



No. S209201
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

IN THE MATTER OF 1077 HOLDINGS CO-OPERATIVE (FORMERLY, MOUNTAIN EQUIPMENT
CO-OPERATIVE) AND 1314625 ONTARIO LIMITED

PETITIONERS

ELEVENTH REPORT OF THE MONITOR

ALVAREZ & MARSAL CANADA INC.

DECEMBER 1, 2021



ALVAREZ & MARSAL

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1.0 INTRODUCTION

- 1.1 On September 14, 2020, Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, the “**Petitioners**” or “**1077**”) were granted an initial order (the “**Initial Order**”) by the Supreme Court of British Columbia commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “**Stay Period**”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “**Monitor**”) during the CCAA Proceedings.
- 1.2 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “**Claims Process Order**”) setting a claims process (the “**Claims Process**”) by which creditors may confirm or prove their claims against the Petitioners.
- 1.3 On September 28, 2021, this Honourable Court pronounced an order further extending the Stay Period to December 10, 2021 (the “**Stay Extension Order**”).
- 1.4 Concurrent with this eleventh report of the Monitor dated December 1, 2021 (the “**Eleventh Report**”), the Monitor has filed a notice of application with this Honourable Court, returnable on December 7, 2021, seeking approval of an extension of the Stay Period through to June 10, 2022.
- 1.5 Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor’s website at www.alvarezandmarsal.com/mec.

2.0 PURPOSE

- 2.1 This Eleventh Report has been prepared by the Monitor in support of its application for an extension of the Stay Period to June 10, 2022, and to provide information to this Honourable Court in respect of the following:
 - a) the activities of the Monitor since the ninth report of the Monitor dated September 21, 2021 (the “**Ninth Report**”);
 - b) a status update on the Monitor’s administration of the Claims Process;
 - c) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the “**Sixth Cash Flow Forecast**”) as appended to the Ninth Report; and
 - d) an updated cash flow forecast for the period November 29, 2021 to June 10, 2022 (the “**Seventh Cash Flow Forecast**”) and comments in respect of same.

- 2.2 Background information, including capitalized terms not otherwise defined herein, are contained in the Initial Order, the amended and restated initial order pronounced on October 2, 2020 (the “ARIO”), the sale approval and vesting order pronounced on October 2, 2020, and the Monitor’s previous reports, and have not been repeated herein.

3.0 SCOPE LIMITATION

- 3.1 Certain of the information referred to in this Eleventh Report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

4.0 ACTIVITIES OF THE MONITOR

- 4.1 The activities of the Monitor since the Ninth Report have included the following:

Review of CCAA Court Materials

- a) reviewing draft Court application materials in consultation with the Monitor’s legal counsel;

Assisting with Post-Closing Matters related to the Sale Transaction

- b) reviewing documentation in respect of transferring certain contracts and accounts assumed by the Purchaser;
- c) reconciling deposits and corresponding with the Purchaser to coordinate the return of certain deposits received by the Petitioners that may belong to the Purchaser;

Administering the Claims Process

- d) administering the Claims Process in accordance with the Claims Process Order (including resolving disputed Claims, dealing with numerous enquiries with Claimants, and preparing application material for the purposes of referring a disputed Employee Claim to this Honourable Court for adjudication), as further described in section 5.0 of this report and as previously described in the Monitor’s prior reports;

Monitoring of Cash Receipts & Disbursements

- e) preparing and reviewing weekly payments as well as reconciling cash receipts and disbursements of the bank accounts of the Petitioners and trust accounts of the Monitor;
- f) consolidating and closing bank accounts of the Petitioners where appropriate;

Statutory and Other Responsibilities

- g) preparing the confidential tenth report of the Monitor dated October 25, 2021, and this Eleventh Report;
- h) reconciling and filing of post-filing GST returns as well as corresponding with the Canada Revenue Agency (“**CRA**”) regarding post-filing refunds;
- i) corresponding with the Ministry of Attorney General regarding filing returns, reconciling, and payment of the British Columbia employer health tax;
- j) attending to numerous telephone calls with and correspondence received from the CRA regarding reconciliation of pre-filing payroll withholdings remittances, amendments to banking details, the Monitor’s access to the tax accounts of 1314625 Ontario Limited, and other related matters;
- k) holding discussions with the Canada Border Services Agency (“**CBSA**”) and the former import and export broker of 1077, Expeditors Canada Inc. (“**Expeditors**”), to address CBSA’s request for amendments to pre-filing import declarations;
- l) attending to correspondence with the British Columbia and Nova Scotia Workers’ Compensation Boards;
- m) engaging KPMG LLP to assist with trade and customs recovery of levies applied by the CBSA for importation of certain goods;

Creditor and Other Stakeholder Matters

- n) receiving and responding to telephone and email enquiries from trade creditors, members, former employees and other interested parties; and

Other Matters

- o) reviewing information relating to and preparing for the wind-down of 1077’s interest in Park Towns Developments Limited Partnership, a residential townhouse project located in Toronto, Ontario (the “**Parktown Project**”).

5.0 CLAIMS PROCESS – STATUS UPDATE

Update of Claims Process

- 5.1 Capitalized terms used but not defined in this section of the Eleventh Report have the meaning ascribed to them in the Claims Process Order.
- 5.2 Tabled below is an updated summary of the Claims including the number and quantum of the Proofs of Claims submitted by Claimants and Employee Claimants, Notices of Revision or Disallowance (“**NORDs**”) issued by the Monitor, Claims accepted by the Monitor (the

“Accepted Claims”), and unresolved Claims that remain subject to dispute (the “Disputed Claims”):

1077 Holdings Co-operative and 1314625 Ontario Limited												
Summary of Claims												
as at November 29, 2021												
(in CAD 000's)												
	Proofs of Claim			Notice of Revision or Disallowance			Accepted Claims		Disputed Claims			
	No.	Claim Amount (\$)		No.	Disallowed Amount (\$)		No.	Accepted Amount (\$)		No.	Disputed Amount (\$)	
Landlord	8	\$	68,829	8	\$	72,855	6	\$	19,992	2	\$	983
Employee	47		3,750	45		2,105	227		8,830	-		-
Trade and other	40		9,956	32		7,836	14		2,299	-		-
Equity	2		1	2		1	-		-	-		-
Total	97	\$	82,536	87	\$	82,796	247	\$	31,121	2	\$	983

- 5.3 As at the date of this Eleventh Report, the Monitor has received 97 Proofs of Claim with a total claim value of approximately \$82.5 million and has responded to 87 Claimants through NORDs, except where the Proof of Claim had been withdrawn by the Claimant, accepted in its entirety by the Monitor, or is pending review by the Monitor.
- 5.4 Subsequent to filing the Ninth Report, total Accepted Claims have increased by \$16.4 million as a result of the Monitor and its legal counsel engaging in extensive discussions with Claimants and Employee Claimants with unresolved claims. As a result of these extensive settlement discussions and negotiations, the Monitor notes the following:
- a) settlement agreements have been reached with four additional landlord Claimants, one of which is pending execution of final documentation;
 - b) settlement agreements have been reached with the four remaining Employee Claimants, whose disputed Claims were previously detailed in the Ninth Report, pending the execution of final documentation by one Employee Claimant; and
 - c) the six remaining trade and other Claimants have withdrawn or otherwise settled their Claims, with one such Claimant still to execute final settlement documentation.
- 5.5 Following the Ninth Report, the Monitor received two additional Proofs of Claim totaling approximately \$48,000 from unsecured trade creditors. These additional Proofs of Claim are currently under review by the Monitor.
- 5.6 Accordingly, and as at the date of this Eleventh Report, there are 247 Accepted Claims totaling \$31.1 million that the Monitor has or is deemed to have accepted.

- 5.7 Any Claim that is unable to be resolved between a Claimant and the Monitor will be adjudicated by the Court or a Claims Officer at the sole discretion of the Monitor.

Disputed Claims

- 5.8 At present, and as a result of the extensive settlement discussions and negotiations detailed above, there are only two Disputed Claims, totaling \$983,000, that remain unresolved. These Disputed Claims pertain to the retail store previously located in St. Denis, Quebec (the “**St. Denis Property**”).
- 5.9 As detailed further in the Monitor’s Ninth Report, the lease in respect of the St. Denis Property was disclaimed effective October 16, 2020. Thereafter, two Proofs of Claim (collectively, the “**St. Denis Claim**”) were submitted: one was submitted by the previous landlord, 169159 Canada Inc. (“**169**”), and the second was submitted by Argo Partners (“**Argo**”), a party claiming to have been assigned the St. Denis Claim.
- 5.10 The Monitor has engaged in discussions with both 169 and Argo in an effort to resolve: (i) the dispute between 169 and Argo as to which party is entitled to assert the St. Denis Claim; and (ii) the quantum of the St. Denis Claim.
- 5.11 Discussions with and between 169 and Argo are ongoing, and the Monitor is hopeful that the parties will be able to reach a resolution of the St. Denis Claim without the need for adjudication by the Court and/or the Claims Officer.

6.0 ACTUAL CASH FLOW RESULTS COMPARED TO SIXTH CASH FLOW FORECAST

- 6.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has established a weekly cash flow review protocol to compare actual cash flows against the Sixth Cash Flow Forecast.
- 6.2 The Petitioners’ actual cash receipts and disbursements compared to the Sixth Cash Flow Forecast during the period from September 15, 2020 to November 28, 2021 is summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited
Cash Flow Variance Analysis
For the period September 15, 2020 to November 28, 2021
(in CAD 000's)

	For the 63 Weeks Ended November 28, 2021		
	Actual	Forecast	Variance
Receipts			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,628	-
Other receipts and letters of credit	3,802	3,777	24
GST refunds	150	-	150
Return of deposits	(516)	(556)	40
Total receipts	53,240	53,025	214
Disbursements			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,191	3,292	101
Insurance	145	145	-
Property taxes and other property liabilities	4,498	4,498	-
Statutory obligations	3,592	3,763	172
Consultants	63	63	-
Total disbursements	59,514	59,787	273
	(6,274)	(6,761)	487
Other disbursements			
KERP payments	778	778	-
Professional fees	5,050	5,117	66
Debt service	987	987	-
Contingency	574	604	30
Total other disbursements	(7,389)	(7,486)	96
Net proceeds from Sale Transaction (*)	30,411	30,411	-
Net Cash Flow	\$ 16,747	\$ 16,164	\$ 583
Opening Cash Balance	\$ 14,188	\$ 14,188	\$ -
Net Cash Flow	16,747	16,164	583
Ending Cash Balance	\$ 30,936	\$ 30,352	\$ 583

** Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.*

6.3 As at November 28, 2021, the closing cash balance held in trust by the Monitor totaled \$30.9 million. Certain variances in respect of the reported cash receipts and disbursements are as follows:

- total operating receipts were approximately \$214,000 higher than forecast primarily due to earlier than anticipated receipt of post-filing GST refunds; and
- total operating disbursements were approximately \$369,000 lower than forecast, primarily due to timing differences in respect of general and administrative costs, statutory obligations, and professional fees.

6.4 Since the Ninth Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform weekly variance reporting and approval of disbursements. Nothing

has come to the attention of the Monitor that causes the Monitor to believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.

7.0 UPDATED CASH FLOW FORECAST

7.1 The Seventh Cash Flow Forecast has been prepared by the Monitor for the period from November 29, 2021 to June 10, 2022 (the “**Forecast Period**”). The Seventh Cash Flow Forecast is attached herewith as Appendix “A” along with accompanying notes and assumptions. A summary of the Seventh Cash Flow Forecast is tabled below:

1077 Holdings Co-operative and 1314625 Ontario Limited Seventh Cash Flow Forecast For the 28 week period ending on June 10, 2022 (in CAD 000's)	
	<u>Forecast Period</u>
Receipts	
GST and other refunds	\$ 27
Return of deposits	(45)
Total receipts	(18)
Disbursements	
General and administrative	141
Property taxes and other property liabilities	27
Statutory obligations	168
Total disbursements	336
	(354)
Other disbursements	
Professional fees	824
Contingency	60
Total other disbursements	(884)
Net cash flow	\$ (1,238)
Opening cash balance (*)	\$ 30,936
Net cash flow	(1,238)
Ending cash balance	\$ 29,697
(*) Of the cash held in trust by the Monitor, \$26.5 million is invested in guaranteed investments certificates issued by a Canadian chartered bank.	

7.2 The Monitor’s comments with respect to the Seventh Cash Flow Forecast are as follows:

- a) forecast of receipts consist of the following:
 - i. GST and other refunds of \$27,000 relate to GST refunds anticipated for post-filing expenses incurred during the pendency of the CCAA Proceedings and other refunds with quantum that are not yet known at this time;
 - ii. return of deposits of approximately \$45,000 for funds received in error in the Petitioners’ bank accounts subsequent to the Closing Date, which may be returned to the Purchaser subject to final review and reconciliation of the amounts;

- b) forecast disbursements totaling \$1.2 million consist of the following:
 - i. general and administrative costs of approximately \$141,000 related to estimated costs for storage and destruction of electronic and physical records and fees for engaging Expeditors to review and amend pre-filing import declarations in response to an audit by the CBSA;
 - ii. property liabilities approximating \$27,000 in connection with unpaid post-filing rent amounts due to the landlord of a disclaimed realty lease. The Monitor is awaiting reconciliation from the landlord in respect of the outstanding amounts;
 - iii. statutory obligations of approximately \$168,000 comprised of \$162,000 relating to British Columbia employer health taxes estimated for the period September 15, 2020 to December 31, 2020. The Monitor has been corresponding with the Ministry of Finance to reconcile these amounts, as well as approximately \$1,400 related to payroll withholdings discrepancies for the 2019 year and \$4,800 related to CBSA import fee adjustments which is currently being reviewed by the Monitor; and
 - iv. professional fees of approximately \$824,000 for services provided by the Monitor and its legal counsel, and fees of the Claims Officer.

7.3 At present, the Monitor anticipates it will be holding approximately \$29.7 million at the end of the Forecast Period that will ultimately be made available to unsecured creditors once the outstanding Disputed Claims have been resolved. It is possible that this amount could increase due to additional recoveries from miscellaneous customs levy refunds and the monetization of the Petitioner's interest in the Parktown Project. However, estimates of those potential recoveries have not been reflected in the Seventh Cash Flow Forecast because these recoveries remain uncertain and the quantum, if any, cannot be reasonably approximated at this time.

7.4 The Seventh Cash Flow Forecast has been prepared solely for the purpose described in Note 1 on the face of the Seventh Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

8.0 STAY EXTENSION

8.1 Pursuant to the Stay Extension Order, the Stay Period will expire on December 10, 2021. The Monitor is seeking an extension of the Stay Period to June 10, 2022.

8.2 The Monitor believes the extended Stay Period of approximately six months is reasonable for the following reasons:

- a) during the proposed extension of the Stay Period, the Monitor will have an opportunity to:

- i. resolve the last remaining Disputed Claim and start the process of making a distribution to affected creditors via distribution order and/or prepare a potential plan of compromise and/or arrangement which may be presented to the creditors and stakeholders of the Petitioners;
 - ii. realize on residual assets and/or receivables of the Petitioners, including any trade and customs levy refunds and distributions resulting from the wind-up of the Parktown Project which may present material recoveries for the estate;
 - iii. attend to any remaining activities relating to the wind-down of the Petitioners' operations and business; and
 - iv. a longer extension of the Stay Period will obviate the need for the Monitor to schedule, and incur professional fees and other costs relating to, further applications before this Honourable Court while it focuses on a future distribution to the unsecured creditors of the Petitioners;
- b) the Seventh Cash Flow Forecast indicates that there is sufficient liquidity to continue operating during the requested extension of the Stay Period; and
 - c) no creditor or any stakeholders of the Petitioners would be materially prejudiced by the extension of the Stay Period.

9.0 RECOMMENDATIONS

9.1 The Monitor respectfully recommends that this Honourable Court grant an order approving an extension of the Stay Period through to June 10, 2022.

All of which is respectfully submitted to this Honourable Court this 1st day of December, 2021.

**Alvarez & Marsal Canada Inc.,
in its capacity as Monitor of
1077 and not in its personal or corporate capacity**

per: 

Todd M. Martin
Senior Vice President

Appendix A
Seventh Cash Flow Forecast

1077 Holdings Co-operative and 131465 Ontario Limited
Seventh Cash Flow Forecast (Note 1)
For the 28 week period ending on June 10, 2022
(Unaudited, in 000s CAD)

Week Week Ending	Notes	Week 1 Dec 5	Week 2 Dec 12	Week 3 Dec 19	Week 4 Dec 26	Week 5 Jan 2	Week 6 Jan 9	Week 7 Jan 16	Week 8 Jan 23	Week 9 Jan 30	Week 10 Feb 6	Week 11 Feb 13	Week 12 Feb 20	Week 13 Feb 27	Week 14 Mar 6	Week 15 Mar 13
Receipts																
GST and other refunds	2	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ -
Return of deposits	3	-	-	-	-	-	(45)	-	-	-	-	-	-	-	-	-
Total receipts		-	-	-	10	-	(45)	-	-	-	-	-	-	-	8	-
Disbursements																
General and administrative	4	18	1	0	10	24	-	-	3	10	-	5	0	60	-	-
Property taxes and other property liabilities	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Statutory obligations	6	-	-	-	1	-	-	-	167	-	-	-	-	-	-	-
Total disbursements		18	1	0	12	24	-	-	170	10	-	5	0	60	-	-
		(18)	(1)	(0)	(2)	(24)	(45)	-	(170)	(10)	-	(5)	(0)	(52)	-	-
Other disbursements																
Professional fees	7	45	106	145	-	5	-	-	80	-	-	-	60	-	-	-
Contingency	8	-	-	-	-	10	-	-	-	10	-	-	-	-	10	-
Total other disbursements		(45)	(106)	(145)	-	(15)	-	-	(80)	(10)	-	-	(60)	(10)	-	-
Net cash flow		\$ (64)	\$ (107)	\$ (145)	\$ (2)	\$ (39)	\$ (45)	\$ -	\$ (250)	\$ (20)	\$ -	\$ (5)	\$ (60)	\$ (62)	\$ -	\$ -
Opening cash balance		\$ 30,936	\$ 30,872	\$ 30,765	\$ 30,620	\$ 30,618	\$ 30,579	\$ 30,534	\$ 30,534	\$ 30,285	\$ 30,265	\$ 30,265	\$ 30,260	\$ 30,199	\$ 30,137	\$ 30,137
Net cash flow		(64)	(107)	(145)	(2)	(39)	(45)	-	(250)	(20)	-	(5)	(60)	(62)	-	-
Ending cash balance		\$ 30,872	\$ 30,765	\$ 30,620	\$ 30,618	\$ 30,579	\$ 30,534	\$ 30,534	\$ 30,285	\$ 30,265	\$ 30,265	\$ 30,260	\$ 30,199	\$ 30,137	\$ 30,137	\$ 30,137

1077 Holdings Co-operative and 131465 Ontario Limited
Seventh Cash Flow Forecast (Note 1)
For the 28 week period ending on June 10, 2022
(Unaudited, in 000s CAD)

Week Week Ending	Notes	Week 16 Mar 20	Week 17 Mar 27	Week 18 Apr 3	Week 19 Apr 10	Week 20 Apr 17	Week 21 Apr 24	Week 22 May 1	Week 23 May 8	Week 24 May 15	Week 25 May 22	Week 26 May 29	Week 27 Jun 5	Week 28 Jun 10	28 Week Total
Receipts															
GST and other refunds	2	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ -	\$ 27
Return of deposits	3	-	-	-	-	-	-	-	-	-	-	-	-	-	(45)
Total receipts		-	-	-	6	-	-	-	-	-	-	3	-	-	(18)
Disbursements															
General and administrative	4	0	10	-	-	0	-	-	-	0	-	-	-	0	141
Property taxes and other property liabilities	5	-	-	-	-	-	-	-	27	-	-	-	-	-	27
Statutory obligations	6	-	-	-	-	-	-	-	-	-	-	-	-	-	168
Total disbursements		0	10	-	-	0	-	-	27	0	-	-	-	0	336
		(0)	(10)	-	6	(0)	-	-	(27)	(0)	-	3	-	(0)	(354)
Other disbursements															
Professional fees	7	60	-	-	-	60	-	-	-	150	-	-	-	113	824
Contingency	8	-	10	-	-	-	10	-	-	-	-	10	-	-	60
Total other disbursements		(60)	(10)	-	-	(60)	(10)	-	-	(150)	-	(10)	-	(113)	(884)
Net cash flow		\$ (60)	\$ (20)	\$ -	\$ 6	\$ (60)	\$ (10)	\$ -	\$ (27)	\$ (150)	\$ -	\$ (7)	\$ -	\$ (113)	\$ (1,238)
Opening cash balance		\$ 30,137	\$ 30,077	\$ 30,058	\$ 30,058	\$ 30,064	\$ 30,004	\$ 29,994	\$ 29,994	\$ 29,967	\$ 29,817	\$ 29,817	\$ 29,810	\$ 29,810	\$ 30,936
Net cash flow		(60)	(20)	-	6	(60)	(10)	-	(27)	(150)	-	(7)	-	(113)	(1,238)
Ending cash balance		\$ 30,077	\$ 30,058	\$ 30,058	\$ 30,064	\$ 30,004	\$ 29,994	\$ 29,994	\$ 29,967	\$ 29,817	\$ 29,817	\$ 29,810	\$ 29,810	\$ 29,697	\$ 29,697

1077 Holdings Co-operative and 131465 Ontario Limited

Seventh Cash Flow Forecast

Notes and Assumptions

- 1 The weekly cash flow forecast of 1077 Holdings Co-operative and 1314625 Ontario Limited (collectively, "1077") for the period November 29, 2021 to June 10, 2022 has been prepared by the Monitor to set out the cash flow of 1077 (the "Seventh Cash Flow Forecast").

The Seventh Cash Flow Forecast has been prepared based on unaudited financial information and estimates of 1077's projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary and such variations may be material. Neither 1077 nor the Monitor makes any representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized.

The Seventh Cash Flow Forecast reflects estimates and assumptions summarized below with respect to operations most notably, that 1077 continues to operate within the protections afforded under the CCAA and the Amended and Restated Initial Order granted on October 2, 2020 during the CCAA Proceedings. The Seventh Cash Flow Forecast may be updated from time to time.

- 2 GST and other refunds relate to GST refunds anticipated for post-filing expenses incurred during the pendency of the CCAA Proceedings and other refunds with quantum that are not yet known at this time.
- 3 Return of deposits received by the Monitor subsequent to the Closing Date that relate to accounts receivable that may be for the account of the Purchaser, subject to review of supporting documentation provided by the Purchaser.
- 4 General and administrative costs include payment for storage and future staged destruction of electronic and physical records as well as broker consultation fees for reviewing and amending pre-filing import declarations in response to an audit by the Canada Border and Services Agency ("CBSA").
- 5 Property taxes and other property liabilities include rent for the post-filing occupancy period related to a disclaimed realty lease of a retail store location. The Monitor is awaiting reconciliation of the post-filing liability from the landlord.
- 6 Statutory obligations include estimates for the British Columbia Employer Health Tax for the post-filing period from September 15, 2020 to December 31, 2020 for which the Monitor has been communicating with the Minister of Finance and the Purchaser's payroll department to reconcile certain statements of account, as well as 2019 payroll withholdings deficiencies and CBSA import fees adjustments that may be payable, subject to the Monitor's review and reconciliation.
- 7 Professional fees are estimates of the professional services expected to be provided during the CCAA Proceedings and include fees of 1077's legal counsel, the Monitor and its legal counsel and the potential fees of the Claims Officer.
- 8 Contingency costs are included to account for any unexpected expenses and represent 5% of disbursements.