

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 **NINTH REPORT OF THE MONITOR**

**August 14, 2020**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
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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 of Proceedings**”) 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 have been granted by this Honourable Court to, among other things, approve an auction; approve the activities and fees of the Monitor and its legal counsel for services rendered; increase the interim financing borrowings; amend the SISP; and extend the Stay of Proceedings.

6. On July 29, 2020, this Honourable Court granted an order extending the stay of proceedings to August 31, 2020, primarily to allow the Company, by and through the Monitor, to satisfy the conditions to closing of the two executed asset purchase agreements (the “**APA’s**”), as provided to the Court in the Confidential Appendix to the eighth report of the Monitor dated July 24, 2020 (the “**Eighth Report**”).
7. 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](http://www.alvarezandmarsal.com/morris) (the “**Case Website**”).

## **PURPOSE**

8. The purpose of this ninth report (the “**Report**” or “**Ninth Report**”) is to provide this Honourable Court with information in respect of the following:
  - a) an update on the activities of the Monitor since the Eighth Report dated July 24, 2020;
  - b) a brief update on the Morris Group’s business and financial affairs;
  - c) an update regarding 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 Eighth Report of the Monitor (the “**Seventh Cash Flow Forecast**”) for the period July 20, 2020 to August 7, 2020;
  - e) the Applicants’ updated cash flow forecast from August 10, 2020 through to September 18, 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 September 18, 2020.
- 9. Capitalized words or terms not defined in this Report are as defined in the Initial Order, the Amended and Restated Initial Order, other orders granted by this Honourable Court and the prior reports (the “**Prior Reports**”) of the Monitor, as the case may be.
- 10. All references in this Report to dollars are in Canadian currency.

#### **TERMS OF REFERENCE AND DISCLAIMER**

- 11. 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.

12. 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.
13. 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**

14. Since the Eighth Report, the Monitor's activities have included (but not been limited to) the following:
  - a) conducting ongoing discussions, meetings and communications with Management, employees and advisors of the Companies regarding the Companies' business and financial affairs;
  - b) continuing ongoing communications with the Company's stakeholders, customers and secured creditors and their respective legal

counsel, including the continuing involvement of the Monitor's independent legal counsel, MLT Aikins LLP ("**MLTA**");

- c) assisting the Company in enhancing its accounts receivable analysis and collection efforts during the Reporting Period (as defined below), and providing to the Companies' various dealers an update on the Stay of Proceedings and claims process;
- d) 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;
- e) monitoring the Company's response to COVID-19 and other operational matters of the Company during the proceedings;
- f) performing a detailed review of ongoing production and procurement activities at each of the production facilities of the Company mainly in respect of firm orders and forecast orders from the Company's major customer located in Australia (the "**Australian Dealer**");
- g) reviewing month-end reporting of inventory and receivable balances to the primary secured creditor and interim financing lender, the Bank of Montreal ("**BMO**");
- h) ongoing review of purchase requisitions and other funding requests pursuant to the requirements under the Interim Financing Facility; including numerous discussions with Superior Farms Solutions Limited Partnership ("**SFLP**") in respect of a substantial order from the Australian Dealer;
- i) assisting the Company in applying for and receiving wage subsidies available under the Canada Emergency Wage Subsidy ("**CEWS**") program;

- j) continuing discussions, due diligence assistance, operational planning and negotiations with SFLP in respect of entering into and finalizing the APA's, advancing transition planning for a significant Australian Dealer order for 2020/2021, and satisfying conditions and other pre-closing activities, as further described below;
- k) holding ongoing separate discussions with the senior secured lenders, as requested, with both BMO and FCC, of the Morris Group as it relates to the executed APA's; and
- l) continuing extensive communications with 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 EIGHTH REPORT**

15. Operational activities since the Eighth Report have included the following:

- a) The Companies continued to sell manufactured whole goods and parts inventory to dealers in the normal course, while receiving assistance from assembly depots as required, and continued to actively pursue the collection of accounts receivable. As at July 31, 2020, the Companies maintained approximately \$2.0 million of trade accounts receivable due from various dealers across Canada, the U.S.A. and Eastern Europe (excluding Australia). During the period from August 10 to 13, 2020, the Monitor, in consultation with the Company, sent various letters to approximately 100 dealers seeking collection of account receivables owing to the Morris Group;
- b) With respect to the Australia Dealer, the Companies have:



- i. collected approximately \$7.5 million from the Australian Dealer receivable owing to the Morris Group in respect of the past two years;
  - ii. received additional firm orders totalling approximately \$1.0 million and shipped approximately \$700,000 of same. Accounts receivable collections for the Additional Orders are expected to be received during the period from October 1, 2020 to December 31, 2020 (which is anticipated to be subsequent to the closing of the sale transactions contemplated in the APA's);
  - iii. Considering and negotiating a further significant order with the Australian Dealer for the 2020/2021 production and shipping period ("**2021 Australian Order**"); and
- c) The Company, by and through the Monitor and its legal counsel, continued to host multiple communications with BMO with respect to the CCAA Proceedings and the status of the APA's. The Company continued to report to BMO, as the DIP Lender, in accordance with the DIP Facility agreement and the Monitor assisted the Company in the preparation of the cash flow and variance reporting to BMO.

#### **UPDATE ON THE SFLP APA'S**

16. The Monitor and SFLP continue to work towards satisfying the remaining conditions to the APA's. The Monitor and SFLP were anticipating that all remaining conditions would be satisfied prior to the date of this Report. However, there remain certain outstanding conditions that are now anticipated to be satisfied in late August 2020. The Monitor advises this Honourable Court that the conditions and status thereof, as described in the Confidential Appendix to the Eighth Report, remain substantially unchanged.
17. The Monitor anticipates that, once the conditions to the two APA's have been satisfied and/or waived, the Monitor will immediately file materials with this

Honourable Court seeking a sale approval and vesting order in respect of the APA's. Furthermore, the Monitor is advised that BMO will concurrently bring forward its application for a "lift stay" order in order to facilitate the hearing of its application for a bankruptcy order against the Morris Group. BMO is supportive of this further extension to the Stay Period.

## **CASH FLOW RESULTS**

18. The Company's actual cash receipts and disbursements compared to the Seventh Cash Flow Forecast for the period from July 20, 2020 to August 7, 2020 (the "**Reporting Period**"), appended to the Eighth Report of the Monitor are summarized below:

**MORRIS GROUP**  
**Cash Flow Variance Analysis**  
**For the period July 20, 2020 to August 7, 2020**  
*(In CAD \$000s)*

	Jan. 8 to Aug. 7, 2020	July 20 to August 7, 2020		
	Actual	Actual	Forecast	Var (\$)
<b>Receipts</b>				
Whole goods and parts collections	\$ 5,711	\$ 232	\$ 656	\$ (424)
Draw on EDC insured foreign receivable	628	527	667	(140)
Sale of excess inventory	1,601	-	8	(8)
CEWS receipts	1,203	341	341	0
Other collections	109	1	-	1
<b>Total receipts</b>	<b>9,252</b>	<b>1,101</b>	<b>1,673</b>	<b>(571)</b>
<b>Disbursements</b>				
Production costs	1,583	70	173	103
Operating expenses	1,396	121	136	15
Critical Suppliers	252	-	-	-
Wind down of MSS	62	-	-	-
Insurance costs	580	69	36	(33)
Payroll and pension	5,175	619	675	56
Marketing costs	50	-	-	-
Rent	416	54	54	0
Other operating costs	755	71	109	37
DIP interest, fees and costs	852	331	328	(4)
PMSI priority payments	-	-	254	254
Professional fees and costs	2,994	205	207	3
<b>Total disbursements</b>	<b>14,117</b>	<b>1,540</b>	<b>1,971</b>	<b>431</b>
<b>Net cash flow from operations</b>	<b>(4,865)</b>	<b>(438)</b>	<b>(298)</b>	<b>(140)</b>
DIP draws (repayments)	4,865	438	298	(140)
<b>Net cash flow from financing</b>	<b>4,865</b>	<b>438</b>	<b>298</b>	<b>(140)</b>
<b>Net cash flow</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Interim Financing (DIP Facility)</b>				
<b>Maximum Available DIP</b>	<b>\$ 6,500</b>	<b>\$ 6,500</b>	<b>\$ 6,500</b>	
<b>Opening Drawn Balance</b>	<b>\$ 1,243</b>	<b>\$ 5,669</b>	<b>\$ 5,669</b>	<b>\$ -</b>
Draws (Repayments)	4,865	438	298	(140)
Ending DIP Balance (Cash)	<b>6,107</b>	<b>6,107</b>	<b>5,967</b>	<b>(140)</b>
<b>DIP Availability during the Period</b>	<b>\$ 393</b>	<b>\$ 393</b>	<b>\$ 533</b>	<b>\$ (140)</b>
<b>Australian Dealer Collections</b>				
Opening Cash Balance	\$ -	\$ 7,382	\$ 7,382	\$ -
Collections	7,483	-	-	-
Draws	(628)	(527)	(667)	140
<b>Ending Cash Balance</b>	<b>\$ 6,855</b>	<b>\$ 6,855</b>	<b>\$ 6,715</b>	<b>\$ 140</b>

19. Over the Reporting Period, the Company experienced an unfavorable cash flow variance of approximately \$140,000 as a result of various permanent and temporary circumstances, which primarily related to:

- a) Whole goods and parts collections were \$424,000 lower than forecast due in part to temporary differences with respect to timing of collections;
- b) Draws on the EDC insured foreign receivables were lower than expected as a result of lower production and operating cost disbursements overall;
- c) Production costs were \$103,000 lower than forecast due to timing differences. Procurement of raw materials to satisfy the 2021 Australian Order is expected to increase production costs in the near term;
- d) Payroll and pension costs were \$56,000 lower than forecast due to timing differences with respect to pension payments; and
- e) Purchase money security interest priority payments are lower than forecast due to timing differences pending review of the security interests and review of cost allocations.

#### **UPDATED CASH FLOW FORECAST**

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

<b>MORRIS GROUP</b> <b>6 Week Cash Flow Forecast</b> <b>For the Period August 10, 2020 to September 18, 2020</b> <b>(in CAD \$000s)</b>	
<b>Receipts</b>	
Whole goods and parts collections	\$ 681
Sale of excess inventory	44
Canada Emergency Wage Subsidy receipts	632
<b>Total Receipts</b>	<b>1,358</b>
<b>Disbursements</b>	
Production costs	\$ 2,765
Operating expenses	187
Insurance costs	48
Payroll and pension	1,007
Rent	54
Other operating costs	134
DIP interest, fees and costs	72
PMSI priority payments	254
Professional fees and costs	668
<b>Total Operating Disbursements</b>	<b>5,189</b>
<b>Net Cash Flow</b>	<b>\$ (3,832)</b>
DIP Draw (Repayments)	-
<b>Net Cash Flow Remaining</b>	<b>\$ (3,832)</b>
<b>EDC Insured Foreign Receivables Previously Collected</b>	<b>\$ 7,483</b>
Opening balance	6,855
Forecast collections	-
Net cash flow remaining	(3,832)
<b>Ending cash available</b>	<b>\$ 3,024</b>
<b>Interim Financing Availability (Max)</b>	<b>\$ 6,500</b>
Opening balance	6,107
DIP draws (repayments)	-
<b>Ending balance</b>	<b>\$ 6,107</b>
<b>Remaining Interim Financing Availability</b>	<b>\$ 393</b>

21. By the end of Forecast Period, the ending cash available is projected to be \$3.0 million, which will allow the Company the option to repay a portion of the existing DIP loan drawn of approximately \$6.1 million. Accordingly, it is estimated that the remaining interim financing availability will be approximately \$393,000 primarily based on 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 Company, over the Forecast Period, is expected to generate approximately \$4.0 million in accounts receivable as a result of production and shipments with respect

to purchases from the Company's Australian Dealer. These accounts receivable are also anticipated to be collected within the next three months from the date of this Report.

23. The Monitor's comments with respect to the Eighth Cash Flow Forecast are as follows:

- a) Whole goods and parts collections total approximately \$681,000, of which \$287,000 relate to whole goods orders and \$394,000 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 Prior Reports. Two additional applications for CEWS will be submitted and are expected to be received at the end of August 2020 and September 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) Professional fees and disbursements of the Monitor and its counsel for the period of July and August 2020 are paid during the Forecast Period, which also include estimated retainers for the anticipated bankruptcy process; and
- f) 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.

24. The Eighth 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 Eighth 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**

25. 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 June 30, 2020.
26. 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 July 1, 2020 to July 31, 2020.
27. Professional fees and disbursements rendered by the Monitor, from July 1, 2020 to July 31, 2020, total \$176,522.07 (exclusive of GST). These fees include those of the Monitor and its affiliated company, Alvarez & Marsal Canada Securities ULC, totaling \$22,656.25, with corresponding additional expenses incurred and made on behalf of the Company totalling \$1,630.82. The accounts will be made available upon request and are summarized in Appendix B to this Report.
28. Professional fees and disbursements rendered by MLT Aikins LLP, the Monitor's counsel, from July 1, 2020 to July 31, 2020, total \$102,097.89 (exclusive of GST and PST). The accounts will be made available upon request and are summarized in Appendix B to this Report.

29. 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.
30. 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 June 30, 2020. These payments are reflected in the actual cash flow receipts and disbursements discussed above. Payment of the Monitor and the Monitor's legal counsel's professional fees and costs for the period July 1 to 31, 2020 are contemplated in the Eighth Cash Flow Forecast.
31. 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.
32. The Monitor and its legal counsel anticipate rendering invoices for their respective fees and disbursements for services rendered in August of 2020 in the near term. These professional fees and disbursements are contemplated in the Eighth 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**

33. Pursuant to the Initial Order, the stay period is set to expire on August 31, 2020. As described in the application materials filed on August 14, 2020, the Companies



are seeking an Order granting an extension of the stay period from August 31, 2020 to September 18, 2020 (the “**Sixth Stay Extension Order**”).

34. The Monitor has considered various factors with respect to the Morris Group’s application for the Sixth Stay Extension Order to September 18, 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 with which to operate until satisfaction of conditions of the SFLP APA and 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.

35. 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 any material prejudice to the Morris Group’s stakeholders should the proposed stay extension to September 18, 2020 be granted by this Honourable Court.

36. The Monitor will continue to work with SFLP in order to satisfy the conditions of the SFLP APA’s and seek Court approval of the APA’s in due course.

## **MONITOR'S RECOMMENDATION**

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

- a) the proposed Sixth Stay Extension Order to September 18, 2020;
- b) an order approving the fees and disbursements of the Monitor and its legal counsel for the period from July 1 to July 31, 2020; and
- c) an Order approving the Monitor's actions, activities and conduct as described in this Report.

All of which is respectfully submitted to this Honourable Court this 14<sup>th</sup> day of August 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**

### **Eighth Cash Flow Forecast**

**MORRIS GROUP**  
**6 Week Cash Flow Forecast**  
**For the Period August 10, 2020 to September 18, 2020**  
*(in CAD \$000s)*

<i>Week ended</i>	<i>Notes</i>	<b>Week 1</b> <b>14-Aug-20</b>	<b>Week 2</b> <b>21-Aug-20</b>	<b>Week 3</b> <b>28-Aug-20</b>	<b>Week 4</b> <b>4-Sep-20</b>	<b>Week 5</b> <b>11-Sep-20</b>	<b>Week 6</b> <b>18-Sep-20</b>	<b>Week 1 to 6</b> <b>Total</b>
<b>Receipts</b>								
Whole goods and parts collections	1	\$ 98	\$ 307	\$ 153	\$ 74	\$ 24	\$ 24	\$ 681
Sale of excess inventory	2	-	8	-	-	-	36	44
Canada Emergency Wage Subsidy receipts	3	-	-	332	-	-	300	632
<b>Total Receipts</b>		<b>98</b>	<b>315</b>	<b>486</b>	<b>74</b>	<b>24</b>	<b>360</b>	<b>1,358</b>
<b>Disbursements</b>								
Production costs	4	41	608	504	504	504	604	2,765
Operating expenses	5	13	64	30	11	5	64	187
Insurance costs	6	-	16	17	-	-	16	48
Payroll and pension costs	7	-	315	62	315	-	315	1,007
Rent	8	-	-	54	-	-	-	54
Other operating costs	9	3	10	45	62	13	2	134
DIP interest, fees and costs	10	-	5	-	62	-	5	72
PMSI priority payments	11	-	-	-	254	-	-	254
Professional fees and costs	12	-	411	-	-	-	258	668
<b>Total Operating Disbursements</b>		<b>58</b>	<b>1,428</b>	<b>712</b>	<b>1,208</b>	<b>521</b>	<b>1,263</b>	<b>5,189</b>
<b>Net Cash Flow</b>		<b>\$ 41</b>	<b>\$ (1,113)</b>	<b>\$ (227)</b>	<b>\$ (1,134)</b>	<b>\$ (497)</b>	<b>\$ (903)</b>	<b>\$ (3,832)</b>
DIP Draw (Repayments)	10	-	-	-	-	-	-	-
<b>Net Cash Flow Remaining</b>		<b>\$ 41</b>	<b>\$ (1,113)</b>	<b>\$ (227)</b>	<b>\$ (1,134)</b>	<b>\$ (497)</b>	<b>\$ (903)</b>	<b>\$ (3,832)</b>
<b>EDC Insured Foreign Receivable Previously Collected</b>								
Opening cash balance	13	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483
		6,855	6,896	5,784	5,557	4,423	3,926	6,855
Forecast Foreign A/R collections		-	-	-	-	-	-	-
Net cash flow per above		41	(1,113)	(227)	(1,134)	(497)	(903)	(3,832)
<b>Ending cash available</b>		<b>\$ 6,896</b>	<b>\$ 5,784</b>	<b>\$ 5,557</b>	<b>\$ 4,423</b>	<b>\$ 3,926</b>	<b>\$ 3,024</b>	<b>\$ 3,024</b>
<b>Interim Financing Availability (Max)</b>								
Opening balance	13	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500
		6,107	6,107	6,107	6,107	6,107	6,107	6,107
DIP draw (repayments)		-	-	-	-	-	-	-
<b>Ending balance</b>		<b>\$ 6,107</b>	<b>\$ 6,107</b>	<b>\$ 6,107</b>	<b>\$ 6,107</b>	<b>\$ 6,107</b>	<b>\$ 6,107</b>	<b>\$ 6,107</b>
<b>Remaining Interim Financing Availability</b>		<b>\$ 393</b>	<b>\$ 393</b>	<b>\$ 393</b>	<b>\$ 393</b>	<b>\$ 393</b>	<b>\$ 393</b>	<b>\$ 393</b>

## NOTES AND ASSUMPTIONS

### 6 Week Cash Flow Forecast

#### Notice to Reader

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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. Parts collections have declined due to the end of the seeding season and the forecast is based on the latest estimate from the Management of the Parts division. The Company is currently negotiating an agreement that contemplates a material order from the Australian Dealer and, if executed, would result in significant collections in the fall/winter of 2020.
- 2 Sale of excess inventory consists of estimated net proceeds from the put back of the remaining unused equipment to third party equipment
- 3 Canada Emergency Wage Subsidy ("CEWS") receipts were received in June and July 2020 following approval of four applications. A fifth application for the CEWS in the amount of approximately \$332,000 will be submitted and the corresponding receipt is expected to be received before the end of August 2020. A sixth application for period six is expected to be received in September.
- 4 Production costs include approximately \$2.3 million of raw material purchases for the Australian order production as discussed in Note 1.
- 5 Estimated costs associated with ongoing production and operating activities.
- 6 Insurance includes group and corporate insurance policies with scheduled monthly payments.
- 7 The Work Share program effectively reducing hours to 80% has been extended through to March 27, 2021. Four applications for government relief under the Canada Emergency Wage Subsidy program were submitted and accepted in June and July 2020 and subsidies have been received by the Company. A fifth and sixth application for CEWS will be submitted and corresponding funds are expected to be received at the end of August and September 2020, respectively.
- 8 Rent includes lease payments for all of Morris' currently occupied premises.
- 9 Other operating costs includes payments of WCB insurance, bank fees, utilities, software, IT, travel and related costs.
- 10 Legal professional fees and costs associated with securing and servicing the necessary in place DIP Facility, which bears an interest rate of 12%.
- 11 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.
- 12 Expected professional fees to be incurred by Morris' professional and legal advisors as well as the CCAA Monitor and Monitor's counsel.
- 13 The EDC insured foreign receivables collected to date total \$7.5 million and represent the net accounts receivable. \$6.9 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. 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. Approximately \$240,000 is expected to be collected in October 2020 for payment of product shipped in June 2020. Additionally, product with a total sales value of approximately \$721,000 were shipped on July 29, 2020 and August 13, 2020 with receipts due and to be collected in 120 days.

## **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 July 1, 2020 to July 31, 2020**

<b>Invoice</b>	<b>Period</b>	<b>Fees</b>	<b>Disbursements</b>	<b>Sub-total</b>	<b>GST</b>	<b>PST</b>	<b>Total</b>
<b>Alvarez &amp; Marsal Canada</b>							
	Corporate Restructuring						
8	Jul.1-31/20	152,235.00	1,630.82	153,865.82	7,693.29	-	161,559.11
		152,235.00	1,630.82	153,865.82	7,693.29	-	161,559.11
	Corporate Finance						
8	Jul.1-31/20	22,656.25	-	22,656.25	1,132.81	-	23,789.06
		22,656.25	-	22,656.25	1,132.81	-	23,789.06
	Total						
8	Jul.1-31/20	174,891.25	1,630.82	176,522.07	8,826.10	-	185,348.17
		<b>\$ 174,891.25</b>	<b>\$ 1,630.82</b>	<b>\$ 176,522.07</b>	<b>\$ 8,826.10</b>	<b>\$ -</b>	<b>\$ 185,348.17</b>
<b>MLT Aikins LLP</b>							
7	Jul.1-31/20	100,918.00	1,179.89	102,097.89	5,085.80	6,055.08	113,238.77
		<b>\$ 100,918.00</b>	<b>\$ 1,179.89</b>	<b>\$ 102,097.89</b>	<b>\$ 5,085.80</b>	<b>\$ 6,055.08</b>	<b>\$ 113,238.77</b>