

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 **SIXTEENTH REPORT OF THE MONITOR**

**March 23, 2021**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

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## **TABLE OF CONTENTS OF THE SIXTEENTH REPORT OF THE MONITOR**

|  |           |
|--|-----------|
| <b>INTRODUCTION .....</b>                                      | <b>3</b>  |
| <b>PURPOSE.....</b>  | <b>4</b>  |
| <b>TERMS OF REFERENCE AND DISCLAIMER .....</b>                 | <b>6</b>  |
| <b>ACTIVITIES OF THE MONITOR.....</b>                          | <b>8</b>  |
| <b>FINAL CASH FLOW RESULTS .....</b>                           | <b>10</b> |
| <b>UPDATE ON THE MEL TRANSACTION.....</b>                      | <b>12</b> |
| <b>APPLICATION FOR RECEIVERSHIP AND BANKRUPTCY ORDERS.....</b> | <b>13</b> |
| <b>CASH FLOW FORECAST TO CONCLUDE MEL TRANSACTION .....</b>    | <b>16</b> |
| <b>THE CONTOUR PROPERTY.....</b>                               | <b>17</b> |
| <b>CONTOUR CASH FLOW FORECAST .....</b>                        | <b>18</b> |
| <b>PROPOSED INTERIM DISTRIBUTION .....</b>                     | <b>20</b> |
| <b>APPROVAL OF PROFESSIONAL FEES AND EXPENSES .....</b>        | <b>21</b> |
| <b>DISCHARGE OF THE MONITOR .....</b>                          | <b>23</b> |
| <b>EXTENSION OF THE STAY OF PROCEEDINGS .....</b>              | <b>23</b> |
| <b>MONITOR’S RECOMMENDATION .....</b>                          | <b>24</b> |

## **LISTING OF APPENDICES TO THE SIXTEENTH REPORT OF THE MONITOR**

|                   |   |
|-------------------|---|
| <b>APPENDIX A</b> | <b>Sources and Uses Forecast</b>                                |
| <b>APPENDIX B</b> | <b>Summary of Fees and Costs of the Monitor and its Counsel</b> |

## 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**” or “**Contour**”) 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 administration charge (the “**Administration Charge**”) and a directors’ charge (the “**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, 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 “**Interim Lender’s 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.

6. On December 18, 2020, the Court granted an Order (the “**SLFP Sale Order**”) approving the transaction (the “**SFLP Transaction**”) contemplated in the executed revised asset purchase agreement (the “**Revised APA**”) between MIL and CRI (by and through the Monitor), on the one hand, and 102114983 Saskatchewan Ltd. (to be renamed “Morris Equipment Ltd.”) (the “**Purchaser**” or “**MEL**”) on the other, as well as approving the Letter of Understanding (“**LOU**”) dated November 30, 2020 between MIL and CRI (by and through the Monitor) and the Retail Wholesale and Department Store Union, Local 955 (the “**Union**”).
7. On March 5, 2021, the Court granted an Order (the “**MEL Sale Order**”) approving the transaction (the “**MEL Transaction**”) contemplated in the executed new asset purchase agreement dated March 2, 2021 (the “**New APA**”), which replaced the transaction contemplated in the Revised APA. As discussed below in greater detail, the MEL Transaction closed on March 18, 2021.
8. 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**

9. The purpose of this sixteenth report (the “**Report**” or “**16<sup>th</sup> 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 fifteenth report dated March 2, 2021 (the “**15<sup>th</sup> Report**”);

- b) a comparison of the Morris Group's final actual cash receipts and disbursements to the cash flow forecast appended to the Fourteenth Report of the Monitor (the "**13<sup>th</sup> Cash Flow Forecast**") for the period of February 8, 2021 to March 12, 2021;
- c) an update on the Monitor's and the Purchaser's efforts with respect to closing the MEL Transaction contemplated in the New APA and forecast "sources and uses" of funds received on the closing date of the MEL Transaction (the "**MEL Transaction Funds**");
- d) the proposed interim distribution ("**Interim Distribution**") of funds from the Morris Group to BMO Bank of Montreal ("**BMO**") in accordance with the priority of claims within the CCAA Proceedings,
- e) the post closing requirements of the Monitor and the requirement for A&M to be appointed as receiver (the "**Proposed Receiver**") of the properties, assets and undertakings of 672, MIL, MSS and MUSA (collectively, the "**Dormant Companies**") in order to carry out the final administrative duties and to satisfy the conditions of the MEL Transaction;
- f) the Monitor's sales and marketing efforts respecting Contour's real property located in Yorkton, Saskatchewan and vacant land located in Virden, Manitoba;
- g) the cash flow forecast for Contour for the period of March 13, 2021 to July 30, 2021;
- h) BMO's Application for Bankruptcy Order against the Dormant Companies and BMO's application for an Order appointing A&M as receiver of the property, assets and undertakings of the Dormant Companies;

- i) the request for approval of the Monitor's activities, actions and activities and the professional fees and costs of the Monitor and its legal counsel, including Forecast Fees and Costs (defined below);
  - j) a request for the discharge of the Monitor and the termination of the CCAA Proceedings in regard to the Dormant Companies;
  - k) the request for a further extension of the Stay of Proceedings solely Contour to July 30, 2021; and
  - l) the recommendations of the Monitor in regard to the matters described above.
10. 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.
11. All references in this Report to dollars are in Canadian currency.

## **TERMS OF REFERENCE AND DISCLAIMER**

12. 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.
13. 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.
14. 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

15. Since the 15<sup>th</sup> 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, employees and secured creditors and their respective legal counsel, including with the continuing involvement of the Monitor's independent legal counsel, MLT Aikins LLP ("**MLTA**");
- c) significant efforts and communications with the secured creditors, MLTA and the purchaser (Morris Equipment Ltd) in closing the MEL Transaction on March 18, 2021;
- d) continuing to assist the Company in collection and payment efforts during the Reporting Period (as defined below);
- 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 mainly in respect of firm orders and forecast orders from the Company's major customer located in Australia and for forecast whole goods and parts orders in the North American and European markets;
- g) reviewing month-end reporting of inventory, accounts receivable balances and other working capital items, to the primary secured creditor and the interim financing lender, 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 orders from the Australian Dealer and purchase orders required to meet forecast demand for whole goods and parts orders in the North American and European markets;
- i) assisting with negotiations of the final documents required to close the MEL Transaction, with comments and involvement from the Companies’ senior secured creditors, BMO and Farm Credit Canada (“FCC”). The Company and the Purchaser closed the MEL Transaction on March 18, 2021;
- j) reviewing inbound interest from other potential capital providers or purchasers as it relates to the sale of significant portions of the assets of the Morris Group in CCAA;
- k) continuing discussions, due diligence assistance, operational planning and negotiations with SFLP in respect of transitional planning for forecast whole goods and parts orders for the North American and European market;
- l) terminating the employment of all employees of MIL (both union and non-unionized employees) effective as of March 12, 2021; and
- m) holding ongoing discussions with BMO and FCC related to the New APA, the CCAA Proceedings and pending bankruptcy and receivership applications forthcoming from BMO.

## FINAL CASH FLOW RESULTS

16. The Company's actual cash receipts and disbursements compared to the 13<sup>th</sup> Cash Flow Forecast for the period from February 8, 2021 to March 12, 2021 (the "Reporting Period"), appended to the 14<sup>th</sup> Report of the Monitor are summarized below:

| <b>MORRIS GROUP</b><br><b>Cash Flow Variance Analysis</b><br><b>For the period February 8, 2021 to March 12, 2021</b><br><b>(In CAD \$000s)</b> |  |   |                   |                 |
|---|--|---|-------------------|-----------------|
|   | <b>Jan 8, 2020 to<br/>Mar 12, 2021</b> | <b>February 8, 2021 to<br/>March 12, 2021</b> |                   |                 |
|   | Actual                                 | Actual  | Forecast          | Var (\$)        |
| <b>Receipts</b>   |  |   |                   |                 |
| Whole goods and parts collections   | \$ 12,011                              | \$ 799  | \$ 394            | \$ 405          |
| Draw on EDC insured foreign receivable  | 7,490                                  | -   | -                 | -               |
| Sale of excess inventory  | 1,644                                  | -   | -                 | -               |
| CEWS and CERS receipts  | 2,446                                  | -   | 11                | (11)            |
| Other collections   | 358                                    | 2   | -                 | 2               |
| <b>Total receipts</b>   | <b>23,949</b>                          | <b>802</b>                                    | <b>406</b>        | <b>396</b>      |
| <b>Disbursements</b>  |  |   |                   |                 |
| Production costs  | 6,852                                  | 57  | 121               | 65              |
| Operating expenses  | 2,568                                  | 99  | 119               | 20              |
| Critical Suppliers  | 252                                    | -   | -                 | -               |
| Wind down of MSS  | 63                                     | -   | -                 | -               |
| Insurance costs   | 1,099                                  | 147   | 125               | (23)            |
| Union settlement  | 118                                    | -   | 572               | 572             |
| Payroll and pension   | 10,223                                 | 639   | 539               | (100)           |
| Marketing costs   | 50                                     | -   | -                 | -               |
| Rent and property taxes   | 1,291                                  | 54  | 7                 | (46)            |
| Other operating costs   | 1,509                                  | 52  | 117               | 65              |
| DIP interest, fees and costs  | 1,211                                  | -   | 68                | 68              |
| PMSI priority payments  | -                                      | -   | -                 | -               |
| Professional fees and costs   | 3,971                                  | -   | 902               | 902             |
| <b>Total disbursements</b>  | <b>29,207</b>                          | <b>1,047</b>                                  | <b>2,571</b>      | <b>1,523</b>    |
| <b>Net cash flow from operations</b>  | <b>(5,258)</b>                         | <b>(246)</b>                                  | <b>(2,165)</b>    | <b>1,919</b>    |
| DIP draws (repayments)  | 5,258                                  | 246   | 2,165             | 1,919           |
| <b>Net cash flow from financing</b>   | <b>5,258</b>                           | <b>246</b>                                    | <b>2,165</b>      | <b>1,919</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>\$ 6,254</b>                               | <b>\$ 6,254</b>   | <b>\$ -</b>     |
| Draws (Repayments)  | 5,258                                  | 246   | 2,165             | 1,919           |
| <b>Ending DIP Balance (Cash)</b>  | <b>6,500</b>                           | <b>6,500</b>                                  | <b>8,419</b>      | <b>1,919</b>    |
| <b>DIP Availability during the Period</b>   | <b>\$ (0)</b>                          | <b>\$ (0)</b>                                 | <b>\$ (1,919)</b> | <b>\$ 1,919</b> |
| <b>Australian Dealer Collections</b>  |  |   |                   |                 |
| Opening Cash Balance  | \$ -                                   | \$ -  | \$ -              | \$ -            |
| Collections   | 7,490                                  | -   | -                 | -               |
| Draws   | (7,490)                                | -   | -                 | -               |
| <b>Ending Cash Balance</b>  | <b>\$ -</b>                            | <b>\$ -</b>                                   | <b>\$ -</b>       | <b>\$ -</b>     |

17. Over the Reporting Period, the Company experienced a favourable cash flow variance of approximately \$1.9 millions as a result of delays in closing of the MEL Transaction and various permanent and temporary differences, which primarily related to:
- a) whole goods and parts collections that were \$405,000 higher than forecast primarily due to temporary differences with respect to timing of accounts receivable collections from RW Roads;
  - b) production and operating expenses that were \$85,000 lower than forecast due to temporary timing differences with respect to payment of certain operating costs;
  - c) payments made during the Reporting Period in regard to the union settlement were \$572,000 lower than forecast due to delays in making payments as a result of delays in closing the MEL Transaction. As previously reported, under the LOU, the union settlement amounts become payable after closing the MEL Transaction (subsequent to the Reporting Period);
  - d) payroll and pension costs were higher than forecast due to delays in closing the MEL Transaction. An additional amount of approximately \$425,000 of payroll costs have been incurred and will be paid out of the remaining MEL Transaction Funds; and
  - e) professional fees were \$902,000 lower than forecast as a result of delays in closing the MEL Transaction. The professional fees of the Monitor and its counsel, MLTA, have not been paid since November 2020. However, they have been approved up to and including January 31, 2021 by this Honourable Court. These outstanding fees are forecast fees and costs for February, March and future fees are expected to be paid from proceeds available from the closing of the MEL Transaction.

18. The actual cash receipts and disbursements together with the forecast “sources and uses” of the MEL Transaction Funds (described in more detail below) represent the anticipated final receipts and disbursements of the Morris Group to complete the outstanding tasks under the CCAA Proceedings. Subject to the granting of an Order of the Court approving of this proposed course of action, the Monitor proposes that these remaining outstanding tasks be completed by the proposed court-appointed Receiver, should this Honourable Court grant a Receivership Order and terminate the CCAA Proceedings in regard to the Dormant Companies. It is expected that Contour will remain under CCAA protection, should this Honourable Court grant a further extension to the CCAA stay of proceedings in regard to Contour. The forecast cash flows for Contour are separately discussed below.

#### **UPDATE ON THE MEL TRANSACTION**

19. As discussed in the 15<sup>th</sup> Report, the Monitor and MEL executed the New APA on March 2, 2021. The New APA contemplated the acquisition by MEL of substantially all of the inventory and fixed assets (property and equipment) of the Morris Group, save and except for the Companies’ real property located in Yorkton, Saskatchewan and vacant land located in Virden, Manitoba (the “**Contour Property**”). The New APA also contemplated the assumption by the Purchaser of all accounts receivable due to the Company by RW Roads Solutions Limited Partnership under the Australian Sales Agreement, as well as all other accounts receivable which are outstanding as of the MEL Transaction closing date. Furthermore, the Purchaser will assume all reasonable commercial liabilities relating to the Purchased Assets, related contracts, permits and licenses, save for the liabilities of the Company that were in existence as of the date of the Initial Order (other than liabilities owing to BMO and FCC which are being expressly assumed by MEL under the New APA).
20. On March 5, 2021, a sale approval and vesting order was granted by this Honourable Court respecting the New APA. The MEL Transaction contemplated under the New APA successfully closed on March 18, 2021 (the “**Closing Date**”).

## APPLICATION FOR RECEIVERSHIP AND BANKRUPTCY ORDERS

### Overview

21. As previously discussed in prior reports, BMO has brought forward Applications for Bankruptcy Orders against 672, MIL, MSS and MUSA. These applications were previously adjourned *sine die* so as to be heard subsequent to the closing of the MEL Transaction. Since the MEL Transaction has now closed, the Monitor understands that the bankruptcy applications are set to be heard by this Honourable Court on March 26, 2021. Should the bankruptcy orders be granted by this Honourable Court, the CCAA Proceedings will be terminated in regard to the Dormant Companies and a Licensed Insolvency Trustee (“**A&M Inc**” or “**LIT**”) will be appointed in regard to the Dormant Companies.
22. Certain outstanding matters remain that are required to be completed as a result of the closing of the MEL Transaction. Should the Bankruptcy Orders be granted by this Honourable Court on March 26, 2021, the Monitor will not yet have completed certain tasks:
  - a) regarding the distribution of proceeds from the MEL Transaction;
  - b) regarding making final payments due to various parties and stakeholders; and
  - c) regarding finalizing a proposed allocation of the costs of the CCAA Proceedings amongst all secured creditors of the Applicants.
23. Such final administrative tasks required to be completed respecting the Dormant Companies (the “**Administrative Tasks**”) include (without limitation):
  - a) collecting and distributing outstanding GST refunds and other payments from the Government of Canada as applicable;
  - b) paying the purchase money security interest amounts relating to two Kubota units and four DLL-financed units sold through the Ritchie

Bros. auction previously approved in these CCAA Proceedings (less associated costs to be allocated thereto);

- c) assisting in the review of raw material commitments made by RW Roads and SFLP as it relates to purchase orders made on behalf of MIL during the CCAA Proceedings. In particular, assisting the escrow agent in its review of funds collected by the Australian Dealer in trust and distributing those funds in accordance with the Escrow Agreement entered into between BMO, MLTA, MEL (the purchaser) and the Monitor) dated March 18, 2021;
- d) paying out remaining outstanding operating and productions costs incurred during the CCAA Proceedings that are not being assumed by MEL as part of the MEL Transaction;
- e) verifying certain working capital and other financial commitments related to the MEL Transaction, which may take up to 90 days after the Closing Date of the MEL Transaction to finalize;
- f) paying out outstanding professional fees and costs of A&M and MLT owing since November 2020 (as well as paying forecast professional fees and costs of A&M and MLTA); and
- g) preparing, evaluating and proposing a cost allocation methodology to allocate costs among the various secured creditors in the CCAA Proceedings and seeking approval from this Honourable Court of such proposed allocation of costs.

24. Should the Bankruptcy Orders be granted by this Honourable Court, the proposed LIT will likely not be in a position (by the nature of its appointment) to carry out the Administrative Tasks in a prompt and cost-effective manner. Further, and in particular, the LIT would statutorily be required to initially host a first meeting of creditors (“**FMO**C”) and:

- a) affirm the appointment of A&M Inc. and the LIT by the creditors at the FMOC;
  - b) discuss the affairs of the Dormant Companies and deliver the LIT's preliminary report on the administration of the estate. This includes educating and informing the creditors regarding the fifteen-month history of the CCAA Proceedings and notable developments therein;
  - c) appoint up to five inspectors ("**Inspectors**") (or no Inspectors) in each of the Dormant Companies;
  - d) receive instructions from the Inspectors to carry out certain duties (if required); and
  - e) (in certain cases) to apply to the Bankruptcy Court for advice and directions, as required;
25. As a result of these practical considerations and the limited role the LIT may play as it receives its instructions from its Inspectors or creditors (as the case may be), BMO, with the support of the Monitor, has suggested that, in order to allow for an effective transition of duties and the completion of the Administrative Tasks in a prompt and cost-effective manner, the appointment of A&M as Receiver to carry out the Administrative Tasks in a prompt and cost-effective manner is appropriate.
26. BMO has suggested that the Receiver will be in an enhanced position to carry out the Administrative Tasks promptly and cost effectively. As a result, it will not become necessary to burden the bankruptcy estates of the Dormant Companies with the costs required to complete the Administrative Tasks. The Monitor agrees with and endorses this proposed course of action and recommends it to the Court.

## **CASH FLOW FORECAST TO CONCLUDE MEL TRANSACTION**

27. On March 18, 2021, the Monitor (by its counsel) received the MEL Transaction Funds in trust as part of the closing of the MEL Transaction.
28. The MEL Transaction Funds will be used to pay various outstanding payables, including (without limitation):
  - a) repayment of the Interim Financing Facility, including unpaid accrued interest, of combined approximately \$6.56 million. This amount was paid on March 18, 2021 to the Interim Lender as authorized in the ARI Order, the Order (Extension of Stay of Proceedings and Other Relief) of the Honourable Mr. Justice R.W. Elson granted on the 27<sup>th</sup> day of March, 2020 and the Amended and Restated Interim Financing Term Sheet dated effective as of April 7, 2020;
  - b) outstanding professional fees of W Law LLP and Burnet, Duckworth & Palmer;
  - c) applicable transfer taxes related to the MEL Transaction;
  - d) final payroll costs due strictly in respect of those incurred in these CCAA Proceedings;
  - e) union settlement payments to all union employees, as contemplated under the LOU previously approved by this Court;
  - f) remaining outstanding operating and productions costs incurred during the CCAA Proceedings that are not being assumed by MEL as part of the MEL Transaction;
  - g) payment to the Monitor for estimated carrying costs of the Contour Property up to the requested stay extension date of July 30, 2021;



- h) purchase money security interest amounts relating to Kubota and other DLL-financed assets sold through the Ritchie Bros. auction during May of 2020;
  - i) priority payments for any accepted wage earner protection program applications;
  - j) actual professional fees and costs of A&M and MLTA for the period of November 1, 2020 to February 28, 2021. The Court previously approved fees up to and including January 31, 2021;
  - k) forecast professional fees and costs of A&M and MLTA for the period of March 1, 2021 to March 26, 2021 for the Monitor and fees and costs of the proposed Receiver to the date of its discharge;
  - l) bankruptcy retainers payable to A&M as trustee of the Dormant Companies; and
  - m) paying outstanding GST amounts, as applicable, in the CCAA Proceedings.
29. The Monitor has prepared a “sources and uses” forecast showing the MEL Transaction Funds received and the specific uses (disbursements) of these funds (the “**Sources and Uses Forecast**”). A copy of the Sources and Uses Forecast is attached to this Report as Appendix A.

## **THE CONTOUR PROPERTY**

30. The only remaining significant assets not being acquired by the Purchaser (MEL) are the real property (land) in Virden, Manitoba (“**Virden Land**”) and the lands and buildings in Yorkton, Saskatchewan which formerly comprised the Yorkton Plant (the “**Yorkton Property**”). Both of these realty assets are owned by Contour Realty. The Monitor is continuing to realize on these assets in the CCAA proceedings. In addition, as part of the MEL Transaction, the Monitor continues to

fulfill its obligation under the LOU to pay all unionized employees their entitlements, as discussed above.

31. As part of the Monitor's realization strategy, and as previously reported, the Monitor engaged Colliers International Inc. ("**Colliers**") to market and sell each of the Virden Land and the Yorkton Property in a process which began in December of 2020.
32. The Monitor is currently negotiating a purchase and sale agreement with an interested party respecting the Virden Land. Should the Monitor execute a final purchase and sale agreement, after all conditions have been met, the Monitor intends to seek a sale approval and vesting order from this Honourable Court.
33. The Monitor continues to market the Yorkton Property, with the assistance of Colliers, and will continue to provide updates to the secured lenders, BMO and FCC, with any material developments. The Monitor respectfully requires a further extension to the stay of proceedings for Contour in order to allow it to complete the sale of the Virden Land and to continue its marketing efforts in regard to the Yorkton Property.

#### **CONTOUR CASH FLOW FORECAST**

34. The table below provides a summary of the forecast operating receipts and disbursements to be collected and paid by the Monitor with respect to Contour (the "**First Contour Cash Flow Forecast**"). The below excludes any assumptions of realizations from the sale of respective property.

| <b>CONTOUR REALTY INC. (in CCAA)</b><br><b>Forecast Receipts and Disbursements</b><br><b>For the Period March 13, 2021 to July 30, 2021</b><br><i>(In CAD \$000s)</i> |           | <b>Forecast</b><br><b>Mar 13/21 to</b><br><b>Jul 30/21</b> |
|---|-----------|--|
| <b>Receipts</b>   |           |  |
| Transfer of union settlement amounts from MEL Transaction Funds   |           | 555  |
| Transfer of Yorkton/Virden carrying costs from MEL Transaction Funds  |           | 300  |
| Rental income   |           | TBD  |
| <b>Total Receipts</b>   | <b>\$</b> | <b>855</b>   |
| <b>Disbursements</b>  |           |  |
| Union settlement  |           | 555  |
| Property taxes  |           | 58   |
| Utilities   |           | 107  |
| Insurance   |           | 25   |
| Professional fees and costs - A&M and MLT   |           | 50   |
| Contingency   |           | 50   |
| <b>Total Disbursements</b>  | <b>\$</b> | <b>845</b>   |
| <b>Net cash flow (shortfall)</b>  | <b>\$</b> | <b>10</b>  |

35. The Monitor's comments with respect to the First Contour Cash Flow Forecast are as follows:

- a) Contour will collect approximately \$855,000 of the MEL Transaction Funds in order to fund the CCAA Proceedings up to July 30, 2021;
- b) Total forecast disbursements of approximately \$845,000 primarily consist of:
  - i. a \$555,000 payment to the union shortly after the Closing Date of the MEL Transaction, pursuant to LOU dated November 30, 2020;
  - ii. \$58,000 of property taxes related to the real property located in Yorkton, Saskatchewan;
  - iii. \$107,000 of utilities related to the real property located in Yorkton, Saskatchewan;
  - iv. \$25,000 of insurance costs related to the assets remaining in Contour;

- v. \$50,000 for professional fees and costs related to selling the Contour Property and winding down the CCAA Proceedings; and
  - vi. a \$50,000 contingency amount for any unforeseen expenditures that may arise during the CCAA Proceedings.
- 36. Contour will collect monthly rent from MEL (the Purchaser) for its temporary occupation of the Yorkton Property. These amounts have not been reported in the First Contour Cash Flow Forecast as the Monitor is currently in the process of negotiating the rental agreement with MEL. The rental period is expected to be no longer than six months. Amounts collected will be reflected in the future cash flows reported to this Honourable Court.
- 37. The First Contour 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 First Contour 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 16<sup>th</sup> Report or relied upon by the Monitor in preparing this 16<sup>th</sup> Report.

## **PROPOSED INTERIM DISTRIBUTION**

### **Proposed Interim Distribution**

- 38. As discussed above, the Monitor proposes to make an interim distribution from the MEL Transaction Funds to BMO in the approximate amount of \$933,477.74 (the “**Interim Distribution**”) in order to satisfy certain accrued interest payments outstanding on its loan accounts. BMO has informed the Monitor that BMO intends to receive the Interim Distribution and to hold same for a brief period in order to allow BMO to write-off the corresponding amounts of interest in its loan accounts. Thereafter, BMO intends to make available these funds to the Receiver by way of

Receiver's Borrowings in order to allow the Receiver to complete the Administrative Tasks.

### **Security Opinion**

39. The Monitor's independent counsel, MLTA, has performed a comprehensive review of the security held by BMO in the assets of the Applicants (the "**BMO Security**"). As a result, counsel to the Monitor has determined that, subject to qualifications and assumptions customary in matters of this nature, the BMO Security is valid and enforceable in accordance with its terms.
40. The Monitor is not aware of any other claimant that claims to rank in priority to the BMO Security (apart from the Administration Charge and the Directors' Charge).

### **APPROVAL OF PROFESSIONAL FEES AND EXPENSES**

41. As previously reported, the Monitor sought and received approval 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 and including January 31, 2021.
42. The Monitor respectfully 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 February 1, 2021 to February 28, 2021.
43. Professional fees and disbursements rendered by the Monitor from February 1, 2021 to February 28, 2021, total \$241,494.00 (exclusive of GST). These fees include those of the Monitor and its affiliated company, Alvarez & Marsal Canada Securities ULC, totaling \$59,812.50. The accounts will be made available upon request and are summarized in Appendix B to this Report.
44. Professional fees and disbursements rendered by MLT Aikins LLP, the Monitor's counsel, from February 1, 2021 to February 28, 2021, total \$59,523.25 (exclusive of GST and PST). The accounts will be made available upon request and are summarized in Appendix B to this Report.

45. 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.
46. 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 October 31, 2020. These payments are reflected in the actual cash flow receipts and disbursements discussed above.
47. Payment of the Monitor's and the Monitor's counsel's professional fees and costs for the period November 1, 2020 to February 28, 2021 are contemplated in the Sources and Uses Forecast.
48. 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 APAs, the Revised APA, the New APA and comprehensive communications with significant stakeholders involved in the CCAA Proceedings and closing the MEL Transaction, including the Union, Service Canada, 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.
49. The Monitor and its legal counsel anticipate rendering invoices for their respective fees and disbursements for services rendered in March of 2021 in the coming weeks. The Monitor believes that its fees and its counsel's fees and costs for March 1 to March 26, 2021 are estimated to be approximately \$175,000 and \$90,000 before GST. Given the pending bankruptcy applications for the Dormant Companies, the Monitor respectfully requests that this Honourable Court approve the payment of its fees and its counsel's forecast fees and costs (the "**Forecast Fees and Costs**") to conclude the CCAA Proceedings of the Dormant Companies, without the need for further order of this Honourable Court. The March accounts will be made available upon request by the secured lenders (if required).

## **DISCHARGE OF THE MONITOR**

50. Following the bankruptcy and receivership orders being granted for the Dormant Companies and the transition of the Administrative Tasks to the Receiver, the Monitor will file with this Honourable Court the Monitor's Certificate, indicating that all administrative matters related to the CCAA Proceedings of the Dormant Companies are complete.
51. Further, following the filing of the Monitor's Certificate, the Monitor will have completed its duties under the CCAA with respect to the CCAA Proceedings of the Dormant Companies. The Monitor requests that the Order of this Court provide that all claims against the Monitor, its officers, directors, employees and affiliates, in connection with its appointment or the performance of its duties as Monitor to the date of this Order thereafter be stayed, extinguished and forever barred and that the Monitor, its officers, directors, employees and affiliates, shall have no obligation or liability in respect thereof except for any liability arising out of gross negligence or wilful misconduct on the part of the Monitor.
52. The Monitor respectfully requests that this Honourable Court approve the Order discharging the Monitor of its duties under the CCAA, subject to transition of final administrative duties and the filing of the Monitor's Certificate as noted above, and the termination of these CCAA Proceedings as they relate to the Dormant Companies.

## **EXTENSION OF THE STAY OF PROCEEDINGS**

53. Pursuant to the Initial Order, the stay period is set to expire on March 31, 2021. As described in the application materials filed on March 23, 2021, the Companies are seeking an Order granting an extension of the stay period for Contour from March 31, 2021 to July 30, 2021.
54. The Monitor has considered various factors with respect to Contour's application for a further Stay Extension Order to July 30, 2021, including:

- a) the likelihood and timing of the Monitor selling the Contour Property with the assistance of its Sales Agent;
- b) whether or not there would be any material financial prejudice to any of Contour's creditors;
- c) the fact that Contour appears to have sufficient liquidity until July 30, 2021;
- d) the level of support for such an extension communicated by Contour's primary secured creditors;
- e) whether Contour is acting in good faith and with due diligence; and
- f) whether Contour's prospects of effecting a viable restructuring would be enhanced by an extension of the Stay of Proceedings.

55. The Monitor is of the view that Contour is (and continues to be) acting in good faith and with due diligence and that there would not be any material prejudice to the Contour's stakeholders should the proposed stay extension to July 30, 2021 be granted by this Honourable Court.

#### **MONITOR'S RECOMMENDATION**

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

- a) the proposed Stay Extension Order for Contour from March 31, 2021 to July 30, 2021;
- b) an order approving the actual fees and disbursements of the Monitor and its legal counsel for the period from February 1 to February 28, 2021 and the Forecast Fees and Costs from March 1, 2021 until the filling of the Monitor's Certificate;
- c) the Proposed Interim Distribution to BMO;



- d) the discharge of the Monitor and termination of the CCAA Proceedings related to the Dormant Companies following the filing of the Monitor's Certificate; and
- e) an Order approving the Monitor's actions, activities and conduct as described in this Report and the previous fifteen reports filed by the Monitor in these CCAA Proceedings.

All of which is respectfully submitted to this Honourable Court this 23<sup>rd</sup> day of March 2021.

**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**  
**Sources and Uses Forecast**

**MORRIS GROUP (in CCAA)**  
**MEL Transaction - Forecast Source and Uses**  
**For the Period March 13, 2021 to Discharge**  
**(In CAD \$000s)**

|   | Notes | Forecast<br>Mar 13/21 to<br>Discharge |
|---|-------|---------------------------------------|
| <b>MEL Transaction Closing Funds</b>  |       |                                       |
| Closing Funds received on March 18, 2021                                      | 1     | 10,544                                |
| Less repayment of interim financing (principle and interest)                  | 2     | (6,596)                               |
| Less BD&P legal fees  | 3     | (130)                                 |
| Less payment of Union Settlement to Contour                                   | 4     | (555)                                 |
| <b>Closing Funds Available as at March 22, 2021</b>                           |       | <b>\$ 3,263</b>                       |
| <b>Forecast Receipts</b>  |       |                                       |
| Funds advanced by BMO   | 5     | 731                                   |
| Collection of LOU promissory notes  | 6     | 420                                   |
| <b>Total Forecast Receipts</b>  |       | <b>\$ 1,151</b>                       |
| <b>Forecast Disbursements</b>   |       |                                       |
| Proposed interim distribution to BMO  | 7     | 933                                   |
| Final Payroll   | 8     | 425                                   |
| Operating and Production Costs  | 9     | 152                                   |
| Estimated PMSI priority payments  | 10    | 254                                   |
| Transfer taxes  | 11    | 194                                   |
| Payment of Yorkton/Virden operating costs to Contour                          | 12    | 300                                   |
| Professional Fees and Costs   | 13    |                                       |
| Actual professional fees and costs (Monitor and Counsel) - Nov 1 to Feb 28    |       | 1,071                                 |
| Estimated professional fees and costs (Monitor and Counsel) - Mar 1 to Mar 26 |       | 265                                   |
| Proposed Receiver's forecast fees and costs                                   |       | 150                                   |
| Professional fees and costs (W Law)   |       | 48                                    |
| Bankruptcy retainer (Trustee and Counsel)                                     | 14    | 150                                   |
| CRA priority payments   | 15    | 50                                    |
| WEPPA priority payments   | 16    | 336                                   |
| Contingency   | 17    | 85                                    |
| <b>Total Forecast Disbursements</b>   |       | <b>\$ 4,414</b>                       |
| <b>Net cash flow (shortfall)</b>  |       | <b>\$ -</b>                           |

**Notes**

- 1 - MEL Transaction Closing Funds paid to MLTA's trust account on March 18, 2021.
- 2 - Repayment of Interim Financing Facility principal and interest.
- 3 - Payment out outstanding BD&P legal fees.
- 4 - Transfer of funds to Contour in order to fund the union settlement payments pursuant to the LOU.
- 5 - Estimated funds to be advanced by BMO to cover the forecast disbursements.
- 6 - Collection of LOU promissory note amounts from Contour.
- 7 - Proposed interim distribution to BMO to satisfy certain accrued interest payments outstanding on its loan accounts.
- 8 - Final payroll for the Companies for the period of March 1 to 12, 2021. These amounts were paid on March 19, 2021.
- 9 - Remaining outstanding operating and production costs including raw material purchases and other costs associated with production and operating activities.
- 10 - Purchase money security interest relating to two Kubota units and four DLL-financed units sold through the Ritchie Bros. auction.
- 11 - Payment of applicable transfer taxes for the MEL Transaction.
- 12 - Transfer of funds to Contour for Yorkton Facility and Virden land holding costs.
- 13 - Payment of estimated total outstanding professional fees and costs to A&M and MLT, forecast professional fees and costs of the Proposed Receiver so it can carry out the final administrative duties and payment of outstanding W Law professional fees.
- 14 - Retainer payable to the Trustee for the bankruptcy proceedings of the Terminated Companies.
- 15 - Estimated CCAA period GST payable for Morris Sales and Service Ltd.
- 16 - Estimated WEPPA priority payment for accepted WEPPA claims of MIL employees.
- 17 - Contingency amount for any unforeseen expenditures that may arise.

## **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 February 1, 2021 to February 28, 2021**

| <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            |               |                      |                      |                      |                     |                    |                      |
| 15                                 | Feb. 1-28/21  | 181,681.50           | -                    | 181,681.50           | 9,084.08            | -                  | 190,765.58           |
| Corporate Finance                  |               |                      |                      |                      |                     |                    |                      |
| 15                                 | Feb. 1-28/21  | 59,812.50            | -                    | 59,812.50            | 2,990.63            | -                  | 62,803.13            |
| Total                              |               |                      |                      |                      |                     |                    |                      |
| 15                                 | Feb. 1-28/21  | <b>\$ 241,494.00</b> | <b>\$ -</b>          | <b>\$ 241,494.00</b> | <b>\$ 12,074.70</b> | <b>\$ -</b>        | <b>\$ 253,568.70</b> |
| <b>MLT Aikins LLP</b>              |               |                      |                      |                      |                     |                    |                      |
| 15                                 | Feb. 1-28/21  | 59,148.00            | 375.25               | 59,523.25            | 2,974.16            | 3,548.88           | 66,046.29            |
|                                    |               | <b>\$ 59,148.00</b>  | <b>\$ 375.25</b>     | <b>\$ 59,523.25</b>  | <b>\$ 2,974.16</b>  | <b>\$ 3,548.88</b> | <b>\$ 66,046.29</b>  |