Appendix B

Summary of the Monitor and its Legal Counsel's Fees and Costs

Morris Group
Summary of the Monitor's and its Counsel's Statements of Account
For the period June 1, 2020 to June 30, 2020

Invoice	Period	Fees	Disbursements	Sub-total	GST	PST	Total
Alvarez & Marsal Canada							
Corporate Restructuring							
7	Jun.1-30/20	153,533.00	314.53	153,847.53	7,692.38	-	161,539.91
		153,533.00	314.53	153,847.53	7,692.38	-	161,539.91
Corporate Finance							
7	Jun.1-30/20	38,787.00	-	38,787.00	1,939.35	-	40,726.35
		38,787.00	-	38,787.00	1,939.35	-	40,726.35
Total							
7	Jun.1-30/20	192,320.00	314.53	192,634.53	9,631.73	-	202,266.26
		\$ 192,320.00	\$ 314.53	\$ 192,634.53	\$ 9,631.73	\$ -	\$ 202,266.26
MLT Aikins LLP							
6	Jun.1-30/20	75,589.00	409.25	75,998.25	3,800.91	4,535.34	84,334.50
		\$ 75,589.00	\$ 409.25	\$ 75,998.25	\$ 3,800.91	\$ 4,535.34	\$ 84,334.50