

COURT FILE NUMBER QB No. 1884 of 2019

**COURT OF QUEEN'S BENCH FOR SASKATCHEWAN IN
BANKRUPTCY AND INSOLVENCY**

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**

AFFIDAVIT OF SANDY HAYER SWORN FEBRUARY 13, 2020.

I, Sandy Hayer, of the City of Calgary, in the Province of Alberta, MAKE OATH AND
SAY THAT:

1. I am Senior Manager, Special Accounts Management Unit ("**SAMU**") at Bank of Montreal ("**BMO**" or the "**Lender**"). I have personal knowledge of the matters deposed to herein, except where stated to be based on information and belief, in which case I verily believe the same to be true.
2. Where necessary, I have reviewed the business records of the Lender relevant to, among others, Morris Industries Ltd. ("**Morris Industries**"), Morris Sales & Service Ltd. ("**MSS**"), Contour Realty Inc. ("**Contour**"), 101098672 Saskatchewan Ltd. ("**672**") and Morris Industries (USA) Inc. ("**Morris USA**" and collectively, the "**Morris Group**").
3. While the Morris Group's accounts with BMO were formally transferred to SAMU in approximately November of 2018, SAMU was "shadowing" the Morris Group's account as early as March of 2018 while they were still formally managed under BMO's Canadian Commercial Banking (formerly Corporate Finance Division). Since November of 2018, I have been the primary contact at BMO with respect to the Morris Group and have satisfied myself that I am possessed of sufficient information and knowledge to swear this Affidavit on behalf of BMO.

Relationship between BMO and the Morris Group

4. As stated in the Affidavit of Kevin Adair sworn January 3, 2020 ("**First Adair Affidavit**"), pursuant to certain agreements dated August 24, 2017 and June 28, 2019, BMO and Farm Credit Canada ("**FCC**") provided credit facilities to Morris Industries, MSS and Contour. BMO and FCC (on the one hand) and Avrio Subordinated Debt Limited Partnership II (on the other hand) entered into a Postponement, Subordination and Standstill Agreement dated August 31, 2017, which, among other things, confirms the priority of the security granted in favour of BMO and FCC vis a vis the priority of the security granted in favour of Avrio Subordinated Debt Limited Partnership II.
5. As is also detailed in the First Adair Affidavit, BMO and the Morris Group entered into a December 24, 2019 Amending Agreement, which provided the Morris Group with a temporary \$3,000,000 bulge to its existing operating facility, enabling the Morris group to, among other things, meet upcoming payroll and its statutory obligations.
6. As is detailed further below, pursuant to the Amended and Restated Initial Order, in addition to its role as senior secured lender, BMO is also now the Morris Group's Interim Lender in these proceedings (as those terms are defined below). BMO is presently owed approximately \$26,000,000 in its capacity as senior secured lender and in excess of \$2,500,000 in its capacity as Interim Lender by the Morris Group.
7. BMO is the primary stakeholder in these proceedings and has provided its support, financial and otherwise, throughout the Morris Group's restructuring. In particular:
 - (a) notwithstanding that the Morris Group's accounts had been assigned to SAMU, during the early stages of SAMU's involvement, BMO was receptive to extending additional financing to the Morris Group provided that management would achieve a certain milestone, namely an equity recapitalization that was contemplated for some period of time;
 - (b) During June of 2019, BMO engaged with National Bank of Canada ("**NBC**") in an attempt to address and find a solution to the loss of the Morris Group's ability to factor its accounts receivables and, when unsuccessful, provided introductions to third party factoring organizations. In November of 2019, BMO offered to participate in direct

discussions with the Morris Group, for a second time, to re-engage the factoring relationship with NBC in conjunction with a \$4,000,000 capital injection from the shareholders of the Morris Group. A conference call among the Morris Group, NBC and BMO was arranged in November of 2019 and NBC appeared open to reconsider factoring solutions, subject to receipt of financial information, their independent due diligence, and their formal credit adjudication processes. However, this required certain deliverables from the Morris Group to NBC, and to BMO understanding, the Morris Group was unable or unwilling to meet those deliverables;

- (c) in August of 2019, BMO provided an introduction to a third party for the purposes of a potential equity injection and investment into the Morris Group. I understand based on direct conversation with the investor that they had interest in the Morris Group but I was informed and do verily believe that representatives of the Morris Group did not respond and provide supplemental financial information in a material fashion, for the investor's due diligence following an in person meeting with the Morris Group management in October of 2019; and
- (d) BMO had also engaged with Export Development Canada ("EDC") on behalf of the Morris Group in August of 2019 and had leveraged its relationship with EDC in an attempt to secure additional financing for the Morris Group. It should be noted that EDC originally had declined to consider financing solutions given the Morris Group was managed by SAMU.

Initial Order

- 8. On January 8, 2020, the Morris Group obtained an Initial Order in these proceedings (the "**Initial Order**") pursuant to the provisions of the *Companies' Creditors Arrangement Act* RSC 1985, c C-36, as amended (the "**CCAA**"). Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. ("**A&M**") was appointed as monitor within the meaning of the *CCAA* (in such capacity, the "**Monitor**").
- 9. The Initial Order authorized the Morris Group to obtain interim financing to finance its working capital requirements, other general corporate purposes and capital expenditures and was granted leave to make an application for such interim financing (the "**Interim Financing Application**").

Amended and Restated Initial Order

10. On January 16, 2020, this Honourable Court amended and restated the Initial Order (the "**Amended and Restated Initial Order**"). Pursuant to the Amended and Restated Initial Order:
- (a) a charge was granted over the Morris Group's Property (as defined therein) in favour of the Morris Group's directors and officers which was not to exceed the aggregate amount of \$175,000 (the "**D&O Charge**"). The benefits under the D&O Charge were only to be available in the event that the directors and officers did not have coverage under any insurance policy ("**D&O Insurance**") or to the extent that the D&O Insurance was insufficient to pay for certain indemnities provided in paragraph 21 of the Amended and Restated Initial Order;
 - (b) pursuant to the Interim Financing Application, the Morris Group was authorized and empowered to borrow an amount not exceeding \$5,700,000 without further Order of this Honourable Court from BMO (in such capacity, the "**Interim Lender**");
 - (c) a charge was granted in favour of the Interim Lender in an amount not to exceed the amounts advanced by the Interim Lender;
 - (d) in addition to its prescribed rights and obligations under the CCAA, the Monitor is empowered to monitor the Morris Group's Property, the Business (as defined in the Amended and Restated Initial Order) and financial affairs. The Monitor is also entitled to perform such other duties as are required by the Amended and Restated Initial Order and directed by this Honourable Court from time to time; and
 - (e) any interested Person can apply to this Honourable Court to further vary or amend the Amended and Restated Initial Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

Sales and Investment Solicitation Process

11. Also on January 16, 2020, the Morris Group sought and obtained an Order approving a Sales and Investment Solicitation Process (the "**SISP**"), a copy of which was appended thereto as Appendix

"A". The SISP includes, among other things, the following key milestones (capitalized terms not otherwise defined in this paragraph have the respective meanings set forth in the SISP):

- (a) a Potential Bidder will be deemed a "Qualified Bidder" if, in the opinion of the Monitor, in consultation with the Company, such Potential Bidder submits a non-binding letter of intention to the Monitor and the Morris Group (a "**Qualified LOI**") prior to 5:00 pm Saskatoon time on March 9, 2020 (the "**Phase 1 Bid Deadline**");
- (b) the Monitor, in consultation with the Company, will assess any Qualified LOIs and determine whether or not there is a reasonable prospect that one more transactions are likely to be consummated from such Qualified LOIs, each which assessment is to be made no later than 5 business days following the Phase 1 Bid Deadline, i.e., March 16, 2020;
- (c) in the event that Monitor, in consultation with the Company, determines that one or more Qualified LOIs have been submitted, the Monitor shall notify all Qualified bidders that they are proceeding to Phase 2 of the SISP;
- (d) if the Monitor receives a Qualified LOI that satisfies the additional criteria set out in the Confidential Supplement to the First Report (a "**High Value LOI**"), the Monitor, in consultation with the Company and the Lenders, may elect to terminate the SISP on a date subsequent to March 9, 2020; and
- (e) in the event the SISP does proceed to Phase 2, a Qualified Bidder who submitted a Qualified LOI to the Company must deliver a binding and definitive agreement to the Monitor, with a copy to the Company (a "**Qualified Bid**") by no later than 5:00pm Saskatoon time on April 10, 2020 (the "**Phase 2 Bid Deadline**").

12. The Morris Group is in the midst of the SISP and there are critical milestones in the near future. BMO views the SISP as essential to the Morris Group's restructuring, particularly with the possible termination of the SISP shortly after March 9, 2020 in the event of the Monitor receiving a High Value LOI. It is in the interest of all stakeholders that the SISP continue uninterrupted and seamlessly, with a view to generating the most valuable transaction in the circumstances.

Corporate Governance of the Morris Group

13. As stated in the First Adair Affidavit and as clarified in the Second Adair Affidavit, as at the date thereof:
 - (a) the Board of Directors (the "**Board**") for each member of the Morris Group was comprised of Casey Davis and Timothy Lee;
 - (b) Mr. Adair was the President and Chief Operating Officer ("**COO**") of each member of the Morris Group;
 - (c) Cameron Johnson was hired as Chief Restructuring Officer ("**CRO**") to work with management and BMO towards the conceptualization and implementation of a longer term strategy;
 - (d) effective March 2, 2020, Mel Karakochuk will resign as the Chief Financial Officer, to be replaced by Mr. Johnson, who had formally been providing advice to the Morris Group as Chief Restructuring Officer ("**CRO**"), through his corporation Johnson Advisory Services Inc.; and
 - (e) there were no other corporate officers for any of the Morris Group at that time and it was anticipated that Mr. Adair and Mr. Johnson would continue to act in their present capacities moving forward.

14. However, prior to the granting of the Initial Order, and since the Morris Group entered into to SAMU, to the best of my knowledge, the following organizational changes have also occurred:
 - (a) Anthony Potter was hired as the Vice-President in June of 2019, which I understand was the succession plan for Mr. Karakochuk as the future CFO of the Morris Group;
 - (b) Steven Lealos, a board member and representative of Avrio Fund III (the primary shareholder at that time) resigned from the Board in July of 2019. During a critical three month period, I saw little urgency on behalf of the Morris Group to appoint a new board member until Mr. Lee was appointed in September of 2019 to represent the largest shareholder under its new name, New Acres;

- (c) Ben Voss was terminated from his position as Chief Executive Officer in September of 2019 and resigned from the Board between late October and early November of 2019;
 - (d) Keith Brown resigned from his position as Chairman in October of 2019;
 - (e) BMO was informed of the Morris Group's intentions of various management changes including Mr. Johnson stepping into the role as CFO. I understand these management changes would unnecessarily and negatively impact the cash flows of the Morris Group, particularly given that the Morris Group was seeking interim financing from BMO in furtherance of a CCAA filing. BMO was of the view that the Morris Group ought to reconsider these contemplated management changes given the expected retirement of Mr. Karakochuk and to do so in consultation with A&M, the proposed monitor under future CCAA proceedings.
15. In light of this instability described above, prior to the granting of the Initial Order and throughout SAMU's involvement with the Morris Group, BMO recommended various strategies to stabilize the Morris Group's operations, including but not limited to engaging a CRO, first suggested by BMO in August of 2019 to both the then CEO and Chairman. In October of 2019, prior to the engagement of Mr. Johnson, BMO had had sought and recommended certain potential candidates for a CRO which BMO had knowledge of with successful restructurings in previous SAMU matters. It should be noted that Mr. Johnson was not on that list of potential CRO candidates.

Recent Developments

Adair Potential Resignation Letter

16. On February 5, 2020, BMO, through its counsel, Burnet, Duckworth & Palmer ("**BD&P**"), was copied on a letter from counsel to the Monitor, enclosing a letter from Mr. Adair addressed to Morris and the Monitor (the "**Adair Potential Resignation Letter**"). Copies of the letters from counsel to the Monitor and Mr. Adair are collectively attached as **Exhibit "A"**.
17. The Adair Potential Resignation Letter states that Mr. Adair intends to resign as President and COO of Morris Industries by no later than February 11, 2020. He references, among other things, the following in support of his conclusion that his situation has become "untenable":

- (a) Mr. Karakochuk's March 2, 2020 resignation;
 - (b) Morris Industries need for a management *team*, not one person, to function properly and Mr. Adair's unresolved requests for assistance [emphasis added];
 - (c) the difficult, "if not impossible", task of a single manager addressing stakeholders' conflicts of interests in the absence of clear authority; and
 - (d) the unclear nature of the extent of Mr. Adair's authority.
18. As of the date of this Affidavit, BMO understands that Mr. Adair has not resigned. BMO sees significant value in Mr. Adair's continued involvement in a senior executive or advisory role, particularly assisting the Monitor in carrying out a successful SISIP. BMO appreciates Mr. Adair's efforts and believes him to be a skilled individual that would aid a successful restructuring of the Morris Group and BMO is supportive of his continued involvement with the Morris Group.

The Next Steps Letter

19. Only 5 days later, on February 10, 2020, BMO, through BD&P, received a letter from the Morris Group's counsel (the "**Next Steps Letter**"). A copy of the Next Steps Letter is attached as **Exhibit "B"**.
20. The Next Steps Letter purports to "set out the proposed course of action by the Morris Group's Board of Directors (the "**Board**")." The Next Steps Letter also contains certain allegations against BMO, which BMO categorically denies in their entirety but are secondary to the immediate concerns underlying BMO's current application. The Next Steps Letter states, among other things that:
- (a) the Board and management have been working to identify potential CFO candidates, a suitable candidate was only identified the week of February 3, 2020 and had not been raised for discussion until after Mr. Adair had already issued the Adair Potential Resignation Letter;
 - (b) the Board and management are "reaching out to determine whether this individual would be interested in the position and we will provide a further update as soon as reasonably practicable";

- (c) the Board and the Morris Group's counsel are engaged in active discussions with Mr. Adair and his counsel to determine the terms upon which he would be prepared to continue to perform his current duties;
 - (d) the Board and management are in discussions with a former Morris Group employee as well as its auditor to address the position of Vice-President of Finance and assisting the management team with the SISP respectively;
 - (e) the Board is "further considering individuals and firms which have the capacity to add value on the business side and insolvency expertise to function in a CRO role going forward";
 - (f) the Board has requested that management compile a list of key employees to include in a proposed retention program; and
 - (g) the Board and Management are working to quantify the costs associated with the above.
21. As stated above, BMO has previously and repeatedly made introductions and taken various steps to advance the Morris Group's restructuring. This has included, but is not limited to, introductions to both traditional and non-traditional lenders, equity investors, and potential CRO candidates. The Morris Group's restructuring is now at a critical point and it is imperative that the Morris Group has a stable management team without further disruption given the pending Phase I Bid Deadline of the SISP less than a month away.

The Avrio E-mail

22. Also on February 10, 2020, BMO, through BD&P, received e-mail correspondence from counsel to Avrio Subordinated Debt Limited Partnership II and 2040842 Alberta Ltd. (collectively, "**Avrio**"). Avrio is the second ranking secured creditor in these proceedings and is owed approximately \$9,100,000. A copy of the e-mail from Avrio's counsel (without the attachments thereto) is attached hereto as **Exhibit "C"** (the "**Avrio E-mail**"). The Avrio E-mail provides, among other things, that:
- (a) "Avrio remains highly concerned with the most recent correspondence from the Company regarding management uncertainty and the loss of value that is being

experienced by stakeholders, particularly now that it is clear to [Avrio] that there is no viable plan in place to address Mr. Adair's departure.";

- (b) Avrio has identified two individuals, Greg Florence and Geoff Gyles (the "**Avrio Nominees**") who would be prepared to serve in senior management roles with the Morris Group and whom Avrio identifies as having "significant expertise in the agricultural industry";
 - (c) the Avrio Nominees are not prepared to accept appointments while the Morris Group is under the guidance of current directors;
 - (d) Avrio proposes that the Monitor's powers be enhanced such that it would be authorized to retain the Avrio Nominees to the extent the Monitor determines it is in the best interest of the Morris Group; and
 - (e) Avrio would propose the enhanced Monitor's powers to the Morris Group and in the event Morris Group was not prepared to consent, that the same could only be effected by BMO.
23. I have no previous experience with the Avrio Nominees but am both encouraged that another key stakeholder is taking active steps to address the Morris Group's impending management crisis and disappointed with the Morris Group continuing to "further [consider] individuals and firms which have the capacity to add value on the business side and insolvency expertise to function in a CRO role going forward".

Resignation of Timothy Lee and D&O Expiry

24. On February 11, 2020, I received an e-mail from Mr. Adair, attaching copies of the resignation by Mr. Lee in his capacity as director of each member of the Morris Group (the "**Lee Director Resignations**"). A copy of the e-mail from Mr. Adair together with the Lee Director Resignations are collectively attached hereto as **Exhibit "D"**. The Lee Director Resignations state that Mr. Lee is tendering his resignation "[i]n light of the imminent expiry of the D&O Insurance Policy" (the "**D&O Expiry**").
25. I am informed by Ryan Algar of BD&P and verily believe that counsel to the Morris Group has indicated that the concerns underlying the D&O Expiry can be traced to the new D&O Insurance

being offered not containing the same protections for, among other things, exposure for statutory remittances and unpaid wages.

Existing Management

26. As a result of the above, based on the information currently provided to BMO and its counsel by the Morris Group, the Monitor and their respective counsel, I believe that, as at the date hereof, the current directors and officers of the Morris Group include the following:
- (a) Mr. Karakochuk as CFO, who intends to resign in less than three weeks on March 2, 2020;
 - (b) Mr. Adair as the sole President and COO, who has advised of his intention to potentially resign via the Adair Proposed Resignation Letter; and
 - (c) Mr. Davis as the sole remaining director, whom I understand has also communicated his intention to resign in light of the D&O Expiry.

Indemnity Request and Increased D&O Charge

27. I am also informed by Mr. Algar, and do verily believe that, on February 11, 2020, in light of the D&O Expiry, the Morris Group's counsel communicated the following request to BMO:
- (a) a form of indemnity to protect Mr. Karakochuk, Mr. Adair and Mr. Davis;
 - (b) a increase to the D&O Charge; and/or
 - (c) some other form of comfort to be provided by BMO.

(the "**Indemnity Request**").

28. BMO is unwilling to consent to or provide the assistance underlying the Indemnity Request. BMO is not satisfied that the Indemnity Request will address its concerns or achieve the stability needed to address the Morris Group's current organizational issues. I understand that all of the three individuals seeking an indemnity from BMO have already each communicated their intention to resign in the near future.

Enhancement of Monitor's Powers

29. Given the prior track record of the Morris Group's Board, Board members, and previous management team(s) to address critical issues, BMO is concerned with their ability to effectively manage the Morris Group under the current circumstances as stability is required for a successful restructuring of the Morris Group. BMO believes a clear direction to management is required for the Morris Group from individuals or firms experienced with large-scale restructurings.

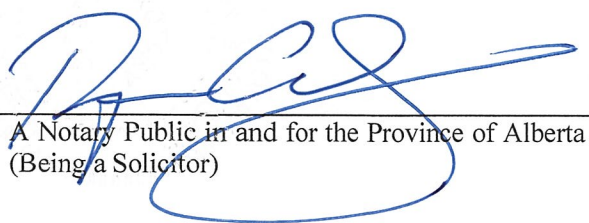
30. As a result of, among other things, the recent material changes to the Morris Group's directors and officers as well as the impending critical deadlines under the SISP, it is BMO's position that that the proposed form of Order enhancing the Monitor's powers (in such capacity, the "**Super Monitor**") is essential in the best interests of all stakeholders to address the organizational issues referenced above. In particular:
 - (a) A&M has been engaged and involved with the Morris Group's business since April of 2019 and, since its appointment as Monitor, has been engaged with the Morris Group's key suppliers, customers and other stakeholders, and is currently implementing the SISP;
 - (b) the Monitor employs a number of restructuring professionals with significant experience in running SISPs, stabilizing businesses and maximizing value for stakeholders;
 - (c) the Super Monitor would be positioned to address the concerns in the Adair Potential Resignation Letter, possibly providing an avenue for Mr. Adair to remain in his current position, namely:
 - (i) the Super Monitor can provide the management *team*, rather than one person, to function properly;
 - (ii) the Super Monitor will have authority from this Honourable Court to address stakeholders' conflicts of interests with clear authority; and
 - (iii) the scope of Mr. Adair's authority can be specifically delineated by the Monitor, with additional support and direction given by the Monitor to Mr. Adair; and
 - (d) the Super Monitor would be positioned to evaluate the individuals proposed by various parties, including the Avrio Nominees and those identified in the Next Steps Letter.

31. In the circumstances, the enhancement of the Monitor's powers is the best means of effecting the Morris Group's restructuring plan, including the SISP, in an orderly, efficient and cost-effective manner. Further, I understand that BMO's application is supported by both FCC and Avrio, two other key stakeholders.
32. Finally, I am informed by Mr. Algar and do verily believe that, provided the proposed form of Order is granted, the Monitor has consented to the assumption of the enhanced powers and duties set forth therein and such other powers as may be granted by this Honourable Court.

Conclusion

33. I make this Affidavit in support of BMO's application for an Order expanding the powers of the Monitor.

SWORN BEFORE ME at the City of Calgary, in)
the Province of Alberta this 13th day of February,)
2020.)
)


A Notary Public in and for the Province of Alberta
(Being a Solicitor)


Sandy Hayer

Ryan E. Algar
Barrister and Solicitor

CONTACT INFORMATION AND ADDRESS FOR SERVICE

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 E-mail address: dlegeyt@bdplaw.com / ralgar@bdplaw.com
 File number: 75453-4

Name of firm: **The W Law Group LLP**
 Lawyer in charge of file: Mike Russell
 Address of firm: Suite 300, 110 – 21st Street East
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 Facsimile number: (306) 652.0332
 E-mail address: mrussell@wlawgroup.com
 File number: 44433-1

THIS IS EXHIBIT "A" REFERRED TO IN
THE AFFIDAVIT OF SANDY HAYER.

SWORN BEFORE ME THIS 13TH DAY OF
FEBRUARY, 2020.



A Notary Public in and for the Province of
Alberta

Ryan E. Algar
Barrister and Solicitor

February 5, 2020

Via E-mail to isutherland@mcdougallgauley.com and cfrith@mcdougallgauley.com

McDougall Gauley LLP
500-616 Main Street
Saskatoon SK S7H 0J6

Attention: Ian Sutherland and Craig Frith

Dear Sirs:

Re: Re Morris Industries Ltd. et al.
QB No. 1884 of 2019, Judicial Centre of Saskatoon

Alvarez & Marsal Canada Inc. (the “**Monitor**”) has received yesterday evening a copy of the attached correspondence from Kevin Adair dated February 4, 2020 (the “**Adair Letter**”), addressed to Morris Industries Ltd. (“**MIL**”), care of directors Casey Davis and Timothy Lee, and to the Monitor.

The contents of the Adair Letter are of concern to the Monitor, as MIL (and the other entities in the corporate group which are the subject of the above-noted proceedings pursuant to the *Companies' Creditors Arrangement Act*, referred to collectively as the “**Morris Group**”) requires executive leadership in order to effectively carry out the restructuring of Morris Group and to direct the conduct of the CCAA proceedings.

The Monitor is still considering what formal response, if any, it will make to the Adair Letter. In order that the Monitor may do so, we respectfully request that, no later than **Monday, February 10, 2020**, you provide us with the proposed course of action to be implemented by the board of directors of Morris Group in order to address the information in the Adair Letter with respect to Mr. Adair's intentions.

We look forward to hearing from you.

Yours truly,

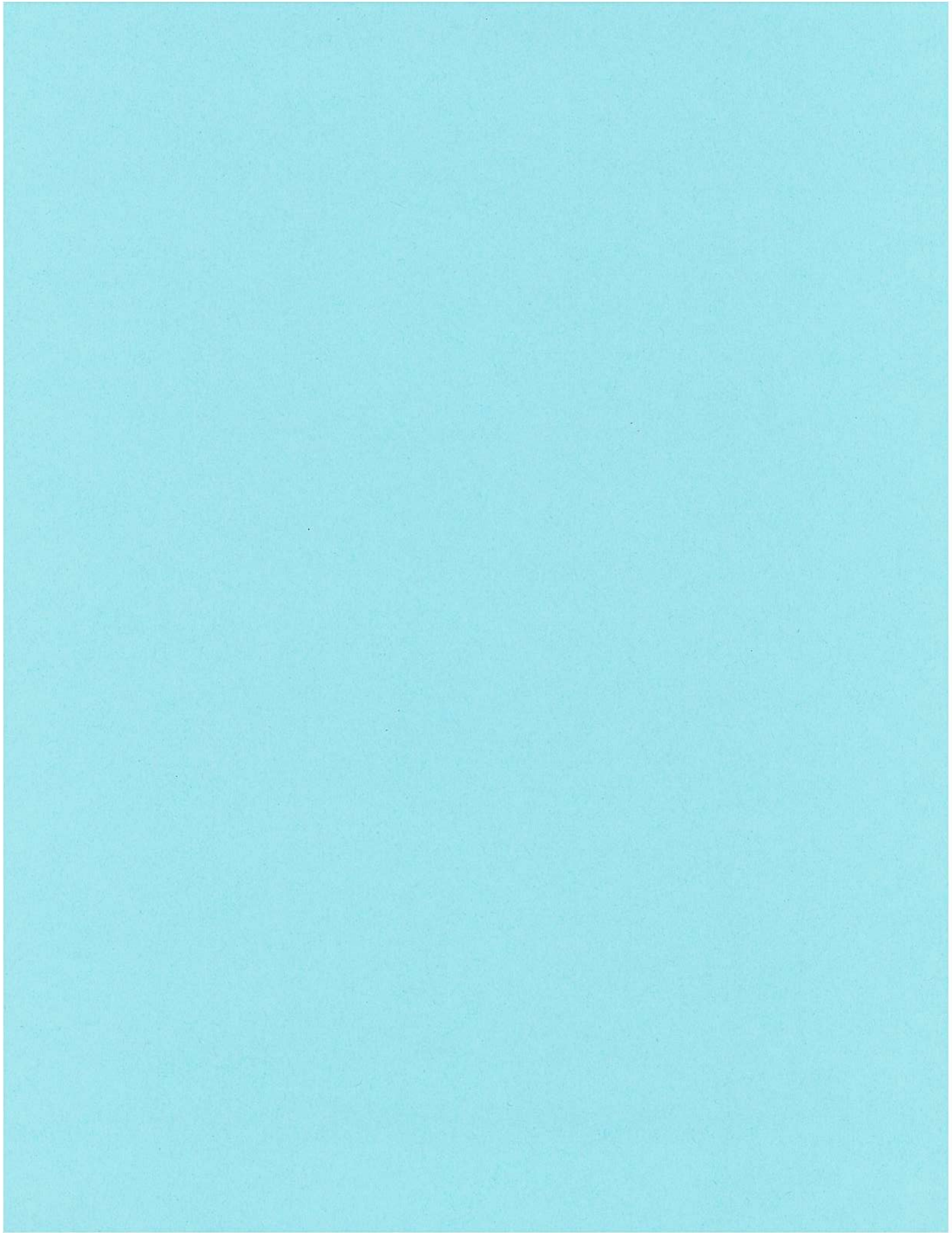
MLT AIKINS LLP

Per:


for: Ryan Zahara

Encl. (1)

cc: Kanuka Thuringer LLP, Attention: Alexander Shalashniy <ashalashniy@ktllp.ca>
Burnet, Duckworth & Palmer LLP, Attention: David LeGeyt <dlegeyt@bdplaw.com>
McCarthy Tetrault LLP, Attention: Walker McLeod <wmacleod@mccarthy.ca>
Casey Davis <casey@kc5holdings.com>
Timothy Lee <tlee@kirchnergroup.com>
Fasken Martineau LLP, Attention: Luc Beliveau <lbeliveau@fasken.com>



February 4, 2020

Morris Industries Ltd.
2131 Airport Drive
Saskatoon SK S7L 7E1

Attention: Casey Davis/Timothy Lee

Alvarez & Marsal Canada Inc.
Bow Valley Square 4
Suite 1110 – 250 6th Avenue SW
Calgary AB T2P 3H7

Attention: Orest Konowalchuk/Chad Artem

Dear Sirs:

Re: Kevin Adair Employment with Morris Industries Ltd.

I am writing to give advance warning my intention to resign my position as President and COO of Morris Industries Ltd. (“Morris”). I intend to serve notice of my actual resignation in the next few days.

After much thought I have concluded that my situation has become untenable. Specifically, I refer to the following matters:

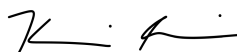
- The resignation of the Chief Financial Officer of Morris (which takes effect on March 2, 2020), and the absence of a CRO will leave me as the only officer.
- This will result in a dramatic increase in workload and stress for me personally.
- Morris needs a management team, not one person, to function properly and my requests for assistance have gone unresolved.
- Which is perhaps understandable given that the restructuring of Morris appears to have become focused only on the liquidation of assets.
- The apparent conflicts of interest amongst the stakeholders in a liquidation is difficult if not impossible for a management team of one, with no clear authority, to manage.
- The extent of my authority is unclear. It has become unmanageable to determine what issues require direction from the Board versus those that are within management’s discretion.
- I fear that I have become a convenient tool to be used by others, particularly on matters such as the planned layoffs of employees without any semblance of a real restructuring plan, other than the liquidation of assets and a SISP process.

My contract provides that I will give at least four weeks notice of resignation. My counsel has raised the issue of the possible applicability of paragraph 16 of the Amended and Restated Initial Order, issued January 16, 2020. I did not understand that paragraph to apply to employees, such as myself, but I wish to give you opportunity to advise if you believe it does such that I need your mutual consent or a court order in order to resign. Please respond by Friday.

Should no objections be had, I will deliver my notice of resignation to the Board within a week of this letter.

Please contact me if you wish to discuss this matter further.

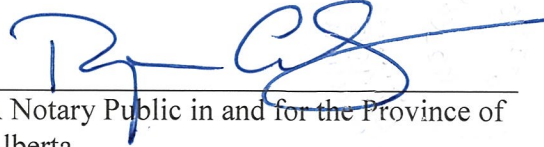
Yours truly,

A handwritten signature in black ink, appearing to read 'K. Adair', with a stylized flourish at the end.

Kevin Adair
President and COO
Morris Industries Ltd.

THIS IS EXHIBIT "B" REFERRED TO IN
THE AFFIDAVIT OF SANDY HAYER.

SWORN BEFORE ME THIS 13TH DAY OF
FEBRUARY, 2020.



A Notary Public in and for the Province of
Alberta

Ryan E. Algar
Barrister and Solicitor

REFER TO: IAN SUTHERLAND
DIRECT DIAL: (306) 665-5417
FAX NO.: (306) 652-1323
E-MAIL: isutherland@mcdougallgauley.com
OUR FILE NO: 309635.72

February 10, 2020

Via email

MLT Aikins LLP
2100 – 222 3rd Avenue SW
Calgary AB T2P 0B4

Via email

Burnet, Duckworth & Palmer LLP
2400, 525 - 8th Avenue S.W.
Calgary, AB, T2P 1G1

Attention: Ryan Zahara and Jeff Lee, Q.C.

Attention: David LeGeyt

Dear Sirs:

**Re: In the Matter of the Companies' Creditors Arrangement Act, RSC 1985, c. C-36
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. (collectively, the "Morris Group")**

As requested, this letter will set out the proposed course of action by the Morris Group's Board of Directors (the "Board").

From the Board's perspective, the genesis of the present issue can be traced to the termination of Cam Johnson, whom the Morris Group had retained last fall with the Bank of Montreal's ("BMO") approval, to assist the Morris Group management in a Chief Restructuring Officer ("CRO") role. Heading into the restructuring, the Board was confident that the remaining management team of Messrs. Adair and Karakochuk would have sufficient support from Mr. Johnson and the remaining staff to navigate the restructuring process. It was also anticipated that Mr. Johnson would transition into the Chief Financial Officer ("CFO") position when Mr. Karakochuk retired.

While the Board ultimately acquiesced to Bank of Montreal ("BMO") and Farm Credit Canada's insistence that Mr. Johnson's contract not be continued, the Board was clear in doing so that the Morris Group required a management team going forward, such that there would have to be provision in the cash flow projections for a qualified replacement. It should be noted that Mr. Karakochuk's decision to change his retirement date from May 2 to March 2, 2020 was delivered shortly after the decision to not continue Mr. Johnson's contract.

The Board and management have been working to identify potential CFO candidates (or at least a qualified individual capable of performing some or all of the CFO's responsibilities) since that time; however, a suitable candidate was only identified last week and not raised for discussion until after Mr. Adair had already delivered his letter. The Board and management are reaching out to determine whether this individual would be interested in the position and we will provide a further update as soon as reasonably practicable.

In addition:

1. the Board and the Morris Group's counsel are engaged in active discussions with Mr. Adair and his counsel to determine the terms upon which he would be prepared to continue to perform his present duties;
2. the Board and management are in discussions with:
 - (a) an existing Morris Group employee, Anthony Potter, about taking on a Vice President of Finance position, which will involve assuming Mr. Karakochuk's responsibilities in the short-term; and
 - (b) the Virtus Group (i.e., the Morris Group's auditor for the last 25 years) to assist management with the Sale and Investment Solicitation Process' due diligence process and provide additional support to management;
3. the Board is further considering individuals and firms which have the capacity to add value on the business side and insolvency expertise to function in a CRO role going forward; and
4. the Board has requested that management compile a list of key employees to include in a proposed retention program.

There are costs associated with the foregoing that the Board and management are working to quantify.

We are available tomorrow morning and late afternoon (February 11, 2020), and would propose a conference call to discuss this and the additional points raised in our email of February 4, 2020, a copy of which is enclosed for ease of reference.

Yours truly,

McDougall Gauley LLP

Per: 

IAN SUTHERLAND
IAS~CPF

cc: ***Via email***
McCarthy Tetrault
Attention: Walker W. MacLeod

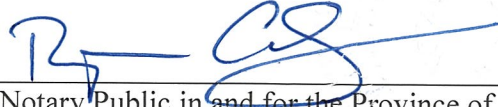
Via email
Alvarez & Marsal Canada Inc.
Attention: Orest Konowalchuk and Chad Arterm

Via email
The Morris Group
Attention: Timothy Lee, Casey Davis, and Kevin Adair

Via email
Kanuka Thuringer LLP
Attention: Alexander Shalashniy

THIS IS EXHIBIT "C" REFERRED TO IN
THE AFFIDAVIT OF SANDY HAYER.

SWORN BEFORE ME THIS 13TH DAY OF
FEBRUARY, 2020.

A handwritten signature in blue ink, appearing to read 'R. Algar', is written over a horizontal line.

A Notary Public in and for the Province of
Alberta

Ryan E. Algar
Barrister and Solicitor

Ryan Algar

From: MacLeod, Walker W. <wmacleod@mccarthy.ca>
Sent: Monday, February 10, 2020 3:37 PM
To: Orest Konowalchuk (okonowalchuk@alvarezandmarsal.com); Artem, Chad; Jeff Lee; RZahara@mltaikins.com; Ryan Algar; David LeGeyt
Cc: Stewart, Nathan; Steven Leakos; Jim Taylor
Subject: [EXT] Morris Industries
Attachments: gcf resume (2019).pdf; Geoff Gyles Morris CV.pdf

Thank you for speaking with us this afternoon. Avrio remains highly concerned with the most recent correspondence from the Company regarding management uncertainty and the loss of value that is being experienced by stakeholders, particularly now that it is clear to us that there is no viable plan in place to address Mr. Adair's departure. Avrio has identified individuals, Greg Florence and Geoff Gyles, who would be prepared to immediately serve in senior management roles with the Company. Current CV's for each of Mr. Florence and Mr. Gyles are attached and you will see that they have significant expertise in the agricultural industry. Given the various issues with the board, we understand that these individuals are not prepared to accept appointments while the Company is under the guidance of current directors. Therefore, the proposal is that the Monitor's powers are enhanced and the Monitor be authorized, to the extent it determines it determines it to be in the best interests of the Company, to retain Mr. Florence and Mr. Gyles. We would also propose that the SISP be modified such that the Monitor has sole and exclusive authority to administer the SISP, including the authority to make selection of the winning bid(s) and to close same on behalf of the Company.

We intend to make the above proposal to the Company. If the Company is not prepared to consent to the enhancement of the powers of the Monitor we believe the only way that the above could be effected is through enforcement by BMO. Please let us know if you would like to discuss.



Walker MacLeod

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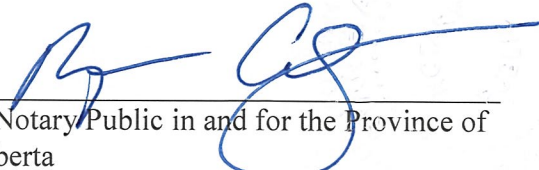
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Suite 5300, TD Bank Tower, Box 48, 66 Wellington Street West, Toronto, ON M5K 1E6

THIS IS EXHIBIT "D" REFERRED TO IN
THE AFFIDAVIT OF SANDY HAYER.

SWORN BEFORE ME THIS 13TH DAY OF
FEBRUARY, 2020.



A Notary Public in and for the Province of
Alberta

Ryan E. Algar
Barrister and Solicitor

From: Kevin Adair <kadair@morris-industries.com>
Sent: Tuesday, February 11, 2020 9:11 AM
To: HAYER, SANDY
Subject: Tim Lee Board Resignation
Attachments: 107201304_v(1)_Resignation of Director (Morris Group of Companies)_TL signed.pdf

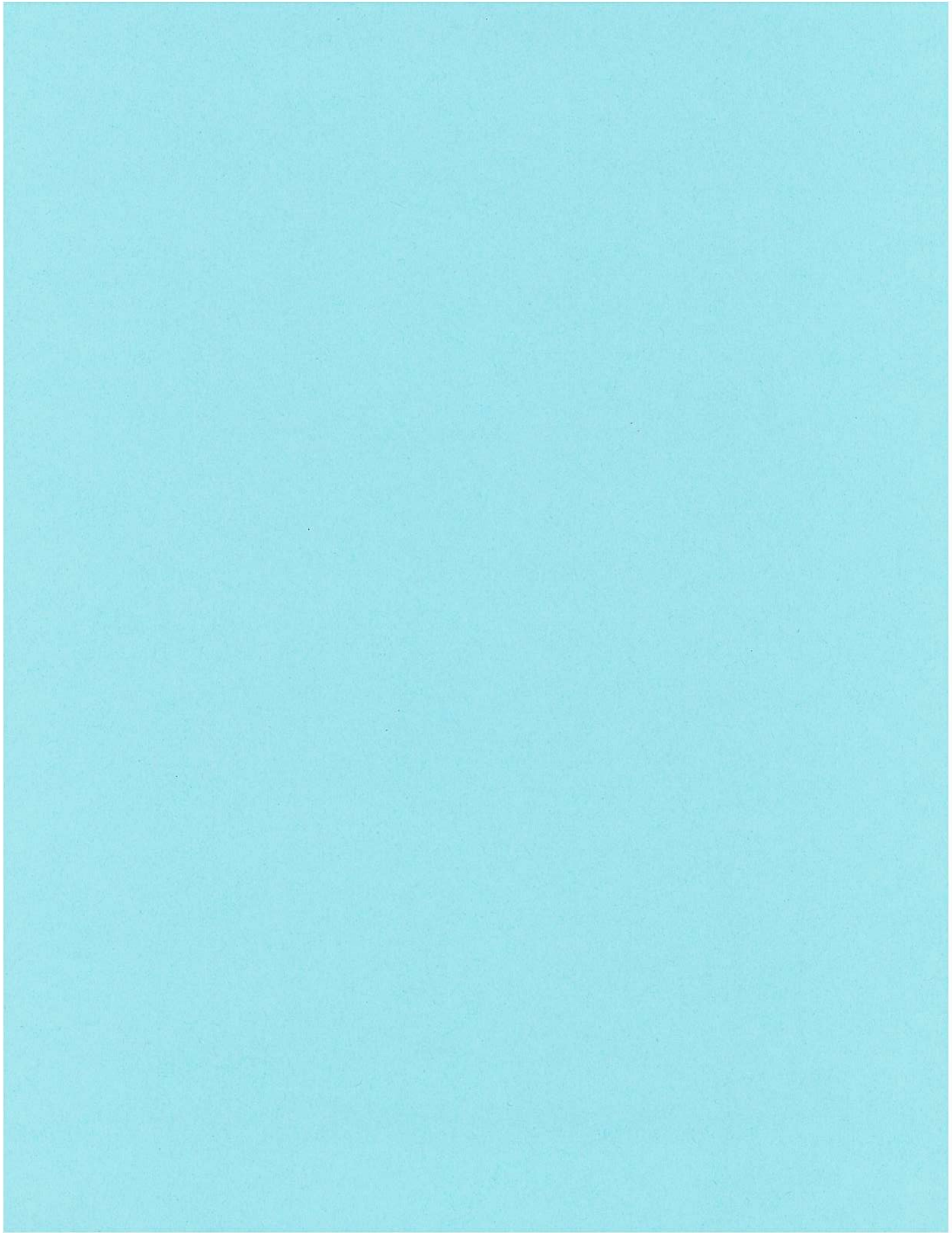
External Email: Use caution with links and attachments. | **Courriel externe :** Faites preuve de prudence en ce qui a trait aux liens et aux pièces jointes.

Sandy, I am emailing to advise of the resignation of Tim Lee as a Director of the Morris Group of Companies. Please advise if you would like to discuss further.

Regards, Kevin

Sent from my mobile

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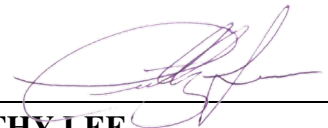
RESIGNATION

TO: Morris Industries (USA) Inc. (the "Corporation")

AND TO: THE DIRECTORS THEREOF

In light of the imminent expiry of the D&O Insurance Policy, I hereby tender my resignation as a director of the Corporation to take effect as of February 11, 2020.

Dated the 10th day of February, 2020.



TIMOTHY LEE

RESIGNATION

TO: Contour Realty Inc. (the "Corporation")

AND TO: THE DIRECTORS THEREOF

In light of the imminent expiry of the D&O Insurance Policy, I hereby tender my resignation as a director of the Corporation to take effect as of February 11, 2020.

Dated the 10th day of February, 2020.



TIMOTHY LEE

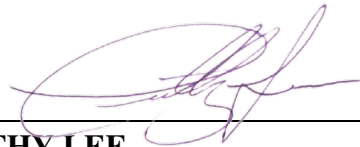
RESIGNATION

TO: 101098672 Saskatchewan Ltd. (the "Corporation")

AND TO: THE DIRECTORS THEREOF

In light of the imminent expiry of the D&O Insurance Policy, I hereby tender my resignation as a director of the Corporation to take effect as of February 11, 2020.

Dated the 10th day of February, 2020.



TIMOTHY LEE

RESIGNATION

TO: Morris Industries Ltd. (the "Corporation")

AND TO: THE DIRECTORS THEREOF

In light of the imminent expiry of the D&O Insurance Policy, I hereby tender my resignation as a director of the Corporation to take effect as of February 11, 2020.

Dated the 10th day of February, 2020.



TIMOTHY LEE

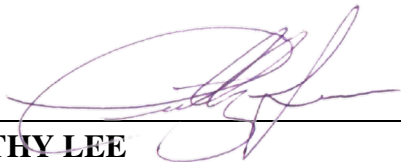
RESIGNATION

TO: Morris Sales & Service Ltd. (the "Corporation")

AND TO: THE DIRECTORS THEREOF

In light of the imminent expiry of the D&O Insurance Policy, I hereby tender my resignation as a director of the Corporation to take effect as of February 11, 2020.

Dated the 10th day of February, 2020.



TIMOTHY LEE